

RESPONSIBLE INVESTMENT AT UBP



UNION BANCAIRE PRIVÉE

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Introduction

Union Bancaire Privée, UBP SA (“UBP”)’s commitment to sustainable wealth management for our clients led us to become a signatory of the United Nations Principles for Responsible Investment (UN PRI) in March 2012. Since then, the world of responsible investment has evolved substantially, as has our approach.

As part of our continued pledge to upholding the Principles of the UN PRI, we both expanded and enhanced our Responsible Investment (RI) Policy to provide a robust foundation across our funds, financial products and discretionary mandates.

The financial rationale is clear – that a comprehensive approach to environmental, social and governance (ESG) considerations can support both risk management and alpha-generation. However, we are also firmly of the view that finance has a key role to play in creating a sustainable economy and should consider the impact of its investments on the environment and the society.

This document is designed to introduce the reader to responsible investing at UBP, and includes an overview of our journey, offering, commitments and the practices we have put in place.

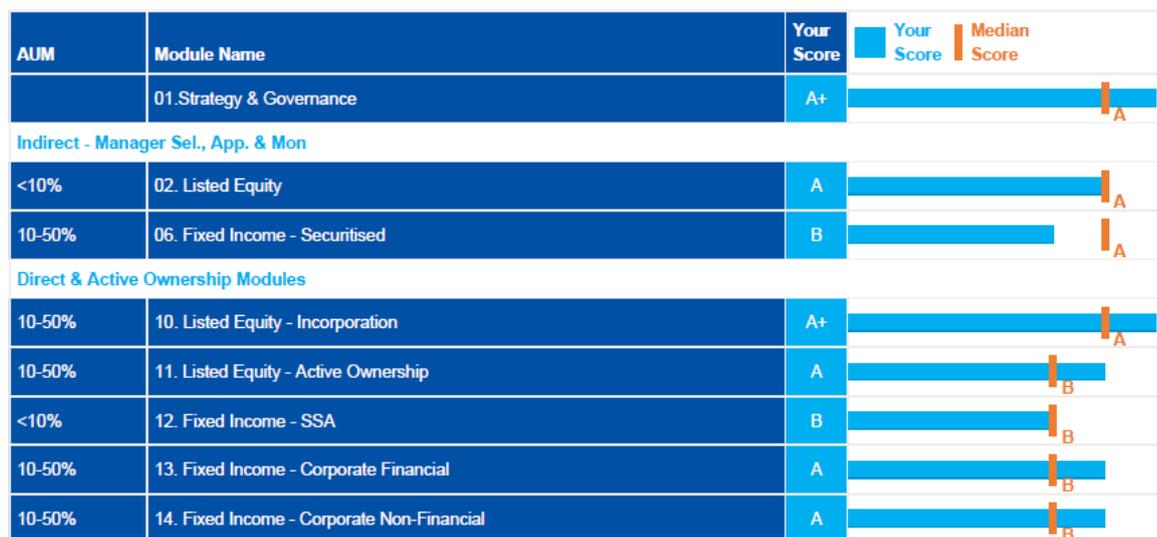
UN PRI assessment at a glance

On becoming a signatory to the UN PRI in March 2012, UBP committed to implementing its principles, the sixth being to annually report on our activities and progress. This annual reporting, along with guidance given by the UN PRI, has provided a framework and timeline for us to progressively develop our responsible investing capabilities, and it is encouraging to see UBP building upon its assessment scores year on year.

Below is our Summary Scorecard from the UBP UN PRI Assessment Report 2020 showing that we performed in line with or above our peers in all but one module assessed, and achieved the highest rating of A+ in the Strategy & Governance class. The Assessment Report is publicly available on the [UN PRI website](#).

Please note that following the roll-out of the new reporting framework, the UN PRI has delayed publication of the 2021 Assessment Report until June 2022.

Summary Scorecard



Source: UN PRI Assessment Report 2020

Responsible investing at UBP

Commitments

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

Our credence to responsible investment stems from our fiduciary duty to offer long-term, sustainable performance to our clients and is encapsulated in the following public statement¹:

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

This commitment was manifested by UBP becoming a signatory to the UN PRI in March 2012 and the subsequent launch of our first sustainable strategy, a European convertible bond fund. Following a period of research, development and implementation, we published our first RI Policy in 2014, and enhanced it in practices and in scope in 2018.

We consider RI and Corporate Social Responsibility (CSR) to be two aspects of the same commitment to creating a sustainable world, and, as such, UBP furthered its commitment to sustainability by becoming a member of the UN Global Compact in 2020.

