

Q1 2021

# TRANSPARENCY CODE

UBAM – Positive Impact Equity



GRUPE UNION BANCAIRE PRIVÉE

**SRI Transparency Code:**

“The present Transparency Code is an adaptation for France of the European Transparency Code which was devised and approved by the French Asset Management Association (*Association Française de la Gestion financière*, AFG), the French Social Investment Forum (SIF) and the European Sustainable Investment Forum (Eurosif) at their board meetings held on 13 December 2012, 20 December 2012 and 3 October 2012, respectively. All SRI funds open to the public and managed by companies that are members of the AFG or SIF must abide by this Code.”

**Declaration of engagement:**

Socially responsible investment is an essential part of the strategic positioning and management of the UBAM – Positive Impact Equity fund. The fund is managed by UBP S.A.’s European Equities team, which is based in London. Our approach relies in the first instance on our proprietary process that enables us to identify those companies which have a positive environmental or societal impact, and which have sound environmental, social and governance (ESG) practices. As a responsible investor, we round off our ESG approach by actively exercising our voting rights and by engaging directly with the companies in which we invest.

Our overall response to the SRI Transparency Code can be found below, as well as on UBP’s website.

**Conformity with the transparency code:**

UBP is committed to being as transparent as possible given the regulatory and competitive environment in the countries in which it operates.

The UBAM – Positive Impact Equity fund respects all of the Code’s recommendations.

**Date of publication: April 2021**

---

## 1) List of funds covered by the Code

- ◆ **Fund:** UBAM – Positive Impact Equity, UCITS – SICAV Luxembourg structure
- ◆ Inception date of the fund: 28 September 2018
- ◆ Dominant SRI strategy: thematic, impact investing
- ◆ Additional SRI strategy: exclusion and engagement
- ◆ Asset Class: European shares, actively managed
- ◆ Exclusions:
  - Controversial weapons
  - Conventional and nuclear weapons
  - Gambling
  - Production of pornography
  - Weapons
  - Tobacco
  - Coal
  - Unconventional oil & gas
  - UN Global Compact
  - Others: conventional oil & gas, coal-fired electricity
- ◆ AUM as at 31 December 2020: EUR 166m
- ◆ Other labels: Belgian Febelfin “Towards Sustainability” label

### Links to additional documents

- [KIID](#)
- [Prospectus](#)
- [Product Card](#)
- [Quarterly Comments](#)
- [Monthly Report](#)
- [Factsheet](#)
- [Impact Report](#)

---

## 2) General information about the fund management company

### 2.1 Name of the fund management company that manages the applicant fund

Union Bancaire Privée, UBP SA, is a Swiss-incorporated *société anonyme* (a company limited by shares under Swiss law), specialising in wealth and asset management.

As at 30 September 2019, the Asset Management division of UBP had CHF 43 billion in assets under management across funds and segregated accounts.

UBP is headquartered in Geneva, Switzerland.

#### **Union Bancaire Privée, UBP SA**

Rue du Rhône 96–98  
PO Box 1320  
1211 Geneva 1, Switzerland  
[www.ubp.com](http://www.ubp.com)

## 2.2 What are the company's track record and principles when it comes to integrating SRI into its processes?

As a signatory to the United Nations Principles for Responsible Investment (UN PRI) since March 2012, UBP is committed to integrating environmental, social and corporate governance (ESG) considerations into its investment activities. In 2018, UBP extended its existing ESG framework in both scope (now covering the majority of funds, selected mandates (in agreement with the client) as well as services provided to Private Banking through Discretionary Portfolio Management (DPM) and Advisory) and practices (reinforcing the Exclusion List while introducing a Watch List and a Sustainability Champions List).

Our belief in responsible investment stems from our 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.”
- ◆ “In an effort to raise client awareness about the challenges faced by society today, the Bank is committed to integrating and promoting environmental, social and corporate governance issues into its investment decisions.”<sup>1</sup>

UBP works alongside several organisations, including Swiss Sustainable Finance and Sustainable Finance Geneva, and is a member of the Investment Leaders Group (a select network of pension funds, insurers and asset managers committed to advancing the practice of responsible investment facilitated by the University of Cambridge’s Institute for Sustainable Leadership (CISL)).

### Principles

**Responsible investment** is an approach to investing that aims to incorporate ESG factors into investment decisions in order to better manage risk and generate sustainable, long-term returns.<sup>2</sup> UBP believes that 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; consequently, ESG analyses and considerations, including active ownership, are assessed and incorporated throughout our investment processes.

To support our beliefs, and as part of our commitment to responsible investing, UBP became a signatory to the UN PRI in March 2012.

The UN PRI is a global investor initiative that is designed to provide a framework for better integration of ESG issues into mainstream investment practices. By signing up to the UN PRI, UBP demonstrates its commitment and determination to support the cause of socially responsible investing.

The six UN Principles for Responsible Investment are:

- ◆ To incorporate ESG issues into investment analyses 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 from 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.

UBP’s commitment to responsible investment dates back to 2012, when the Bank signed the UN Principles for Responsible Investment and launched a convertible SRI strategy: UBAM Convertibles Europe SRI (now called UBAM – SRI European Convertible Bond), a fund that has since been granted both the French *Label ISR* and the Austrian Ecolabel.

In 2014, UBP implemented an exclusion list (originally limited to controversial weapons) and has since implemented active ownership, with proxy voting via ISS and engagement via GES (now Sustainalytics) across its equity and fixed-income strategies.

Since then, several investment centres, including the European Equity team, which manages UBAM – Positive Impact Equity, have started to integrate ESG principles into their investment processes.

UBP accelerated its adoption of responsible investment in 2018, when, for instance, a watch list was set up and the exclusion list was expanded to include coal in recognition of the fact that climate change was a material issue which UBP was keen to help address. This list applies to all UBP funds, as well as to the Bank’s discretionary mandates and advisory offering (see below for further details).

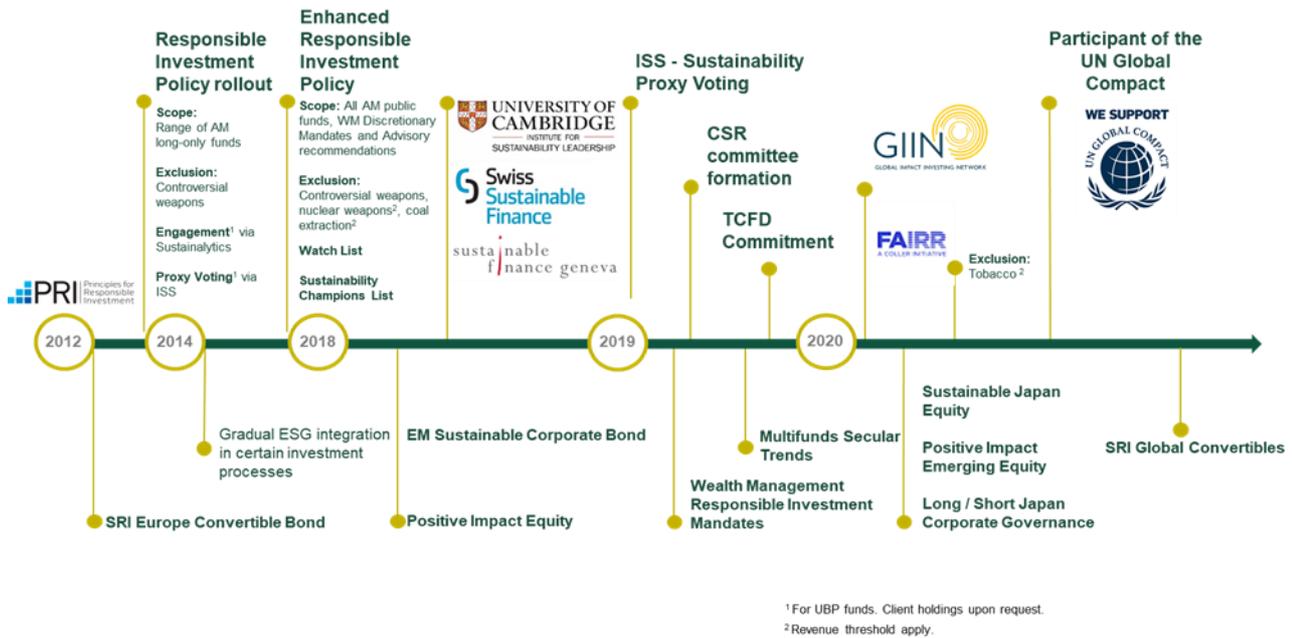
In 2018 two new sustainable strategies were launched: UBAM – EM Sustainable Corporate Bond and UBAM – Positive Impact Equity.

