



Inducement Policy MIFID 2

1. Applicable Regulatory provisions

The following rules and regulations apply to this inducement policy:

- DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MIFID II Level 1)
- COMMISSION DELEGATED DIRECTIVE (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits (MIFID II Level 2)
- COMMISSION DELEGATED REGULATION (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive
- ESMA Questions and Answers on MiFID II and MiFIR investor protection and intermediaries topics ESMA35-43-349
- French Financial & Monetary code sections L533-10 & L533-12-2 to L533-12-4.
- French Autorité des Marchés Financiers (« AMF ») sections 314-13 to 314-30
- AMF Position 2013-10 and Guide on the rules governing the funding of research by investment service providers under MIFID 2

2. Scope

This inducements policy sets out how UBP Asset Management (France) (hereinafter “UBP AM FRANCE”) complies with applicable rules and regulations when UBP AM FRANCE pays or is paid any fee or commission, or provides or is provided with any non-monetary benefit in relation to investment services or investment activities and ancillary services as defined under MIFID II.

As of the date hereof, this policy applies to the following investment services and activities of UBP AM FRANCE (Hereinafter the “Investment Services and Activities”):

- Marketing and distribution of collective investment schemes and investment services solely to the extent that such marketing and distribution activities include investment advice (provided on a non-independent bases) or reception and transmission of orders in relation to one or more financial instrument
- Discretionary portfolio management services
- Investment Research

This inducement policy should be read in conjunction with UBP AM FRANCE’s Conflicts of interest policy.

This inducement policy does not apply to inducements received or given in course of the investment management services rendered to collective investment schemes. In this respect, UBP AM FRANCE applies a specific inducement policy under UCITS and AIFM directives and AMF general regulations sections 321-116 to 321-125.

3. General Principals

When providing Investment Services and Activities to its clients, UBP AM FRANCE must act honestly, fairly and professionally in accordance with the best interests of its clients.

UBP AM FRANCE would not be regarded as fulfilling its obligation to identify and prevent or manage conflicts of interest nor its obligation to act honestly, fairly and professionally where UBP AM FRANCE pays or is paid any fee or commission, or provides or are provided with any non-monetary benefit in connection with the provision of the Investment Services and Activities, to or by any party except the client or a person on behalf of the client, other than where the payment or benefit is designed to enhance the quality of the relevant service to the client; and does not impair compliance with the UBP AM FRANCE’s duty to act honestly, fairly and professionally in accordance with the best interests of its clients.

Furthermore UBP AM FRANCE must clearly disclose the existence, nature and amount of the payment or benefit or, where the amount cannot be ascertained, the method of calculating that amount, to its clients, in a manner that is comprehensive, accurate and understandable, prior to the provision of the relevant Investment Services and Activities.

Where applicable, the UBP AM FRANCE must also inform its clients on mechanisms for transferring to the client the fee, commission, monetary or nonmonetary benefit received in relation to the provision of the Investment Services and Activities.

UBP AM FRANCE will, however, be able to pay or be paid a payment or benefit which enables or is necessary for the provision of Investment Services and Activities, such as custody costs, settlement and exchange fees, regulatory levies or legal fees, and which by its nature cannot give rise to conflicts with the UBP AM FRANCE's duties to act honestly, fairly and professionally in accordance with the best interests of its clients.

4. Acceptable inducements - Quality Enhancement

A fee, commission or non-monetary benefit shall be considered to be designed to enhance the quality of Investment Services and Activities rendered to the client if all of the following conditions are met:

- I. It is justified by the provision of an additional or higher level service to the relevant client, proportional to the level of inducements received, such as:
 - (a) the provision of non-independent investment advice on and access to a wide range of suitable financial instruments including an appropriate number of instruments from third party product providers having no close links with the investment firm;
 - (b) the provision of non-independent investment advice combined with either: an offer to the client, at least on an annual basis, to assess the continuing suitability of the financial instruments in which the client has invested; or with another on-going service that is likely to be of value to the client such as advice about the suggested optimal asset allocation of the client; or
 - (c) the provision of access, at a competitive price, to a wide range of financial instruments that are likely to meet the needs of the client, including an appropriate number of instruments from third party product providers having no close links with the investment firm, together with either the provision of added-value tools, such as objective information tools helping the relevant client to take investment decisions or enabling the relevant client to monitor, model and adjust the range of financial instruments in which they have invested, or providing periodic reports of the performance and costs and charges associated with the financial instruments
- II. it does not directly benefit the recipient firm, its shareholders or employees without tangible benefit to the relevant client;
- III. it is justified by the provision of an on-going benefit to the relevant client in relation to an on-going inducement.