UBP is also committed to participating in the fight against climate change and to contributing to the Paris Agreement's objective to keep global warming well below 2°C above pre-industrial levels. With this in mind, UBP is integrating the recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD). Furthermore, UBP Asset Management (Europe) S.A. has signed the Net Zero Asset Managers initiative, an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner.

UBP aims to both learn from and educate clients whenever possible and is committed to sharing knowledge with peers in the industry. In an effort to achieve this, UBP has entered into a number of partnerships and initiatives (see "Partnerships and initiatives" below).

Principles

Responsible investing is an approach that aims to incorporate ESG factors into investment decisions so as to better manage risk and generate sustainable, long-term returns.² UBP believes that investable companies with an appropriate management structure and the capability to manage and mitigate environmental and social risks, as well as to seize environmental and social opportunities, are ultimately more likely to deliver long-term performance. ESG analysis and considerations, including active ownership, are thus incorporated throughout our investment processes.

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

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

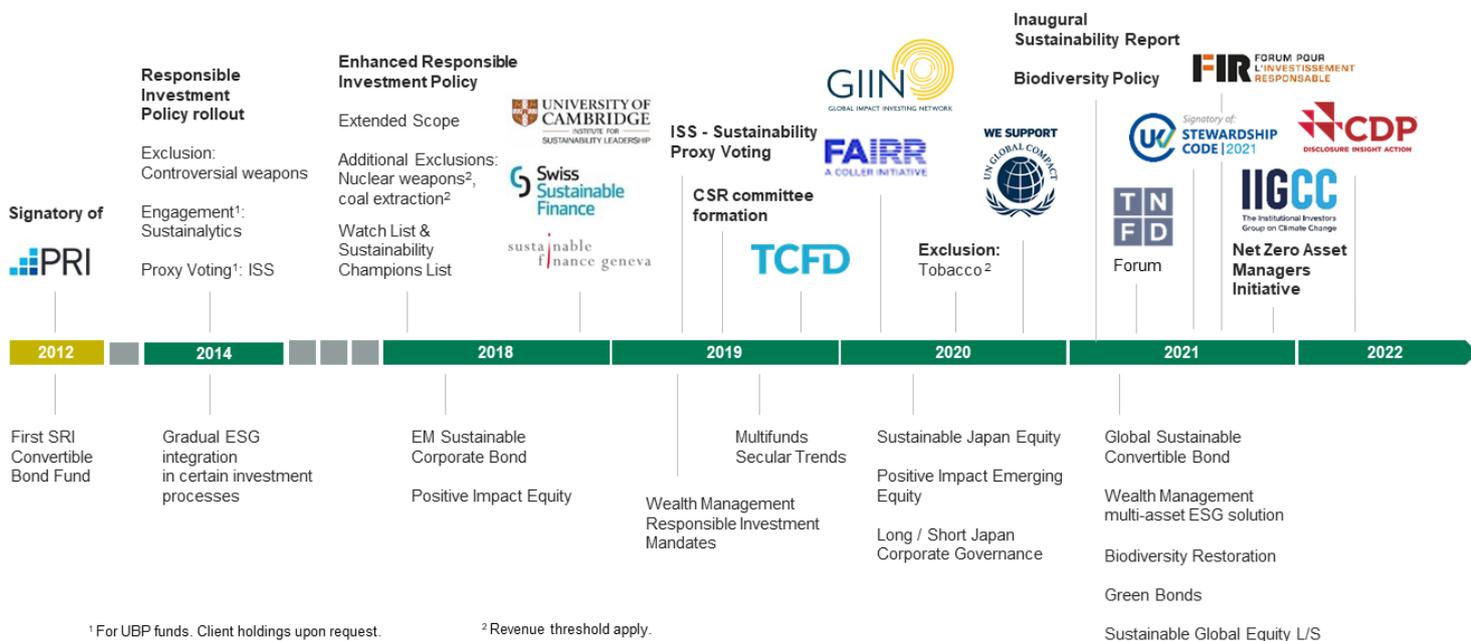
We also recognise that applying these Principles may better align investors with the broader objectives of society.

¹ Source: UBP, Sustainability Report 2020

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

Furthermore, recognizing the concept of double-materiality, EU-based UBP entities³ consider and manage the principal adverse impacts (PAIs) on the environment and society that may result from their investment decisions. To do so, we rely primarily on this policy, which outlines the key principles applicable to all our funds as well as mandates, subject to end investor's approval.