Since the beginning of 2019, UBP has continued to strengthen its commitment, with, among other things, the adoption of the ISS Sustainability Proxy Voting policy, the development of a broader CSR policy and the commitment to adopting the Task Force on Climate-Related Financial Disclosure’s (TCFD) recommendations and to setting up a proper climate strategy and governance.

In 2020, UBP joined the GIIN, FAIRR and the UN Global Compact.

<sup>1</sup> For further information please refer to <https://www.unpri.org/about/what-is-responsible-investment>

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



UBP's sustainable investment webpages can be found [here](#).

### 2.3 How does the Bank formalise its sustainable investment process?

UBP's [responsible investment policy](#) is available on our website.

### 2.4 How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by the Bank?

UBP's responsible investment policy invokes the following practices:

- ◆ **The incorporation of ESG research and analysis** throughout our investment processes.
- ◆ **Negative screening** and the **promotion** of companies' adherence to and/or advancement of international environmental and social conventions (such as human rights, anti-corruption and labour rights), resulting in:
  - ▶ an Exclusion List
  - ▶ a Watch List
  - ▶ a Sustainability Champions List
- ◆ **Continual engagement** with companies, with a particular focus on those deemed to be failing in ESG factors. By sharing the rationale behind our considerations with them, UBP encourages these companies to address these considerations.
- ◆ In order to act in the best long-term financial interests of our clients, UBP exercises the **voting rights** attached to its investments whenever possible; UBP adopts a principle of voting to promote business practices mindful of environmental, social and corporate governance issues, in line with the UN PRI.

#### Exclusion List

In recent years, many investors have raised concerns about controversial weapons. Regulations restricting investments in manufacturers of controversial weapons have also been adopted in some countries.

Another area of concern is climate change, especially following the 2014 Montreal Carbon Pledge and the 2015 Paris Agreement.

In line with these evolutions, UBP also believes that such investments should be restricted. We have therefore put together an Exclusion List, which is updated quarterly using the MSCI 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 centres. The Exclusion List currently includes:

- ◆ companies that develop, manufacture or sell controversial weapons, such as cluster munitions, landmines and 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.
- ◆ tobacco producers as well as all companies deriving 10% or more of their revenues from tobacco (e.g. distributors and suppliers).

Additionally, and in line with UBP Group policy, securities under EU, OFAC, Swiss, UK or UN sanctions are also excluded. In order to ensure that the Exclusion List is adhered to, the List is encoded into the relevant portfolios' management systems. A second line of defence comes in the form of post-trade checks carried out by UBP's internal Group Risk Management team and by the (external) fund administrators. Should a breach be detected, the relevant investment centre 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. UBP is wary of expanding the exclusion criteria to encompass other sectors/activities of controversy, as we believe that blanket exclusions are not always the best way of addressing the challenges posed by such sectors/activities. ESG analysis, engagement and active ownership can be at least as effective – if not better – at improving such practices.

### **Watch List**

UBP wants to be proactive when research suggests that companies' involvements in any ESG controversies represent a potential threat to their long-term forecasts.

The Watch List includes those companies "red-flagged" by MSCI's ESG Research as being embroiled in controversies, such as not adhering to international norms and principles, including the UN Global Compact and the ILO's Core Conventions.

The Watch List is not an exclusion list. Investment centres are challenged by the ESG Committee or the RICO and have to justify the inclusion of these stocks/issuers in their portfolios, as well as indicate engagement, if possible, with the company with the aim of improving its ESG practices.

### **Sustainability Champions List**

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

Each investment centre is invited to include securities which they feel, either through their processes or end products, make a positive contribution to society and/or the environment. The UN's 17 Sustainable Development Goals<sup>3</sup> form the basis of this list, although it is the investment centres' bottom-up knowledge of their investment universe that is the ultimate determinant.

The resulting Sustainability Champions List is global and applies across asset classes; however, it does not make judgements on valuation, i.e. it does not constitute a direct investment recommendation. However, investment centres are encouraged, where appropriate, to consider this List in their investment decisions, and the percentage of AUM invested in companies from the Sustainability Champions List is 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 joining forces with other investors when engaging with companies will increase its impact by 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>4</sup>. Sustainalytics is a leading global engagement service provider specialising in collaborative engagement. This partnership is essential to facilitating the implementation of our responsible investment policy and to achieving long-lasting change in the selected companies.

When an investee company is flagged by Sustainalytics' screening process as having ESG issues, Sustainalytics contacts the company to seek additional information and to discuss potential and effective corrective actions that would protect and add value to the said investment. Engagement cases are selected on the basis of the results of the continual qualitative screening, which can reveal reported breaches of international standards, sanctions issued by regional/national courts against companies and recognition of a company's responsibility in an incident.

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

- ◆ in-scope portfolios and positions are regularly uploaded to Sustainalytics' secure web platform;
- ◆ upon identifying violation(s) of international norms by investee companies, Sustainalytics notifies UBP and places the company under observation;
- ◆ a detailed analysis is undertaken to prepare an engagement plan;
- ◆ continual shareholder engagement is entered into (some of them with official/public endorsement by UBP);
- ◆ steps to be taken – possibly including exclusion – are determined.

While most engagement programmes are carried out by Sustainalytics, UBP's investment centres are encouraged to engage formally or informally, as well as collaboratively, with the management of companies on relevant matters in the course of their fundamental research.

<sup>3</sup> <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

<sup>4</sup> <https://stewardship.sustainalytics.com/>. UBP originally used Global Engagement Services which was acquired by Sustainalytics in January 2019.

Investment centres, as well as other UBP staff dealing with responsible investing, have access to Sustainalytics' secured web platform. There is a continuous exchange between our investment professionals and Sustainalytics regarding specific questions about research provided by Sustainalytics and/or their methodology.

## Proxy voting

UBP believes that voting rights enable investors to preserve long-term economic value through the promotion of corporate governance best practice. Proxy voting can be applied to all our equity funds<sup>5</sup> and – at a client's request – to some dedicated mandates. Our voting policy aims to achieve two primary objectives:

- ◆ to act in shareholders' best financial interests in order to enhance long-term value, and;
- ◆ to promote ESG best practice.

UBP has decided to exercise voting rights through Institutional Shareholder Services<sup>6</sup> (ISS), an industry-leading, third-party voting-service provider. ISS offers global coverage of the securities markets and provides us with accurate information on investee companies, including the agenda of the meetings and all the research materials needed to assess the items to be voted on. ISS offers a central hub for managing all the votes and providing operational, record-keeping and reporting services.

In practice, UBP can instruct ISS to vote on behalf of the funds or clients (for mandates), as per ISS's recommendations. Our portfolio managers can consult ISS recommendations and make their own decisions, under the supervision of the relevant fund management company (this involves a veto and a right of final decision), or according to client requirements in the case of mandates.

Generally, voting rights are exercised with a view to:

- ◆ supporting and empowering 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.
- ◆ supporting appropriate governance by management bodies (such as responsibility and accountability). Such governance must be clearly defined and made public to ensure transparency for all stakeholders.
- ◆ favouring remuneration policies that are commensurate with long-term shareholder value.
- ◆ promoting business practices mindful of environmental, social and corporate governance issues, in line with the UN PRI.

These guidelines focus on long-term economic value preservation through the promotion of corporate governance best practice. UBP has subscribed to ISS's "Sustainability" package which places an added emphasis on ESG when analysing these practices.

## Climate

As a signatory of the UN PRI, UBP is committed to comply with the Task Force for Climate-related Financial Disclosures (TCFD).

- ◆ **Governance:** climate-related issues come under the supervision of the Bank's Executive Committee, and are addressed at RICO and ESG Committee levels.
- ◆ **Strategy:** UBP is committed to:
  - measuring and reducing its own carbon footprint. This is done under the supervision of the CSR committee, and;
  - measuring and reducing the carbon footprint of its portfolio and developing a low-carbon offering.
- ◆ **Metrics and targets:** the systematic reporting on funds' weighted average carbon intensity is planned to be rolled out over Q4 2019 and Q1 2020. The measurement of funds' compliance with EU taxonomy will be implemented gradually, starting with our sustainable fund range.
- ◆ **Risk management:** the use of climate scenarios and climate risk management is planned for 2020.

In addition to UBP's responsible investment policy, each investment centre is responsible for developing its own processes to integrate ESG/impact considerations into security selection, with, where needed, the help of the ESG Committee members. To do so, the teams can rely on their own ESG analysis/direct engagement, as well as on data/analysis provided by our third-party providers, to which they have access, including MSCI ESG Research (who provide, among other things, ESG ratings, carbon metrics and impact metrics), Sustainalytics (for engagement) and ISS (for proxy voting).

