



UBP ASSET MANAGEMENT - ENGAGEMENT SUMMARY - 2023

June 2024

Union Bancaire Privée, UBP SA | Asset Management



UNION BANCAIRE PRIVÉE

UBP ASSET MANAGEMENT

ENGAGEMENT SUMMARY - 2023

Summary

This engagement summary outlines the stewardship practices and efforts undertaken by the Asset Management division of UBP (hereafter “UBP AM”) during the reporting period. As a responsible asset manager, we prioritize responsible investment strategies that align with our clients’ values while delivering financial performance.

Throughout the reporting period, we have remained committed to engaging with companies in our investment portfolios to promote environmental, social, and governance (ESG) best practices. Our stewardship process comprises actively engaging with issuers (directly or collaboratively) to promote best-practices, systematically engage on controversies with our engagement partner, and using proxy voting aimed at encouraging responsible business practices.

In addition to engagement, we have continued to integrate ESG factors into our investment decision-making process. By incorporating ESG analysis into our research and risk assessment frameworks, we seek to identify opportunities that not only generate financial returns but also contribute to positive social and environmental outcomes.

Transparency and accountability are central to our stewardship approach. This report provides detailed insights into our engagement activities and voting decisions, allowing stakeholders to assess our actions and hold us accountable to our commitments.

To enhance the transparency and the quality of our stewardship reports we have partnered with Maanch Ltd. Maanch is a cloud-based solution for engagement tracking. All investment teams have access to it and track their engagements centrally and the data is used for analysis and reporting.

Overview of UBP AM’s Stewardship Approach

Since becoming a signatory to the United Nations Principles for Responsible Investment (UN PRI) in 2012, UBP AM has significantly developed its responsible investment approach and its stewardship practices.

In order to respect our fiduciary duty, UBP AM interlaces traditional investment management approaches (i.e. asset allocation, macroeconomic research, fundamental financial analysis, and robust risk management) with responsible investment approaches, such as ESG integration and stewardship, which primarily seek to mitigate sustainability risks, as well as impact investing which seeks to contribute positively to the environment and society.

We view stewardship as an active and ongoing process, encompassing both the integration of ESG factors into our investment decisions and the active engagement with companies to drive positive change.

Central to our stewardship approach is the systematic, though tailored, integration of ESG considerations into our investment decision-making process. By incorporating ESG considerations into our investment models and risk assessment frameworks, we aim to identify companies that exhibit strong sustainability practices and demonstrate a commitment to addressing ESG-related risks and opportunities.

In addition to ESG integration, our stewardship approach emphasizes active engagement with companies in our investment portfolio, through:

- **direct engagement**
- **collaborative engagement**
- **systematic engagement** with engagement partner
- **proxy voting¹**

By engaging with companies on issues such as climate change, human rights, and corporate transparency, we seek to drive positive change, mitigate risks, and enhance long-term value for our clients and society.

Responsible Investment Approach

Each of our investment teams relies on its own research and models, tailoring their approach to the specific asset class. While the teams may share data, inputs, and views, they remain independent in their security selection.





Engagement is often asset class dependent. There are several centralised engagement themes typically consisting of controversies, global ESG themes, such as climate or biodiversity, or sector specific issues. Each team can select the direct engagement topic, tailored to the specific challenges faced by the company in question. On the other hand, collaborative engagements are conducted in a more centralised manner and monitored and tracked centrally.

Engagement Activities

Throughout 2023 we continued to engage directly and collaboratively with investee companies and utilised our ability of proxy voting.

¹ The 2023 proxy voting summary and full voting record are available on our [website](#).
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As part of our engagement strategies, we primarily leverage four interaction methods to communicate and engage with companies.