A fee, commission, or non-monetary benefit will not be considered acceptable if the provision of the relevant services to the client is biased or distorted as a result of the fee, commission or non-monetary benefit.

In addition, UBP AM FRANCE must fulfil the above requirements on an ongoing basis as long as they continue to pay or receive the fee, commission or non-monetary benefit.

5. Identification of the fees, commissions and non-monetary benefits received or paid

In order to achieve this Inducement policy UBP AM FRANCE keeps an internal list of all fees, commissions and non-monetary benefits received by UBP AM FRANCE from a third party in connection with the Investment Services and Activities mapping how the fees, commissions and non-monetary benefits paid or received by UBP AM FRANCE, or that it intends to use, enhance the quality of the services provided to the relevant clients and the steps taken in order not to impair the firm's duty to act honestly, fairly and professionally in accordance with the best interests of the client.

In assessing whether a specific set of circumstances meets the above conditions, UBP AM FRANCE considers the following factors:

- a) The nature of the service provided;
- b) The expected benefits of the arrangement for the client, UBP AM FRANCE and any third party involved;
- c) Whether the arrangement could be seen as a potential incentive likely to change the proper behaviour of UBP AM FRANCE or any third party involved;
- d) The relationship between UBP AM FRANCE and the other party(ies) involved in the inducement; and
- e) The nature of the Inducement itself.

UBP AM FRANCE updates periodically this list and takes into account new activities or arrangements falling within the scope of this Inducement Policy.

6. Required disclosures

In relation to any payment or benefit received from or paid to third parties, UBP AM FRANCE must disclose to its client the following information:

- (i) prior to the provision of the relevant Investment Service or Activity, UBP AM FRANCE must disclose to its client information on the payment or benefit concerned. Minor non-monetary benefits are described in a generic way. Other non-monetary benefits received or paid by UBP AM FRANCE (if any) in connection with the Investment Services and Activities provided to a client shall be priced and disclosed separately;
- (ii) where UBP AM FRANCE is unable to ascertain on an ex-ante basis the amount of payment or benefit to be received or paid, UBP AM FRANCE shall instead disclose to its clients the method of calculating that amount, UBP AM FRANCE also provide its clients with information of the exact amount of the payment or benefit received or paid on an ex-post basis; and
- (iii) at least once a year, as long as (on-going) inducements are received by UBP AM FRANCE in relation to the investment services provided to the relevant clients, the firm must inform its clients on an individual basis about the actual amount of payments or benefits received or paid. Again, minor non-monetary benefits are described in a generic way.

Marketing and distribution of collective investment schemes and investment services

As stated above, this Inducement Policy applies to UBP AM FRANCE's marketing and distribution of collective investment schemes and investment services promoted by UBP GROUP solely to the extent that such marketing and distribution activities include investment advice, provided on a non-independent basis; or reception and transmission of orders in relation to one or more financial instrument.

In such cases UBP AM FRANCE may retain an annual fee meeting the requirements of article 4 hereabove paid out of the management fee of the collective investment scheme or investment service fee paid by the client (the "Management Fee"); the rate of UBP AM FRANCE's fee shall vary according to the contractual arrangements in place with the Client, the applicable rate of net Management Fee and the asset class and strategy. For informative purposes only, as at Q4 2019, UBP AM FRANCE retained 12Bps on an annual average weighted basis in relation to its total marketing and distribution activities.

Discretionary portfolio management services

In connexion with discretionary portfolio management services provided to its clients, UBP AM discloses as appropriate all fees, commissions and monetary benefits paid to or by UBP AM FRANCE in the investment management agreement and ancillary information documents.

UBP AM FRANCE does not accept nor retain fees, commissions or any monetary or non-monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of the services to clients save for minor non-monetary benefits, if any, that are capable of enhancing the quality of service provided to a client and are of a scale and nature such that they could not be judged to impair compliance with the firm's duty to act in the best interest of the client. Such minor non-monetary benefits including investment research) are disclosed below.

Where UBP AM FRANCE provides discretionary portfolio management services to its clients and invests in collective investment schemes promoted by UBP Group, UBP AM FRANCE chooses the share class bearing no additional management fee or deducts the same from the portfolio management fee charged to its clients. In such cases the client continues to pay its pro rata share of the "proper fees"¹ which are necessary for the service and cannot, by their nature, give rise to conflicts of the duty to act honestly, fairly and professionally in accordance with the best interests of its clients.