## 2.5 Which teams are directly involved in the Bank's sustainable investment activities?

<sup>5</sup> For practical reasons, funds under USD 15 million in assets under management are excluded from scope.

<sup>6</sup> <https://www.issgovernance.com/>

UBP's responsible investment policy clearly defines those responsibilities associated with its implementation and which bodies empower its governance.

### Responsible Investment Committee (RICO)

UBP established its RICO in 2012 following its signature of the UN PRI; the RICO is empowered by the UBP Executive Committee to which it reports. The RICO undertakes strategic decision-making and is responsible for the action plan, regular reviews and assessment of activities to ensure that resources are allocated appropriately and that reporting duties are properly carried out. Moreover, the RICO is the ultimate authority in cases of disputes over policy and its application.

The RICO is composed of the two co-CEOs from the UBP Asset Management division, the COO of the Asset Management division's Institutional Clients department, the Responsible Investment Officer and one of the Conducting Officers of UBP Asset Management (Europe) S.A., UBP's Luxembourg-based management company.

### ESG Committee

The RICO is supported in its work by the ESG Committee. The ESG Committee includes:

- The Head of Responsible Investment – Asset Management (someone with fixed-income management experience)
- The Head of Responsible Investment – Wealth Management (someone with multi-asset management experience)
- The Head of Impact (equity-management experience)
- An institutional sales representative
- An RFP officer
- A Wealth Management discretionary portfolio manager

The ESG Committee reports directly to the RICO and its responsibilities include:

- ◆ maintenance and monitoring of the Exclusion List, Watch List and curation of the Sustainability Champions List;
- ◆ filtering new developments in responsible investing and disseminating these to investment centres;
- ◆ supporting new product development;
- ◆ making proposals to the RICO on strategic developments.

### Investment centres

Rather than having a centralised team of ESG analysts, UBP has decided to empower each investment team to integrate ESG and/or impact considerations into their investment processes. This ensures that each investment team is aware of – and manages – the sustainability risks and opportunities affecting its asset class.

The investment centres within each investment area/strategy group are responsible for the day-to-day implementation of the responsible investment policy and for taking an active interest in incorporating ESG factors into their investment considerations.

To facilitate this process, each investment centre has a nominated person in charge of sustainability, who acts as the liaison between the investment centre and other parties. They are responsible for circulating information from the ESG Committee/RICO to their investment centre, while also informing the ESG Committee/RICO of any engagements with companies and proxy voting decisions if these are contrary to the recommendations of our third-party service provider (which then would need to be validated by the management company).

### 2.6 How many SRI analysts and portfolio managers are there?

As mentioned above, there is no central team of SRI analysts and portfolio managers; each investment team appoints at least one person in charge of sustainability issues.

### 2.7 Is the Bank involved in any responsible investment initiatives?

#### ◆ General initiatives

- UN PRI
- Swiss Sustainable Finance
- Sustainable Finance Geneva



#### ◆ Environmental initiatives: UBP has signed the following investor statements

- Statement to Governments on Climate Change – signed by 319 investors, representing USD 28 trillion in assets (2018)
- Statement to Deforestation and Forest Fires in the Amazon – signed by 244 investors, representing USD 17 trillion in assets (2019)

◆ Other initiatives:

- UBP is one of twelve organisations which form the Investment Leaders Group (ILG), a global network of pension funds, investment managers and insurers committed to advancing the practice of responsible investment. The ILG is helped in its work by the Cambridge Institute for Sustainability Leadership (CISL).



## 2.8 How much in SRI assets are under the Bank's management?

- All UBP funds comply with UBP's responsible investment policy, which includes exclusion/engagement and proxy voting. In addition to this, some mandates also come under our responsible investment policy, subject to clients' consent. The total is approximately EUR 28 billion out of EUR 40 billion.
- The range of funds with different degrees of stricter sustainability requirements (ESG/impact) totalled EUR 2.3 billion as at the end of September 2019.

## 2.9 What is the percentage of SRI assets compared with the total assets under the Bank's management?

Total AUM covered by UBP's responsible investment policy is currently 70% of AUM of the Bank's Asset Management division.

Total AUM in stricter sustainable funds represents 11% of total funds managed (excluding funds of funds).

## 2.10 Which SRI funds does the Bank manage?

Funds with strict ESG/impact objectives:

- UBAM - Global Sustainable Convertible Bond
- UBAM - SRI European Convertible Bond
- UBAM - Positive Impact Equity
- UBAM - EM Sustainable Corporate Bond
- UBAM - Positive Impact Emerging Equity
- UBAM - SNAM Sustainable Japan Equity

The above funds have dual objectives in terms of both financial performance and sustainability. They also comply with stricter exclusion rules than UBP's Exclusion List which apply to traditional funds. For instance, these funds exclude, among other business activities, tobacco (5% threshold), weapons manufacturers (10% threshold), unconventional oil & gas (10% threshold), and coal-fired electricity (10% threshold in developed markets and 20% threshold in emerging markets). They also have normative exclusions (e.g. breach of the UN Global Compact, FATF high-risk and other jurisdictions).

Funds with deep ESG Integration:

- UBAM – 30 Global Leaders Equity (low carbon global equity strategy)
- UBAM – Swiss Equity
- UBAM - Multifunds Secular Trends
- U Access - Long/Short Japan Corporate Governance

### 3) General information about the SRI fund(s) that come under the scope of the Code 6

- ◆ Fund: UBAM – Positive Impact Equity, UCITS – SICAV Luxembourg structure
- ◆ Inception date of the fund: 28 September 2018
- ◆ SRI strategies followed:
  - Focus on positive-impact companies
  - Normative and business involvement exclusion
  - Integration of ESG factors into financial analysis
  - Engagement and voting on sustainability matters

#### 3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

UBAM Positive Impact Equity invests predominantly in European equities, with the flexibility to invest in global names if necessary, to meet the SDG ambitions of the fund (i.e. address all SDGs through investment). It has a stated goal of achieving both financial and non-financial returns for its investors. The assessment of impact credentials and the integration of ESG factors allow the fund managers to select companies which generate a positive environmental or social impact through their revenue streams (complemented by their robust operational characteristics, e.g. a strong ESG profile). Focussing on these characteristics in addition to the financial profile of constituent companies is critical to achieving the stated goal.

#### 3.2. What internal or external resources are used for ESG evaluations of the issuers who make up the investment universe of the fund(s)?

The fund managers have created a proprietary model – the IMAP system – to assess the impact intensity of a candidate company in the potential investment universe (see section 3.5 for details). This model relies on data derived directly from the company, either from sustainability/other reporting and/or from corporate engagement. This bilateral engagement is a critical tool for the evaluation of both ESG and impact.

The fund also draws on external expertise, with the MSCI ESG Research platform, ISS proxy voting and Sustainalytics engagement platform all forming an important part of the investment approach.

#### 3.3. What ESG criteria are taken into account by the fund(s)?

When assessing impact criteria, the fund uses the United Nations Sustainable Development Goals as a blueprint. The fund aims to invest in the themes behind the first fifteen SDGs and so, to a greater or lesser extent, all of these criteria are taken into account.

The fund also assesses environmental, social and governance issues. The emphasis on these issues is placed according to which industry or sub-sector is being assessed, meaning that for publishing or finance (for example), governance is particularly closely scrutinised.

Typically, the fund applies the methodology put forward by MSCI's ESG: for environment, the key criteria are toxic emissions, CO<sub>2</sub>, waste and water; for social, labour management, privacy and product safety; for governance, corruption, instability, corporate governance and board structure.

The Impact Engagement Framework was developed at the end of 2019 and is a key evolution in the team's approach to ESG. It takes the form of an annual questionnaire, which, rather than simply being sent out to companies, is an interactive process where the managers engage with us; this results in a much stronger response rate than a typical questionnaire (100% in 2020).

The UBP Impact Engagement Framework is our solution to a stronger and more homogenous engagement practice. It combines twelve points of discussion which explore relevant positive impact and ESG areas: five are quantitative and seven are qualitative, making it a powerful and extensive (covering the "E", "S" and "G" elements), although not exhaustive, tool.

These twelve points of discussion are as follows:

1. Strength of the sustainability strategy
2. Presence of a chief sustainability officer
3. Inclusion of sustainable indicators to calculate remuneration
4. Impact targets
5. Area of benefit to society
6. Bottom-up measurements (materiality assessment)
7. Emissions measurement
8. Emissions targets
9. Avoided emissions endowment (life-cycle analysis)
10. Charitable projects
11. Reporting standards (GRI, TCFD, SBTi)
12. Circular economy efforts

### 3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?

The fund’s philosophy is to invest in companies which make a positive contribution to society and/or the environment, making climate change a priority for the investment process. The fund approaches investments via six themes. Three of these have an environmental focus and aim to address UN SDGs 7, 11, 12, 13 and 14 (see below). In particular, one of the themes is “Climate Stability”, which focuses on UN SDGs 7 and 13. This means that climate change is embedded into stock-selection decisions.