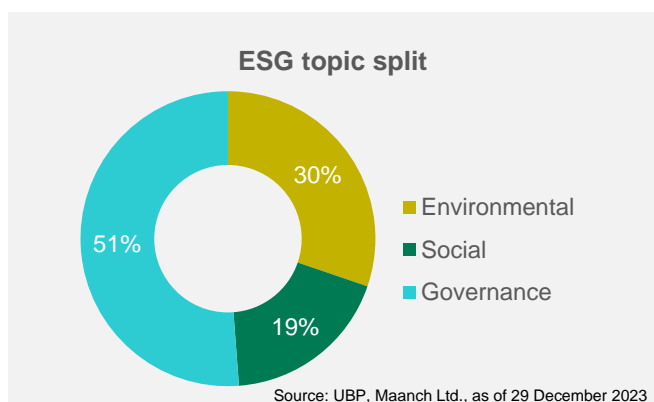
| | |
|---|--|
|  Email | Email correspondence is one of the main interaction channels for dialogues with our investment companies, offering efficiency and ease of documentation. |
|  In person | In-person meetings facilitate direct exchanges and detailed analyses of the case with clearer discussions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

Direct Engagement


Each investment team initiates direct engagement with corporates when deemed appropriate as part of their research process. This forms part of their investment and ESG integration process. For sovereign investments, collaborative engagement is the preferred method.

Before engaging, teams analyse the company, looking at its sustainability metrics and strategy, alongside other factors like industry dynamics or potential financial impact. Based on this, they work to find common ground with the companies, setting clear and, when possible, measurable objectives in areas such as governance, social responsibility, and environmental impact. They keep in touch with companies throughout the engagement to ensure progress aligns with our expectations.

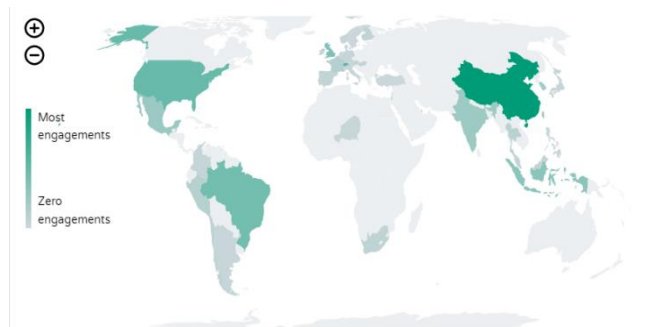
In 2023 we continued with our engagement and stewardship efforts and counted a total number of **direct interactions of 295** with **158 entities on 106 issues** compared to 369 interactions with 242 companies in 2022. The key takeaways are listed below:



There is often an overlap of topics covered in our interactions, however, for 2023, governance was the key topic covered in more than half of our direct engagements.

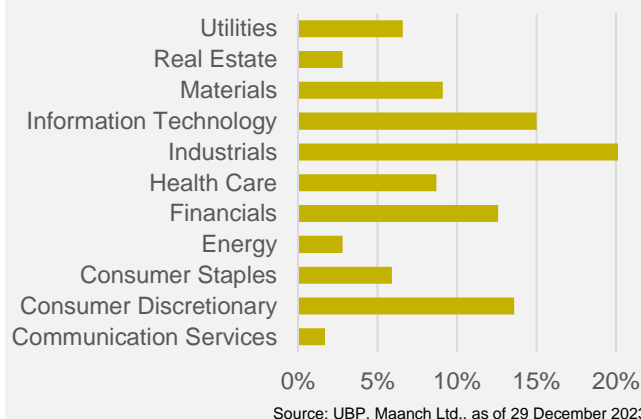
 Out of the 30% environmental interactions, **47%** touched on **climate** topics and issues.

Regional split



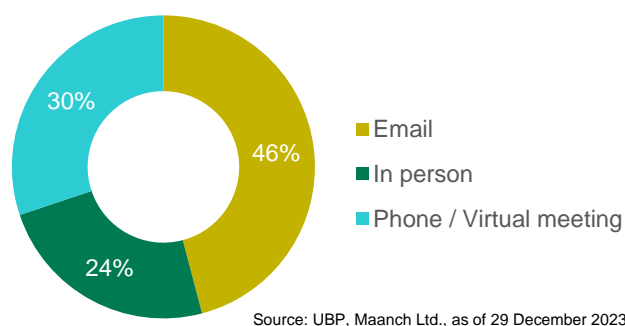
In 2023 most of our direct engagements were with entities from Europe and Asia. Combined these two regions make up more than 70% of our interactions. This is followed by North America with 11% and then Latin America with 9% and Central & Eastern Europe, Middle East, and Africa with 5%.