Key milestones of a long-term commitment



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

Governance & responsibilities

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

UBP's Board of Directors

UBP's Board of Directors monitors sustainability- and climate-related risks via the Risk Committee.

UBP's Executive Committee (ExCo)

UBP's Executive Committee is charged with designing and driving our RI Policy and CSR practices. To that end, the ExCo has defined a series of sustainability KPIs, including significantly increasing assets in sustainable strategies and reducing our carbon footprint.

Implementation of our sustainability approach is carried out by two committees which report to the ExCo: the Responsible Investing Committee (RICO) and the Corporate and Social Responsibility Committee (CSRCO), while a third, the Sustainable Finance Regulation Committee (SFRC), coordinates the implementation of sustainable finance regulation across business lines.

To ensure ongoing oversight, the RICO, CSRCO and SFRC report every two weeks to four members of the ExCo (the "Steering Committee"), who are able either to decide for the Group directly or to bring specific issues to the full ExCo when needed (e.g. budget allocation). This ensures smooth and rapid decision-making in the coordination of our RI and CSR policies, as well as continuous progress in cross-functional projects linked to the implementation of new sustainable finance regulations.

Responsible Investing Committee (RICO)

The Executive Committee is supported in its work by the Responsible Investing Committee (RICO).

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

The RICO's responsibilities include:

- Designing responsible investment principles and policies
- Making proposals to the ExCo on strategic development
- Defining and maintaining minimum ESG standards, including through the Exclusion List, Watch List and the Sustainability Champions List
- Supporting investment and sales teams on all matters linked to responsible investment, such as designing investment processes and meeting client requirements
- Driving the implementation of UBP's climate and biodiversity strategies in portfolios' investments
- Filtering new developments in ESG and disseminating these to investment teams
- Coordinating engagement activities
- Supporting the development of new sustainable products

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

The RICO convenes at least three times a year, or more frequently as required.

Sustainable Finance Regulation Committee (SFRC)

The SFRC coordinates the regulation implementation actions between business lines, RICO, Corporate Social Responsibility Committee (CSRCO) and UBP entities.

Investment teams

UBP's investment teams are responsible for the day-to-day implementation of the RI Policy, as well as for the integration of ESG and sustainability considerations into their investment processes. Each team develops its own approach, which best fits its asset class and strategy objectives, ranging from research to portfolio construction and direct engagement, while applying the minimum ESG standards as defined by the RICO. Each investment team has at least one member with a focus on ESG / Sustainability, and some of our investment teams only manage sustainable products.

In particular, with regards to listed companies in the European Union (EU), the European Economic Area (EEA) and the UK, and in light of the EU Shareholder Rights Directive II (SRD2), equity investment teams from our Asset Management division consider issuers' ESG credentials as an integral part of their decision and voting processes, alongside more traditional financial metrics, and engage where necessary with investee companies.

Sustainability Risk Management

A Risk Committee is responsible for managing sustainability risks at both Group and business unit levels. It performs the oversight of all risks by reviewing and analysing the Bank's risk profile, including sustainability risks, on a monthly basis.

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

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

Partnerships and initiatives

In order to tackle the world's biggest challenges, governments, investors, the corporate world and the financial sector must work together. Accordingly, UBP has partnered with, is a signatory to, or supports, an array of global and local initiatives, associations and academia.

Global

United Nations Principles for Responsible Investment (UN PRI)

UBP has been a signatory to the UN PRI since March 2012. The UN PRI is a United Nations-supported international network of investors working together to implement its six aspirational principles. Its goal is to understand the implications of sustainability for investors and assist signatories in incorporating these issues into their investment decision-making and ownership practices. In implementing these principles, signatories contribute to the development of a more sustainable global financial system.

<https://www.unpri.org/>

United Nations Global Compact (UN GC)

In September 2020, UBP joined the UN GC, the world's largest corporate sustainability initiative whose mission is to have companies do business responsibly by aligning their strategies and operations with ten principles relating to human rights, labour, the environment and anti-corruption. It also encourages them to take strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals, with an emphasis on collaboration and innovation.

UBP's Letter of Commitment is available at <https://www.unglobalcompact.org/what-is-gc/participants/141307>.

<https://www.unglobalcompact.org/>

Task Force on Climate-Related Financial Disclosures (TCFD)

In 2020, UBP showed its determination to address major climate issues by taking the Paris Agreement Capital Transition Assessment (PACTA) 2020 climate sustainability test and by supporting the Task Force on Climate-related Financial Disclosures (TCFD). The initiative aims to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders.