In addition, the fund adheres to an exclusion list which prohibits investment in the following sectors:

- ◆ Thermal coal extraction (0% tolerance)
- ◆ Electricity utilities with a carbon intensity limit of 393g CO<sub>2</sub>/kWh
- ◆ Unconventional oil & gas extraction (0% tolerance)
- ◆ Conventional oil & gas (maximum 30% revenues)

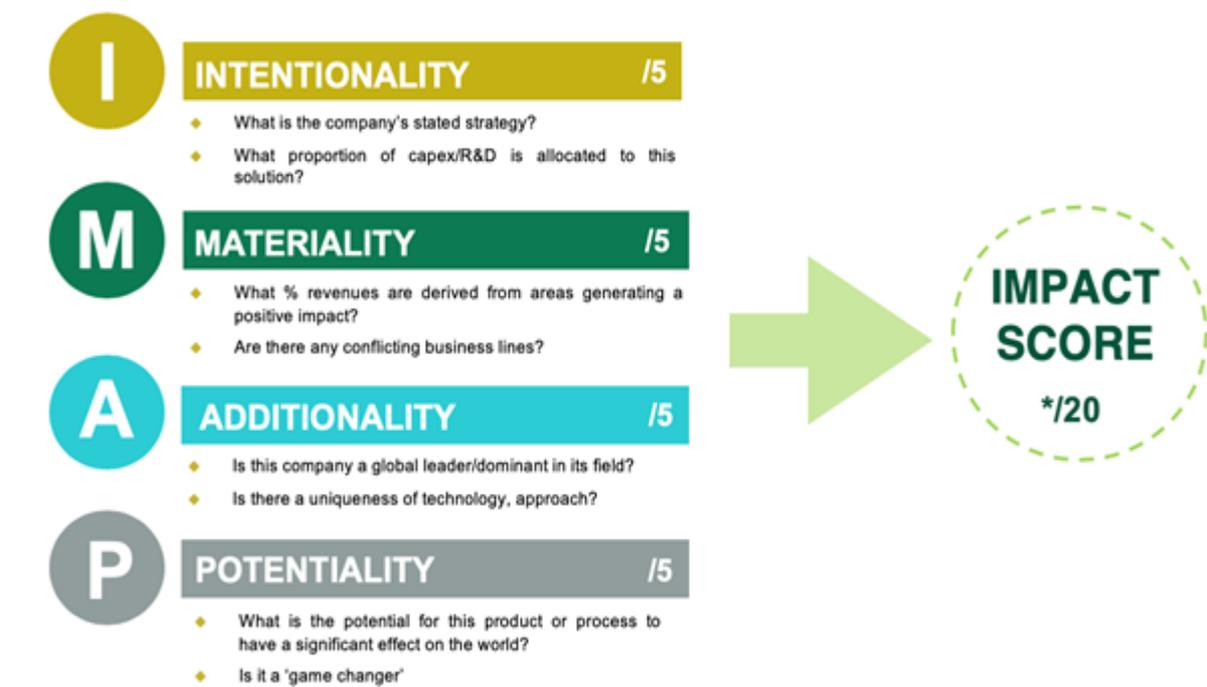
Last, through the fund managers’ engagement activities, the question of climate change and a company’s efforts to reduce its own carbon footprint, is raised regularly, reported on and, if necessary, followed up.



Source: UBP, as at 30 September 2019

### 3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

As a positive impact fund, the methodology for building the investment universe and selecting stocks places a strong emphasis on the UN SDGs. The fund managers have built a proprietary model (the IMAP system) which assesses the impact intensity of a candidate company and attributes an overall score to that company. A candidate must score a minimum of 12/20 to progress to the next stage of assessment (ESG and financial analysis).



When examining ESG criteria, beyond the preliminary checks to ensure that there are no controversies and that the company has generally good ESG credentials, the assessment for inclusion in the investment universe (assuming the impact criteria have been met) is based on whether the fund manager believes fruitful engagement can take place to improve any aspects of the ESG that are lacking.

The construction of the universe is therefore driven by positive inclusion, rather than exclusion. Through the six thematic lenses, the fund managers build a universe extracted from the benchmark (in this case, the MSCI Europe). This universe, built through adherence to the IMAP system and positive ESG credentials, is significantly smaller than that of the benchmark. The universe is composed of stocks in the MSCI Europe IMI, to which are added all the stocks that the fund managers have researched in other regions (US and emerging markets account for 25% of the fund). This list of some 1,400 stocks is then narrowed down by the fund managers to a watch list of around 100 stocks from which a fund of 35–45 names is formed. All screening and analyses are performed after the initial exclusion of names and sectors present on the exclusion list.

For ESG ratings, the companies with a weighted average MSCI ESG score in the bottom 15% of the universe are excluded, unless they have an IMAP equal to or above 12. The cut-off level to determine the bottom 15% of names is determined on a quarterly basis and updated in the portfolio management system at the next update. The level currently corresponds to a weighted average MSCI ESG score of 4.3 or below.

As regards controversies, investments in companies in breach of the UN Global Compact are excluded.

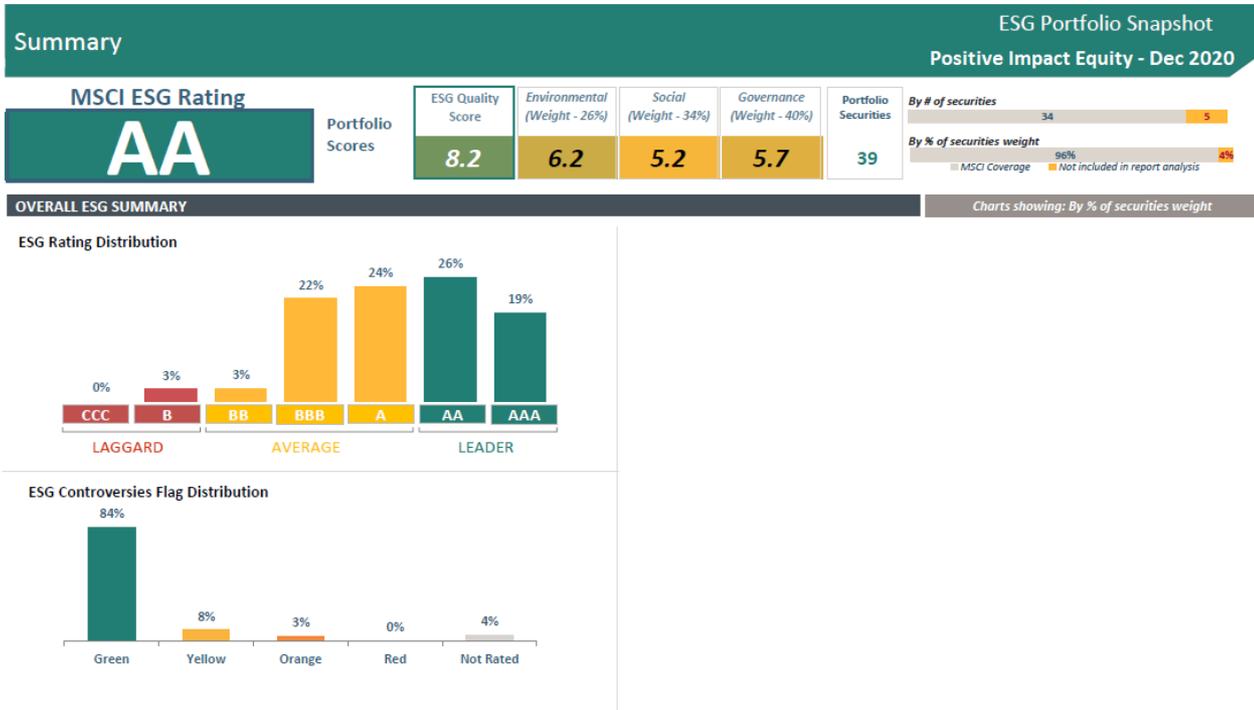
As regards business involvement, in addition to activities excluded due to their potential negative environmental impact described in section 3.4 above, the fund also excludes:

- ◆ Nuclear and controversial weapons (0% tolerance)
- ◆ Other weapons producers (maximum 10% of revenues)
- ◆ Tobacco production and distribution (maximum 0%, 5% of revenues)
- ◆ Production of pornography (0% tolerance)
- ◆ Gambling (0% tolerance)

Last, corporates under international sanctions or domiciled in countries on FATF’s High Risk and Other Monitored Jurisdictions list are also excluded.