Sector overview



In line with the previous year, Industrials was the sector we engaged with the most in 2023. Together with Information Technology, Consumer Discretionary and Financials, the four sectors make up more than 60% of our engagements.

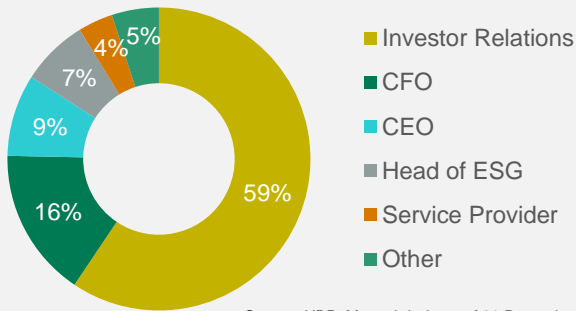
Interaction methods



In 2023 almost half of the interactions were based on emails. Emails are typically used for a first point of contact when reaching out to the company and then at a later stage, when possible, virtual or in person meetings are set up. The average number of contact points per company in 2023 was 1.9 interactions per company.

Roadshows and investor calls are currently tracked separately and thus not shown in the graph.

Point of contact



Source: UBP, Maanch Ltd., as of 29 December 2023

For a lot of our engagements we interacted with more than one person and more than one team, however, almost 60% of the times the main person of contact is from the investor relations team. This is followed by the CFO and the CEO, who make up 25% of our point of contact.

For our Impact strategies, almost all companies are engaged with systematically at least once a year, where possible, using the Impact Engagement Framework (IEF). This is used to better understand companies' sustainability practices as well as to define engagement priorities (more details are included in the annual [impact report](#)).

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. We also have a particular focus on biodiversity for our impact strategies and participated in working groups/engagements led by FAIRR (on Aquaculture) or UN PRI (on Nature).

CDP Non-Disclosure Campaign (NDC)

CDP launches an annual Non-Disclosure Campaign (NDC) in collaboration with financial institutions engaging with companies on data disclosure across three themes (climate change, forest, and water). As part of the 2023 campaign, a record 288 participants, including UBP and representing \$US29 trillion in assets, took part².

The NDC runs at the same time as the regular CDP disclosure request, as participants of the campaign aim to engage with companies to encourage them to disclose through CDP their impact on climate, water, and forests. Financial institutions can participate in the campaign by leading or co-signing. As a lead, the participants directly engage with the companies and

² <https://www.cdp.net/en/investor/engage-with-companies/non-disclosure-campaign>

³ <https://www.cdp.net/en/investor/engage-with-companies/cdp-science-based-targets-campaign>

encourage them to disclose in line with the CDP questionnaire. Each target company receives a letter drafted by the CDP, sent by the lead with the support of the co-signers, which states the aim for the company to disclose to CDP.

To assess the impact of the campaign, each year CDP monitors a control group with the same characteristics as the target companies that are not included in the campaign and do not receive a letter. Following the campaign, the disclosure rate of the two groups is compared to estimate the difference.

2023 CDP NDC campaign

For 2023 it was assessed that due to the targeting of financial institutions, companies were 2.2 times more likely to disclose than companies not included in the NDC campaign. On the forest questionnaire, companies were even 6.8 times more likely to disclose following the collaborative engagement.

In 2023, UBP AM was chosen to be a lead signatory in 31 cases out of which six companies submitted their questionnaire for the first time. The success rate is slightly lower compared to the overall success rate of the campaign's average (overall 19.5% vs. 19.9%; 20.8% for climate, 0.0% for water; 28.6% for forest).