If UBP AM FRANCE were to receive a fee, commission or monetary benefit in relation to the provision of discretionary portfolio management services, UBP AM FRANCE would transfer in full to the client all such fees, commissions or monetary benefits received from third parties in full to the client. This would be the case if UBP AM FRANCE were to invest in third party collective investment scheme not managed or promoted by UBP GROUP and receive a rebate for the sole benefit of its clients. In such cases, UBP AM FRANCE would repay as soon as practicable the rebate to its client's portfolio.

Investment research

Investment research is defined as research material or services concerning:

- one or several financial instruments or other assets; or
- the issuers or potential issuers of financial instruments; or
- a specific industry or market;

such that it informs views on financial instruments, assets or issuers within that sector or market.

¹ Proper Fees are likely to include custody fees and costs, settlement fees, marketing fees, standard depositary bank charges on transactions relating to securities and other assets and entitlements of the collective investment scheme ("CIS"), exchange fees, legal fees, remuneration on Central Administration, Transfer and Registrar Agent, Domiciliary and Principal Paying Agent fees, remuneration of the securities lending agent in relation to securities lending transactions, out of pocket fees (including without limitation telephone, telex, cable and postage expenses) incurred by the service providers and other agents appointed by the CIS, cost of printing, preparing, translating and distributing financial reports and prospectus, any registration fees, auditor's fees, cost of publishing the offer price and redemption price and any notices to shareholders, all other customary administration and publication expenses arising from the CIS operations, all risk and compliance monitoring support, remuneration of the Board of Directors and officers of the CIS and their reasonable out of pocket expenses, insurance coverage, and reasonable travelling costs in connection with board meetings, other costs as may be stated in the prospectus and the like, which are usually incurred as a consequence of actions which the client is required to take or wishes to be taken on its behalf, or which are in the best interests of the client under the fund management services concerned.

That type of material or services:

- explicitly or implicitly recommends or suggests an investment strategy and provides a substantiated opinion as to the present or future value or price of such instruments or assets; or
- contains analysis and original insights and reaches conclusions based on new or existing information that could be used to inform an investment strategy and be relevant and capable of adding value to the decisions by the investment services provider on behalf of clients being charged for that research

UBP AM FRANCE in conjunction with UBP GROUP defines and updates periodically its list of authorized third party providers of investment research. UBP AM FRANCE investment professionals may receive investment research solely from these authorized third party providers.

As of the date hereof, UBP AM FRANCE has decided to pay for investment research directly out of its of its own resources. Consequently, investment research received by UBP AM FRANCE is not be regarded as an inducement accordance with applicable rules and regulations. In addition to this investment research UBP AM FRANCE may retain other minor non-monetary benefits.

Other Minor non monetary benefits

In accordance with applicable rules and regulations, UBP AM FRANCE may retain other minor non-monetary benefits in connexion with the Investment Services and Activities insofar that such minor non-monetary benefits are reasonable and proportionate and of such a scale that they are unlikely to influence the UBP AM FRANCE's behavior in any way that is detrimental to the interests of the relevant client.

Other non-monetary benefits include

- information or documentation relating to a financial instrument or an investment service, which is generic in nature or personalized to reflect the circumstances of an individual client;
- written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company or where the third party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis provided that the material clearly discloses the relationship between the issuer and the third party; and is made available at the same time to any investment services provider wishing to receive it or to the general public;
- participation in conferences, seminars and other training or information events on the benefits and features of a specific financial instrument or an investment service;
- hospitality of a reasonable de minimis value, such as food and drink during a business meeting or a conference, seminar or other training or information events hereabove; and.
- other minor non-monetary benefits which the AMF deems capable of enhancing the quality of service provided to a client and having regard to the total level of benefits provided by one entity or group of entities, to be of a scale and nature that are unlikely to impair compliance with the service provider's duty to act in the best interest of the client ; are included research made freely available to potential investors or general public, documentation that is published for a transaction on primary markets, research given free of charge under a strictly controlled, time-limited and non-renewable trial period,

Clients may address further requests to their relationship manager in order to obtain more specific information in relation to this inducement policy and how it applies to the services received by them.

This Inducement policy supersedes any previous version and is effective as of the date on the first page hereof. It is updated periodically in order to take into changes in applicable rules and regulations, changes to UBP AM FRANCE's business activities and organization and if any the conflicts of interest that may have arisen.