As a result of our thorough impact and ESG selection process, the fund currently has:

- ◆ a high IMAP score of 15.2/20
- ◆ no investment in corporates with poor ESG credentials



Sources: @2020 MSCI ESG Research LLC, UBP, holdings as at 30 November 2020 (report run on 10 December 2020)

**3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?**

The IMAP scores are reviewed at least twice per year and ESG issues are examined on a systematic basis. In addition, the Impact Engagement Framework is updated annually (see section 3.3). Controversies are managed as per our engagement policy and follow the guidelines of engagement, milestones and escalation.

## 4 – Investment process

### 4.1. How are the results of the ESG research integrated into portfolio construction?

Impact and ESG credentials are fully integrated into the decision-making process as regards the purchase, sale and position-sizing of underlying holdings. The IMAP score (from UBP's proprietary scoring system), in combination with ESG and financial analyses, will determine the initial sizing of a position. The fund invests in six themes (three environmental and three societal) and there is a commitment to keep these broadly even. This balance ensures that the fund does not become over-populated with any particular sub-theme, such as renewable energy or healthcare, and therefore is protected against sector-specific risks.

ESG concerns which arise over an existing holding are also the potential cause of an adjustment to portfolio construction and position sizing. This would typically be at the end of a structured engagement process: if the issue were not resolved, there may be a divestment.

Given that the fund aims to invest only in positive impact businesses with minimal ESG concerns, the fund managers do not systematically adjust valuation/discount rates for ESG factors. However, the managers do engage with the companies on the structure of their debt and how it is shaped by their typically strong ESG profiles.

Last, as part of our investment process, we strongly believe in active ownership, through both engagement and voting.

As previously mentioned, engagement is conducted directly by the portfolio managers. It should be noted that the fund's holdings are also sent to UBP's third-party engagement manager, Sustainalytics, which takes up any controversies relating to international norms. At the moment, no such controversies have been identified as regards holdings in UBAM – Positive Impact Equity.

Proxy voting is conducted by ISS-Ethix voting, following their sustainability voting policy. The investment team may at times suggest overriding ISS's proposed vote, subject to the validation of the fund's management company.

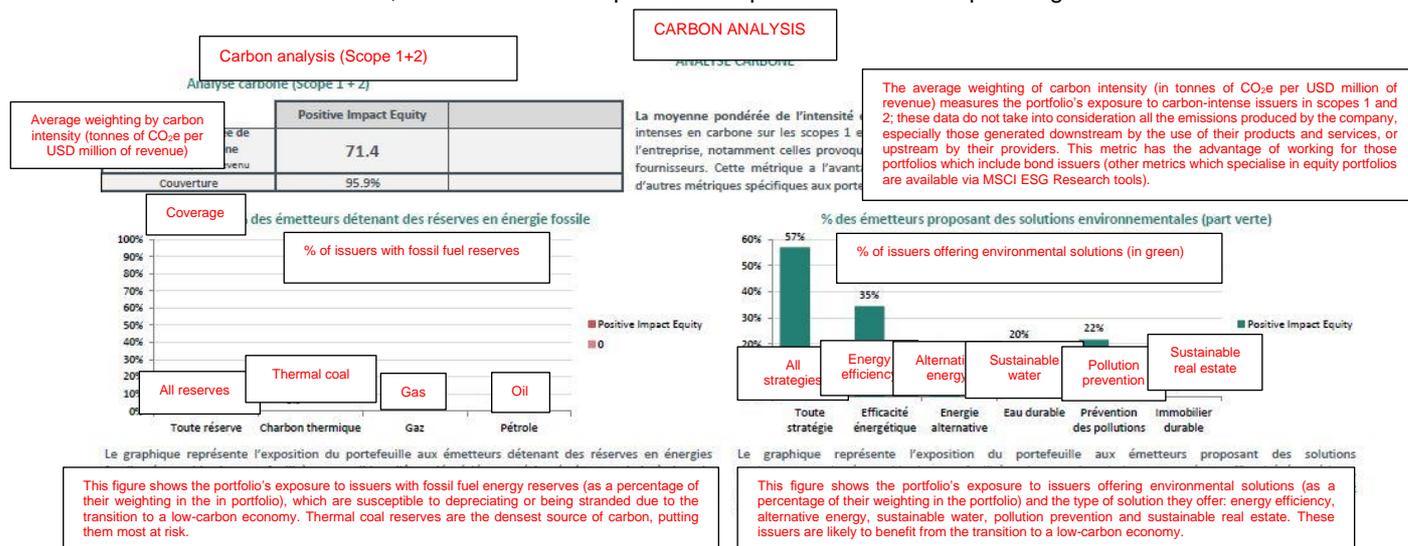
### 4.2. How are criteria specific to climate change integrated into portfolio construction?

Climate change considerations are best captured in the "Climate Stability" theme, which covers UN SDGs 7 and 13. This theme currently represents 14% of the portfolio.

As for other themes, the fund aims to find "fixers", i.e. companies which will help provide solutions to climate change. Examples include Kingspan, Siemens Gamesa and Valeo.

Furthermore, the fund avoids investing in companies which could have a negative impact on the climate, such as those with high CO<sub>2</sub> emissions.

As a consequence of this approach, the fund currently has no investments in fossil energy and has a low carbon footprint. In addition, based on MSCI ESG Research, over 40% of the companies in the portfolio contribute to providing environmental solutions.



Source: ©2019 MSCI ESG Research LLC, "Portfolio analysis, energy transition for green growth act" (in French), Art. 173 of the TECV Law. holdings as at 30 November 2020 (report run on 10 December 2020)

#### 4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

All issuers in the portfolio are subject to impact and ESG analysis, both through internal processes and/or external contributions.

#### 4.4. Has the ESG evaluation or investment process changed in the last twelve months?

The fund was launched on 28 September 2018. Since then, there have been no significant changes to the investment process, but there have been enhancements as the fund matures and develops, such as the evolution and increased formalisation of the engagement process.

**In the last twelve months, the most notable development has been the Impact Engagement Framework.** As reflected by our IMAP process (assessing impact companies' intentionality, materiality, additionality and potential), intention is an important component of how we measure positive impact. In fact, when it is appropriately supported, this non-quantitative factor can offset lower materiality scores. For this reason, we decided to develop a framework which would allow assessment and tracking of both quantitative and qualitative items, bridging the passage of time between observable intentions becoming material revenues (see section 3.3).

In addition to this, at the beginning of 2020, the fund's managers made a commitment to vote against any remuneration policy which does not include a link to sustainability.

#### 4.5. Is any part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

The fund invests according to six themes, which represent the first fifteen of the United Nations' Sustainable Development Goals. Three of the themes, namely Basic Needs, Health & Well-Being and Inclusive & Fair Economies, have a focus on people and society and address goals 1, 2, 3, 4, 5, 6, 8, 9 and 10. All companies which are committed to these themes have social goals at the core of their investment approaches.

In addition, the fund managers do not believe that UN SDG 16 (peace, justice and strong institutions) can be achieved through investment in for-profit listed businesses. Therefore, the fund's management company has made a commitment to donate a proportion of the management fee to a selection of human rights charities. These charities are subject to similar scrutiny as the fund's investee companies and the list is reviewed annually. Currently, five charities have been selected.

### Peace, Justice and Strong Institutions

Investible opportunities are minimal in listed equity



- The fund addresses goal 16 with an annual donation to charity from the management fee
- The charities have been selected on the basis of: closest alignment with SDG 16, efficiency of operations, transparency of governance and level of need.



The Exodus Road®

16.2  
End abuse, exploitation, trafficking and all forms of violence against and torture of children



16.2  
End abuse, exploitation, trafficking and all forms of violence against and torture of children



16.3  
Promote the rule of law at the national and international levels and ensure equal access to justice for all



16.B  
Promote and enforce non-discriminatory laws and policies for sustainable development



16.10 (target)  
Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements.

16.10.1 (indicator)  
Number of verified cases of killing, kidnapping, enforced disappearance, arbitrary detention and torture of journalists, associated media personnel, trade unionists and human rights advocates in the previous 12 months.

#### 4.6. Does (do) the fund(s) engage in securities lending activities? If so, (i) is there a policy in place to recall the securities so as to exercise the voting rights? (ii) Does the process for selecting the counterparty(ies) integrate ESG criteria?

No.

#### 4.7. Does (do) the fund(s) use derivative instruments? If so, please describe.

No

#### 4.8. Does (do) the fund(s) invest in mutual funds?

No

---

## 5 – ESG checks

### 5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?

Firstly, the funds' rules in terms of exclusion are coded into the dealing platform (Aladdin) and cannot be overridden by the fund manager.