Source: CDP, January 2024

CDP Science-Based Targets campaign

A letter by CDP, backed by financial institutions, is sent to a pre-selected sample of companies in high-impacting sectors, asking them to commit and set targets in line with the 1.5°C-aligned Science-Based Targets.

For the current campaign, which was kicked off in October 2023, 367 financial institutions are supporting the campaign, an increase of 33% from the previous year³. UBP AM is supporting the CDP SBT campaign again this year for the 2023/2024 campaign.

Partnerships with NGOs, Academia, and Other Stakeholders

Furthermore, we interact with several partners and associations on various topics to build a responsible financial system. Other campaigns and initiatives we take part in include **FAIRR** on sustainable aquaculture and animal feed supply chain, Forum pour l'Investissement Responsable (**FIR**), Cambridge Institute for Sustainability Leadership (**CISL**) and the UN Principles for Responsible Investment (**UN PRI**) platform.

A full list of engagements completed as part of these initiatives and the case studies with more details are included in our annual UK Stewardship Code Report available [here](#) for 2022⁴. In the meantime, more information on our collaboration efforts and the full list of our memberships can be found [here](#).

⁴ UBP submits its annual UK Stewardship Code to the FRC in October each year. Publication follows the FRC's validation in Q1 of the following year.

Systematic Engagement

Morningstar Sustainalytics

UBP AM has partnered up with Morningstar Sustainalytics, a leading global provider of ESG research which offers global engagement services, to maximise the influence of its engagement activities in dealing with controversies. This partnership is essential in facilitating the implementation of our RI Policy and in achieving durable change in the selected companies. UBP AM's holdings are shared with our engagement partner on a quarterly basis.

Engagement cases are selected by Morningstar Sustainalytics based on the results of ongoing qualitative screening, which identifies potential breaches of international standards such as the UN Global Compact principles and can include early indications of issues before sanctions are issued by regional or national courts or before the formal recognition of a company's responsibility in an incident. When an investee company is flagged as being non-compliant with the UN Global Compact principles or other international norms, Morningstar Sustainalytics contacts the company to seek additional information and starts the engagement process to discuss potential and adequate corrective actions, with set milestones and timelines, aiming at improving companies' business practices to protect and add value to the investment.

2023 Sustainalytics engagements on behalf of UBP AM

In 2023, Morningstar Sustainalytics engaged on 30 cases and 48 topics with 28 companies held in UBP AM portfolios linked to potential breaches of international norms. As of 31.12.2023, there were 25 ongoing engagement cases, one case archived, and four cases were resolved.

The themes of these cases were split across:

- Environmental: 4%
- Social: 65%
- Governance: 31%

Financials, Consumer Discretionary and Healthcare were the sectors with the highest number of ongoing engagement cases.

UBP AM's Morningstar Sustainalytics 2023 engagement report is publicly available [here](#).

Conclusion

Summary and key takeaway

UBP AM is committed to a robust approach to stewardship. Throughout this report we have demonstrated our approach to stewardship in 2023, where we leveraged three main types of engagement from direct to systematic engagement.

UBP AM predominantly engaged with companies via email, and geographically our engagements were concentrated in the Europe and Asia regions.

Looking ahead to 2024, we have outlined our key engagement topics as:

- Respecting international norms
- Climate disclosure
- Climate targets / transition plans
- Biodiversity

UBP AM aims to build on the progress we made between the 2022 to 2023 reporting period, refining our process and reporting procedure.

Forward-looking statements and commitments

Looking ahead, we remain committed to advancing responsible investment practices and driving positive change within the companies in which we invest. By leveraging our influence as responsible asset managers, we aim to foster long-term value creation, mitigate risks, and contribute to a more sustainable and inclusive global economy.

In line with our net zero commitment for UBP Asset Management (Europe) S.A. climate engagements will continue to be an important part of our stewardship efforts.

Since engagement with investee companies is a powerful tool to drive change, we plan to further develop our stewardship activities. For 2024, we anticipate further advancements, including the introduction of an automated reporting feature, seamless integration with Outlook, and the incorporation of our voting activity tracking alongside our engagement efforts.

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