

Good Governance Policy



UNION BANCAIRE PRIVÉE

Introduction

Good corporate governance is essential for ensuring that a company operates transparently, ethically, and accountably, balancing the interests of shareholders and stakeholders. This policy outlines the principles and practices that guide UBP's approach to assessing investee companies' governance, focusing on long-term sustainability and investor confidence.

Overview

In response to growing regulatory scrutiny and an increased focus on governance, UBP has developed an internal methodology to assess the Good Governance practices of investee companies. This initiative stems from expanding regulatory requirements and heightened supervisory expectations, demanding clear justification of our governance standards. From an investor standpoint, the integration of good governance principles into the analysis of issuers of financial instruments is an essential part of responsible and sustainable business identification, and a robust methodology is a requirement for products classified under Article 8, Article 9 or investments considered as sustainable under the European Union's Sustainable Finance Disclosure Regulation 2019/2088 (SFDR).

The methodology relies on a scoring system of the governance aspects of companies, subject to a threshold for good governance to qualify an investment for responsible or sustainable strategies. Our investment professionals also actively analyse governance practices as part of their investment process. Additionally, where applicable, our Voting Policy favours good governance while engagement plays an integral role in the investment process and encompasses ESG aspects including governance practices.

Governance Assessment Methodology

GOVERNANCE SCORE

Aligned with the SFDR Article 2(17), a company's good governance encompasses four key pillars:

1. **Sound Management Structure**
2. **Employee Relations**
3. **Remuneration of Staff**
4. **Tax Compliance**

These pillars form the basis of our governance assessment methodology. In order to determine a Governance Score, UBP incorporates indicators that address the following:

Sound Management Structures	Employee Relations	Remuneration of Staff	Tax Compliance
<ul style="list-style-type: none">■ Board Independence and structure■ Audit Committee Independence■ Board Gender Diversity■ Voting■ Overboarding■ Business Ethics	<ul style="list-style-type: none">■ Health & Safety Certification■ Anti-discrimination Policy or D&I Policy■ Whistle-blower Protection Policy■ Workforce Diversity Programme■ Employee Turnover■ Labour Rights	<ul style="list-style-type: none">■ Pay Committee Independence■ CEO-to-Employee Pay Ratio■ Gender Pay Gap■ Pay Linked to Sustainability■ Received Votes Against Pay Practices■	<ul style="list-style-type: none">■ Estimated Tax Gap

Governance indicators are collected from third-party data sources and are evaluated for materiality using a structured matrix, prioritising those part of the Principal Adverse Impact (PAI) as outlined by the EU SFDR.

Governance controversy flags, such as legal violations or ethical breaches, are also integrated into the assessment to ensure that potential governance risks are appropriately considered, regardless of the company's performance on other metrics.

The final Governance Score for each company is calculated on a scale from 0 to 1.

It is updated in real time as new data is received from external data providers.

UBP GOVERNANCE STANDARD

Any company with a Governance Score below 0.3 is deemed to fail UBP's good governance standards.

In the case of insufficient, erroneous or outdated data, an override can be granted on a case-by-case basis, in accordance with UBP's internal *Override and Waiver Procedure*.

Scope & Implementation

This policy is applicable to investments in corporate assets, whether equity or debt.

The following investments are in scope of this policy:

1. Sustainable Investments:

Investments considered as sustainable as per SFDR Article 2(17), —which encompass, but are not limited to, financial products falling under Article 9 of the SFDR— are subject to a governance assessment, to ensure investee companies adhere to good governance practices, including sound management, employee relations, remuneration, and tax compliance. Any investment in companies that is deemed to fail UBP's good governance standards (as per section Governance Assessment Methodology of this document) cannot be qualified as Sustainable, across UBP's investment universe.

2. SFDR Article 8 Products managed by UBP

Financial products under Article 8 of the SFDR must ensure investee companies adhere to good governance practices, including sound management, employee relations, remuneration, and tax compliance.

Investment by article 8 products in companies that is deemed to fail UBP's good governance standards is prohibited.

3. SFDR Article 8 Products managed on behalf of UBP

When the management of a UBP fund is delegated to an external manager, the external manager can use their own methodology if it is considered equivalent, or they can apply UBP's Good Governance Policy. Similarly, for client mandates or dedicated funds, the methodology can be applied as agreed upon with the client.

In the event that an investee company's Governance Score is downgraded to below the threshold mentioned in the section UBP governance standards of this document, this company would be considered as failing UBP's good governance standards, and divestment should occur within three months of the announcement for SFDR Article 8 and Article 9 products managed by UBP, unless an override or waiver is granted at UBP's discretion aligned with UBP's internal *Override and Waiver Procedure*.

Governance & Oversight

The Good Governance Score is calculated through UBP's data system which provides full transparency on the indicators used to determine the underlying pillar scores across the investment universe. If a datapoint is missing or found to be incorrect, investment teams can request an override to complete or amend the governance assessment of a company. In exceptional cases, a waiver according to UBP's internal *Override and Waiver Procedure* can be granted.

Function	Responsibilities
Sustainability Solutions Teams	Ensure good governance model accuracy, compliance with regulations, and assist investment teams for proper integration in investment portfolios
Portfolio management teams	Ensure proper implementation of UBP's good governance rules in investment portfolios
Risk Teams	Aligns controls with good governance rules

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