Internally, the team has a commitment to refresh and review both the ESG profile and impact score of a holding every six months. An aggregated IMAP score (UBP's proprietary impact scoring system) and ESG score (MSCI ESG) for the fund is published monthly, so, as a client, it is possible to track this over time.

The fund's management team is also subject to a number of checks. There is a monthly Impact Investment Committee meeting at which the ESG and impact profiles of any potential new holdings/revisions to the portfolio are scrutinised by the Head of Responsible Investment, the Head of Impact and the Chair of the Investment Committee.

Twice a year, there is a meeting of the Impact Advisory Board. The majority of the board's members are independent, external and experts in sustainability. They challenge and scrutinise a selection of IMAP scores and ultimately grant or deny their approval. Although the board has no power of veto, the fund does publish the conclusions of the board meetings on UBP's website.

The fund managers have a strong commitment to transparency and provide ESG and impact information monthly, quarterly and ad hoc to clients, in addition to a very detailed annual impact report.

---

## 6 – Impact measures and ESG reporting

### 6.1. How is the ESG quality of the fund(s) assessed?

The impact quality is assessed through UBP's IMAP system, which places a quantitative score on a number of factors for each holding and then aggregates these scores at fund level. The ESG profile of the fund is assessed both internally by the fund managers – where any concerns about ESG are brought to the management's attention – and also by an external "sense-check" via the MSCI ESG platform. Both the IMAP score and the MSCI score are regularly (at least every month) communicated to clients.

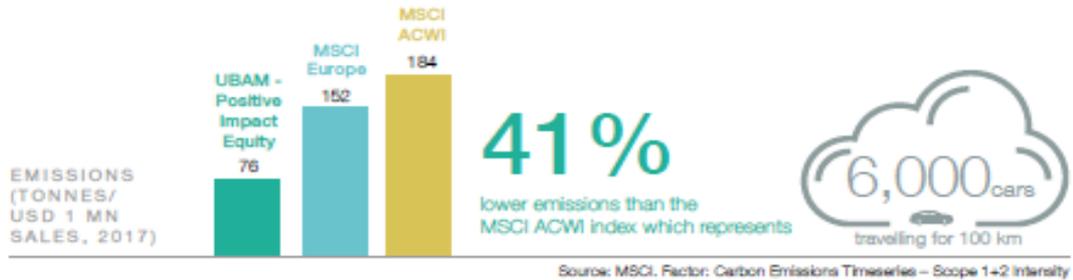
### 6.2. What ESG indicators are used by the fund(s)?

The fund focusses on impact indicators and aims to monitor, measure and report on several societal and environmental factors (see example below). In addition, the fund managers recognise that corporate disclosure on impact metrics is very limited, and so deep and regular bilateral engagement is undertaken to extract bottom-up KPIs from holding companies.

We use overall MSC ESG ratings, RepRisk ESG risk indicators and carbon data from ISS and Urgentem.

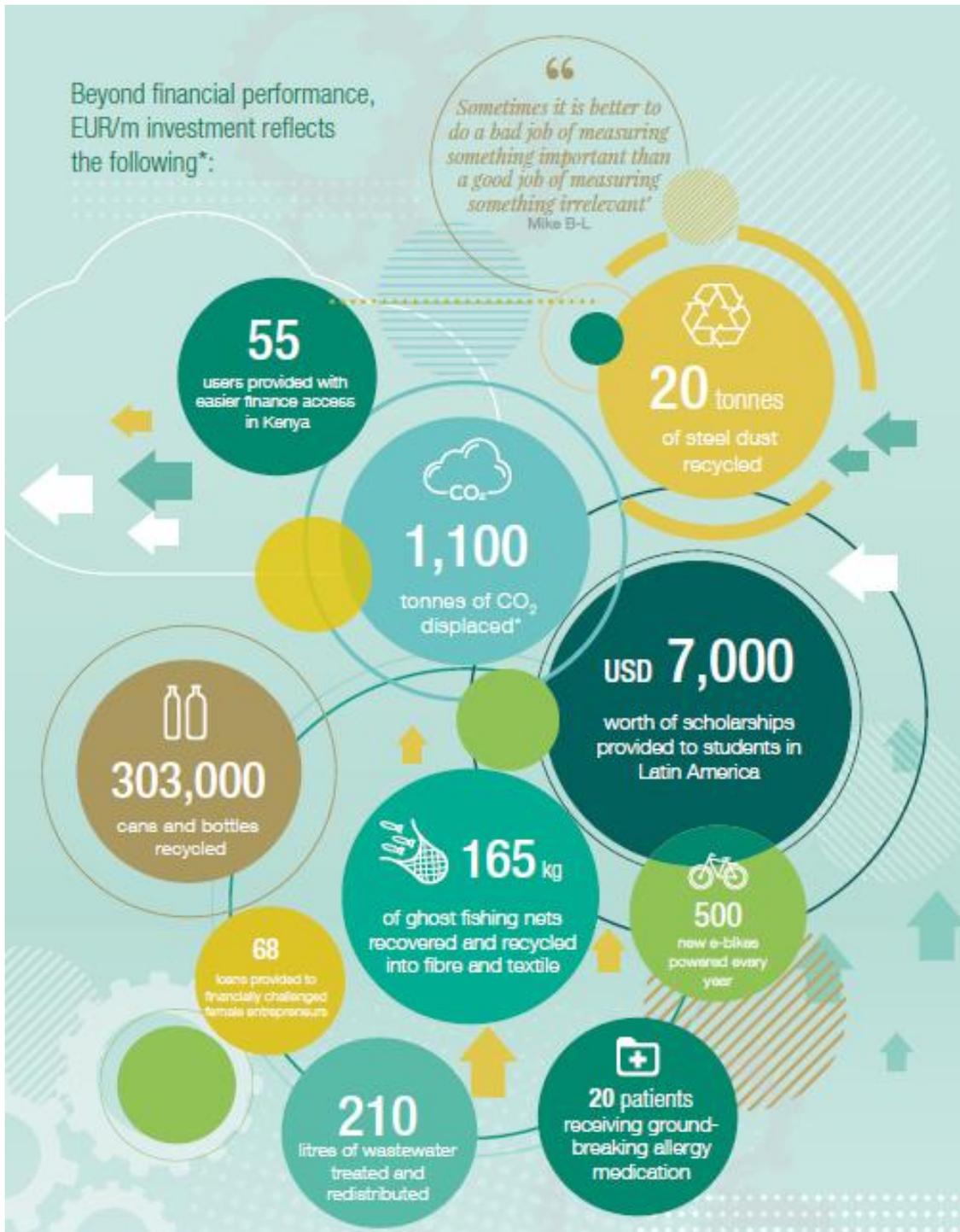
# UBAM – Positive Impact Equity’s footprint in 2019

Performance\* of UBAM - Positive Impact Equity versus the MSCI Europe and MSCI ACWI, per EUR 1 million of sales



WATER WITHDRAWAL (CUBIC METRES/USD 1 MN SALES, 2018)





Other impact indicators:

The ESG performance of the fund is tracked over time using the following four indicators (in addition to the other elements of the investment process outlined above). These indicators have been chosen to provide key information on environmental, social and governance issues and the commitment to follow them over time should give a useful record of progress/direction of travel at fund level.

These indicators are published in our quarterly reports and are monitored internally at our monthly Impact Investment Committee, which has a representative from the UBP Responsible Investment team.

- 1) Demonstration of the performance in terms of human rights

	UN Global Compact			Human Rights Compliance			Labour Compliance - Core			Labour Compliance - Broad		
	Pass	Watch	Fail	Pass	Watch	Fail	Pass	Watch	Fail	Pass	Watch	Fail
UBAM - Positive Impact Equity	32	1	0	32	1	0	33	0	0	33	0	0
MSCI Europe	391	37	8	409	26	1	427	9	0	423	13	0
UBAM - Positive Impact Equity	97%	3%	0%	97%	3%	0%	100%	0%	0%	100%	0%	0%
MSCI Europe	90%	8%	2%	94%	6%	0%	98%	2%	0%	97%	3%	0%

Sources: @2020 MSCI ESG Research, UBP

Coverage rates: fund 92.5%, index 100%

## Methodology

### UN Global Compact

This factor indicates whether the company is in compliance with the United Nations Global Compact principles. The possible values are "Fail", "Watch List", or "Pass".

### Human Rights Compliance

This factor indicates whether the company is in compliance with the United Nations Guiding Principles for Business and Human Rights. The possible values are "Fail", "Watch List", or "Pass".

### Labour Compliance: Core

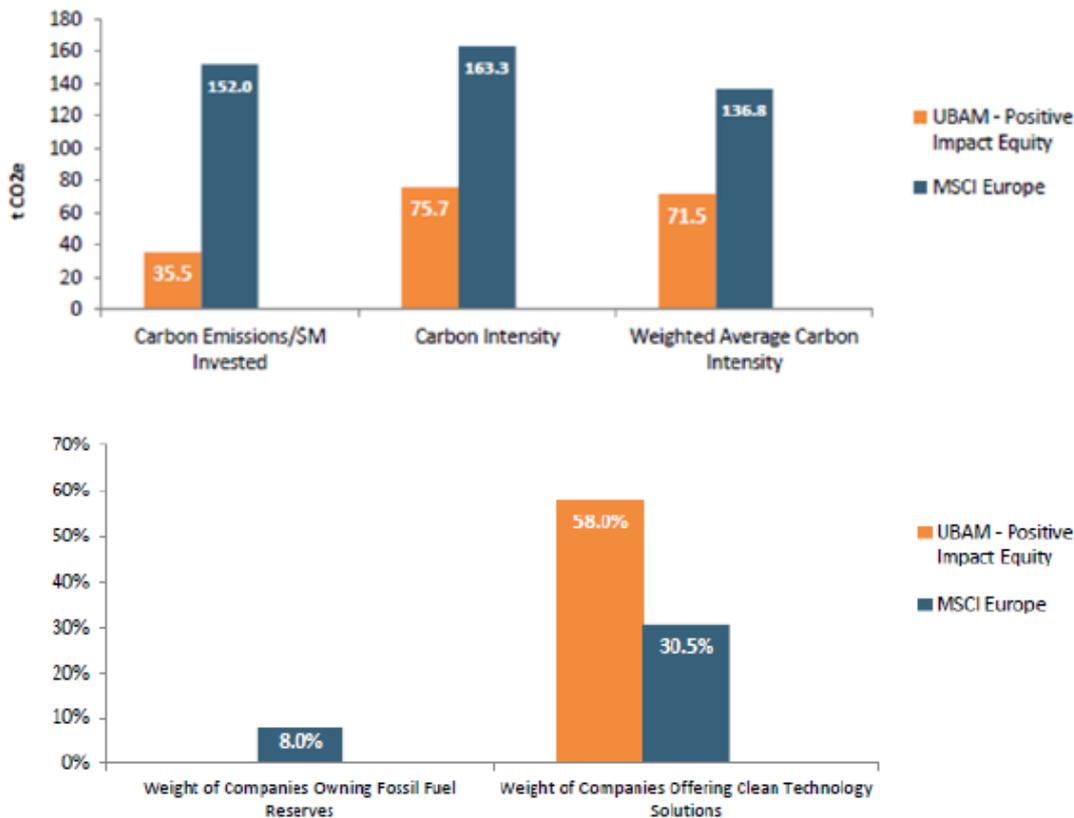
This factor indicates whether the company is in compliance with the International Labour Organization's fundamental principles. The possible values are "Fail", "Watch List", or "Pass".

### Labour Compliance: Broad

This factor indicates whether the company is in compliance with the International Labour Organization's broader set of labour standards. The possible values are "Fail", "Watch List", or "Pass".

## 2) Demonstration of the performance in terms of the environment

### UBAM Positive Impact Equity has a commitment to beat the benchmark (MSCI Europe) for this metric



Source: @2020 MSCI ESG Research

Coverage rates: carbon intensity – fund 96.6%, index 100%; clean tech solutions – fund 96.6%, index 100%

**Methodology**

**Carbon intensity relative to USD millions invested**

This figure represents the company's Scope 1 + Scope 2 greenhouse gas emissions relative to the portfolio value in USD.

**Carbon intensity**

This figure represents the company's Scope 1 + Scope 2 greenhouse gas emissions normalised by sales in USD, which allows for comparison between companies of different sizes.

**Weighted carbon intensity**

This figure represents the portfolio's Scope 1 + Scope 2 greenhouse gas emissions normalised by sales in USD and adjusted to the weighting of each company.

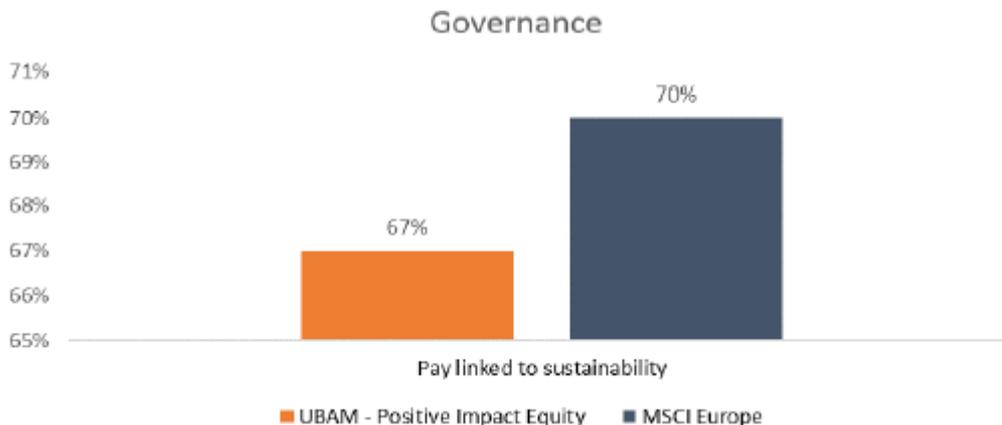
**Fossil fuel reserves**

This field identifies companies with evidence of owning fossil fuel reserves regardless of their industries, including companies that own less than 50% of reserves in this field. Fossil fuel reserves are defined as proved and probable reserves (i.e. 1P and 2P) for coal and proved reserves (i.e. 1P) for oil and natural gas. Evidence of owning reserves includes companies providing the exact volume of reserves and companies making a statement about their ownership of reserves.

**Opportunities in clean tech**

This key issue evaluates the extent to which companies are taking advantage of opportunities in the market for environmental technologies. Companies that proactively invest in products and services addressing issues of resource conservation and climate change score higher on this key issue; companies lacking strategies and investments targeting these areas score lower on this key issue (score: 0–10).

3) Demonstration of the performance in terms of governance



67% of underlying holdings have executive pay linked to sustainability (Source: MSCI ESG)

Coverage rates: fund 73%, index 100%

**Methodology**

**Sustainability-linked pay**

Has the company, if designated as having either a high environmental or social impact, failed to incorporate links to sustainability performance in its current incentive pay policies? If so, they are flagged. This metric is based entirely on the company's own reporting and is strictly focused on the specific inclusion or exclusion of such metrics in the determination of variable pay components, and does not take into consideration their effectiveness.

High environmental impact. If any of the following ESG Ratings Key Issues carry more than a 5% weight: carbon emissions, water stress, toxic emissions & waste, product carbon footprint, raw material sourcing, packaging material & waste, electronic waste, biodiversity & land use, and energy efficiency.

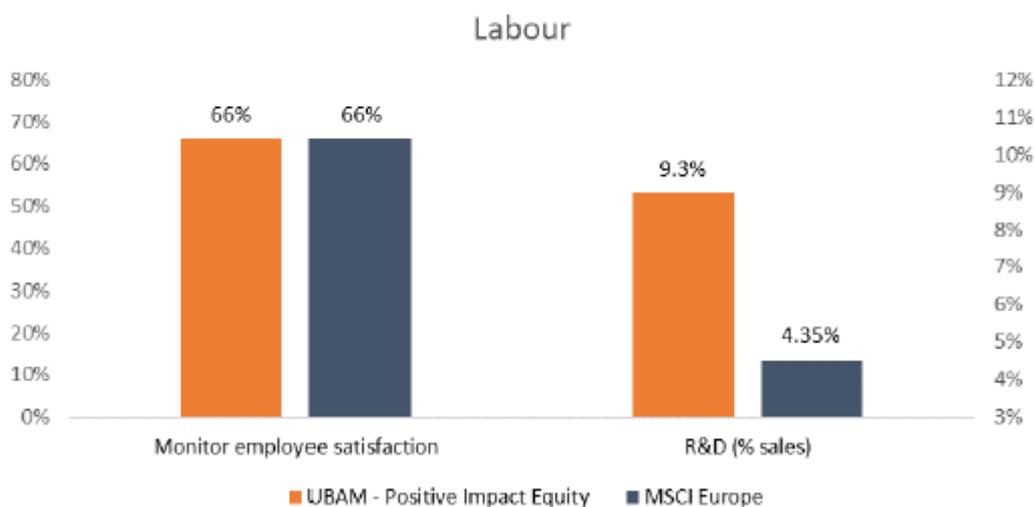
High social impact. If any of the following ESG Ratings Key Issues carry more than a 5% weight: labour management, health & safety, product safety & quality, and supply chain labour.

4) Demonstration of the performance in terms of labour

**5) UBAM Positive Impact Equity has a commitment to beat the benchmark (MSCI Europe) for the level of R&D as a percentage of sales.**

This is one of the more challenging areas for a fund which invests across the market-cap spectrum and also has emerging market holdings (up to 50% of the fund may be invested outside Europe; currently this figure is around 26%). Disclosure of ESG factors relating to labour is limited. The fund managers have adopted a double-edged strategy: to build on current ESG availability and to focus on developing impact metrics in this area. At present, 44% of holdings disclose that they monitor employee satisfaction. Through engagement, the fund managers hope to increase this percentage.

From an aggregated impact perspective, the fund can demonstrate that spending on R&D as a percentage of sales is significantly higher for the fund than for the benchmark (9.3% vs. 4.35%, respectively). This is an important social metric, as strong R&D characteristics are a good indicator of meaningful jobs, as this field is not only labour-dependant but also reliant on roles are skilled and well-paid.



Coverage rates: employee satisfaction – fund 90%, index 100%; R&D – fund 92.5%, index 100%

## Methodology

### Monitors employee satisfaction

Flagged as “Yes” if a company monitors employee satisfaction.

### Average R&D to sales

Simple average of portfolio companies’ R&D spend relative to their sales.

## 6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

Every report the fund publishes includes non-financial data in addition to traditional metrics. The monthly quantitative report includes the ESG score, IMAP score and carbon data. The longer quarterly reports also include engagement case studies, recommended reading in the impact sphere and bottom-up company KPIs. The annual impact report provides aggregated footprint data for the fund and bottom-up KPIs. In addition, it provides educational material on the investment process and measurement methodology.

Transparency is thoroughly embedded in the investment practices of UBAM Positive Impact Equity; consequently, in addition to the above, the fund publishes the minutes and findings of the Impact Advisory Board. The managers also take part in a number of collaborative engagements with peers, where the focus is on client education, such as through the University of Cambridge Institute for Sustainability Leadership and panel discussions with IFA organisations/consultants.

## 6.4. Does the fund management company publish the results of its voting and engagement policies?

### ***If so, please include links to the relevant activity reports.***

UBP’s Responsible Investment policy is available at [www.ubp.com](http://www.ubp.com)

Both UBP’s proxy voting and engagement reports are available to our clients and prospects upon request.

UBAM Positive Impact Equity works with ISS proxy voting, with their “sustainable investing” approach as the default position. Every week, two members of the Impact team check the upcoming resolutions and ISS’s recommendations, and report their findings at the weekly team meeting. The managers then decide whether to support the ISS recommendations or override them. In the case of remuneration being linked to sustainability, the team has a rule to always vote against corporates who do not make this link.

The year-to-date voting report for 2020 can be seen below. Please note, due to administrative issues with power of attorney and share blocking, we have not been able to fully respect our objective to vote on all resolutions. Year-to-date to 1 November 2020, we have voted at 30 out of 33 voteable meetings. These issues have now been resolved and it is our intention to vote at 100% of meetings in the future.

Please find our voting record below.

**Board Statistics Report**



Parameters Used:  
 Location(s): All locations  
 Account Group(s): All account groups  
 Institution Account(s): UBAM POSITIVE IMPACT Equity  
 Custodian Account(s): All custodian accounts  
 Reporting Period: 1/1/20 to 12/11/20

**Meeting Overview**

Category	Number	Percentage
Number of votable meetings	37	
Number of meetings voted	30	81.08%
Number of meetings with at least 1 vote Against, Withhold or Abstain	21	56.76%

**Ballot Overview**

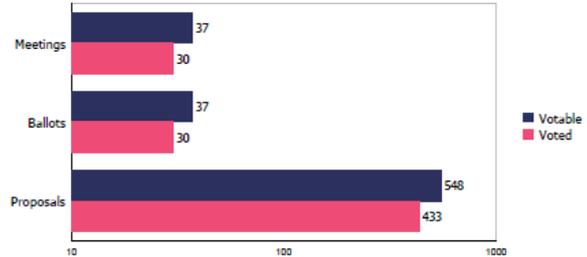
Category	Number	Percentage
Number of votable ballots	37	
Number of ballots voted	30	81.08%

**Proposal Overview**

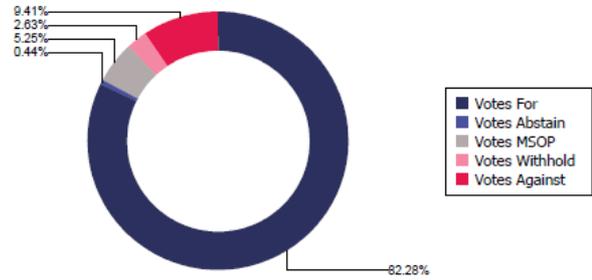
Category	Number	Percentage
Number of votable items	548	
Number of items voted	433	79.01%
Number of votes FOR	376	86.84%
Number of votes AGAINST	43	9.93%
Number of votes ABSTAIN	2	0.46%
Number of votes WITHHOLD	12	2.77%
Number of votes on MSOP	24	5.54%
Number of votes One Year	0	0.00%
Number of votes Two Years	0	0.00%
Number of votes Three Years	0	0.00%
Number of votes With Policy	431	99.54%
Number of votes Against Policy	2	0.46%
Number of votes With Mgmt	375	86.61%
Number of votes Against Mgmt	58	13.39%
Number of votes on Shareholder Proposals	1	0.23%

*Note: Instructions of Do Not Vote are not considered voted, and in cases of different votes submitted across ballots for a given meeting, votes cast are distinctly counted by type per proposal where total votes submitted by type may be higher than unique proposals voted.*

**Voting Statistics**

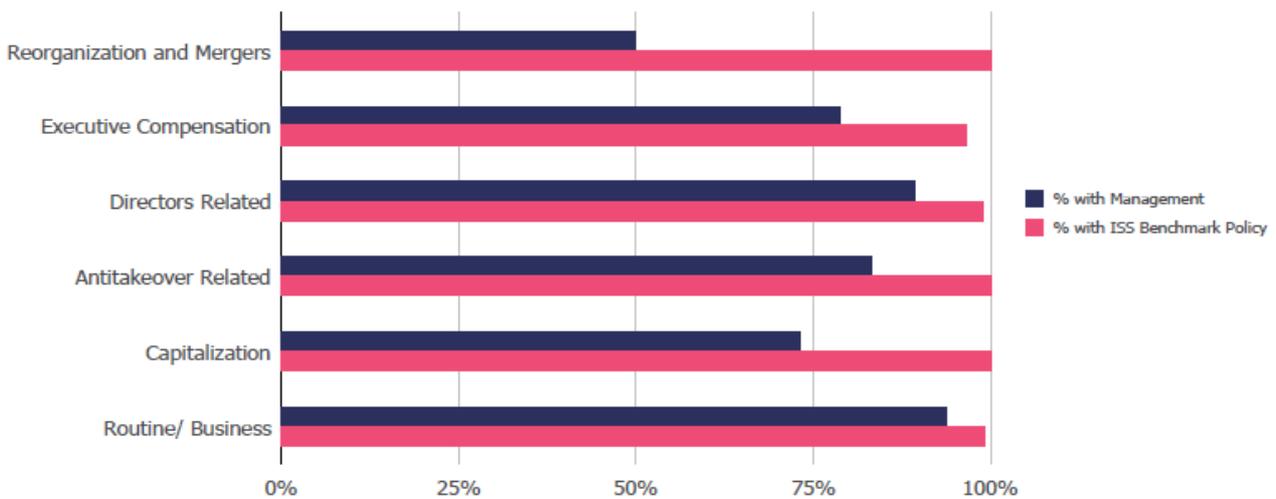


**Vote Cast Statistics**



**Votes cast on management proposal categories**

- › Comparing votes cast to management and ISS Benchmark Policy recommendations across the major proposal categories provides an insight into the positioning of votes on proposals submitted by management against these benchmarks.
- › Votes cast during the reporting period were least in line with management on reorganization and merger matters, where only 50% of votes followed management recommendations.
- › Across categories, votes cast on management proposals show the closest alignment to the ISS Benchmark Policy guidelines.



### Votes cast on shareholder proposal categories

- › Votes cast on shareholder proposals, in opposition to management, reflect Union Bancaire Privée's support for proposals submitted by shareholders.
- › During the reporting period, Union Bancaire Privée has shown the highest level of support for shareholder proposals related to Directors Related (100%) and the lowest level of support for shareholder proposals related to Health/Environmental, with 50% of proposals supported in this category.
- › Across categories, votes cast on shareholder proposals show the closest alignment to the ISS Benchmark Policy guidelines.