<https://www.fsb-tcf.org/about/>

Taskforce on Nature-related Financial Disclosures (TNFD) Forum

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

<https://tnfd.global/>

CDP

In an effort to drive greater transparency on environmental risks and opportunities, UBP became a CDP investor signatory in January 2022. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Every year, investors working with CDP jointly ask thousands of companies to respond to their questionnaires on climate change, deforestation and water security. In 2021, over 13,000 companies (64% of global market capitalisation) disclosed data.

<https://www.cdp.net/>

Institutional Investors Group on Climate Change (IIGCC)

UBP Asset Management (Europe) S.A. joined the IIGCC in December 2021. The IIGCC is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future. IIGCC has more than 370 members, mainly pension funds and asset managers, across 22 countries, with over EUR 50 trillion in assets under management.

<https://www.iigcc.org/>

Net Zero Asset Managers Initiative (NZAM)

In December 2021, UBP Asset Management (Europe) S.A. joined the Net Zero Asset Managers initiative, an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C, and to supporting investing aligned with net zero emissions by 2050 or sooner. The initiative has more than 200 signatories, representing around USD 57 trillion in assets under management.

<https://www.netzeroassetmanagers.org/>

Cambridge Institute for Sustainability Leadership's Investment Leaders Group

Since February 2018, UBP has collaborated with the Cambridge Institute for Sustainability Leadership (CISL) as a partner in the exclusive Investment Leaders Group (ILG). The ILG is a global network of pension funds, insurers and asset managers with over USD 12 trillion under management and advice. It is committed to advancing the practice of responsible investment. It is a voluntary initiative, driven by its members, facilitated by the CISL, and supported by academics at the University of Cambridge.

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

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

Global Impact Investing Network (GIIN)

In June 2020, UBP became a member of the GIIN. By bringing together impact investors to facilitate knowledge exchange, highlighting innovative investment approaches, building the evidence base for the industry, and producing valuable tools and resources, the GIIN seeks to accelerate the industry's development through focused leadership and collective action. The development of impact investing in the listed equity segment is relatively new, and UBP's membership in GIIN represents a major step forward in building crucial collaborations with other experts.

<https://thegiin.org/>

Farm Animal Investment Risk & Return (FAIRR)

In February 2020, UBP became a network member of FAIRR initiative. FAIRR's mission is to build a global network of investors who are focused on and engaged with the risks linked to intensive animal production within the broader food system. It helps investors to exercise their influence as responsible stewards of capital to engage and safeguard the long-term value of their investment portfolios. FAIRR helps investors to identify and prioritise risk factors through cutting-edge research that investors can then integrate into their investment decision-making and active stewardship processes.

<https://www.fairr.org/>

Local

Swiss Sustainable Finance (SSF)

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

<https://www.sustainablefinance.ch/en>

Forum pour l'Investissement Responsable (FIR)

In September 2021, UBP became a member of the French SIF, a multi-stakeholder platform whose purpose is to promote and develop responsible investment and best practice. It brings together a range of players, including investors, asset managers, consultants, NGOs, unions and academic experts. FIR is a member of Eurosif.

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

UK Stewardship Code

In September 2021, UBP became a signatory of the UK Stewardship Code, a voluntary code that sets twelve stewardship principles for institutional investors who manage assets on behalf of UK clients or who invest in UK assets. The aim is to demonstrate how signatories have practiced stewardship over the year, including investment decision-making, monitoring assets and service providers, engaging with issuers and holding them to account on material issues, collaborating with others, and exercising voting rights and responsibilities.

<https://www.frc.org.uk/investors/uk-stewardship-code>

Sustainable Finance Geneva (SFG)

In April 2018, UBP became a member of Sustainable Finance Geneva (SFG), an association that is renowned as a key global platform in sustainable finance in French-speaking Switzerland. SFG enables all stakeholders to engage with each other and is committed to promoting Geneva as a financial centre. Sustainable Finance Geneva is a network partner of SSF.

<https://www.sfgeneva.org/>

Dutch Climate Commitment of the Financial Sector (DUFAS)

In 2021, UBP signed the Dutch Climate Commitment of the Financial Sector, an initiative designed to provide insights into the role of the financial sector in the field of climate change, the efforts of the sector to reduce its impact on climate change, and the evolution of the carbon impact of the sector.

<https://klimaatcommitment.nl/about/>

The Big Exchange

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

<https://bigexchange.com/>

External ESG service providers

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

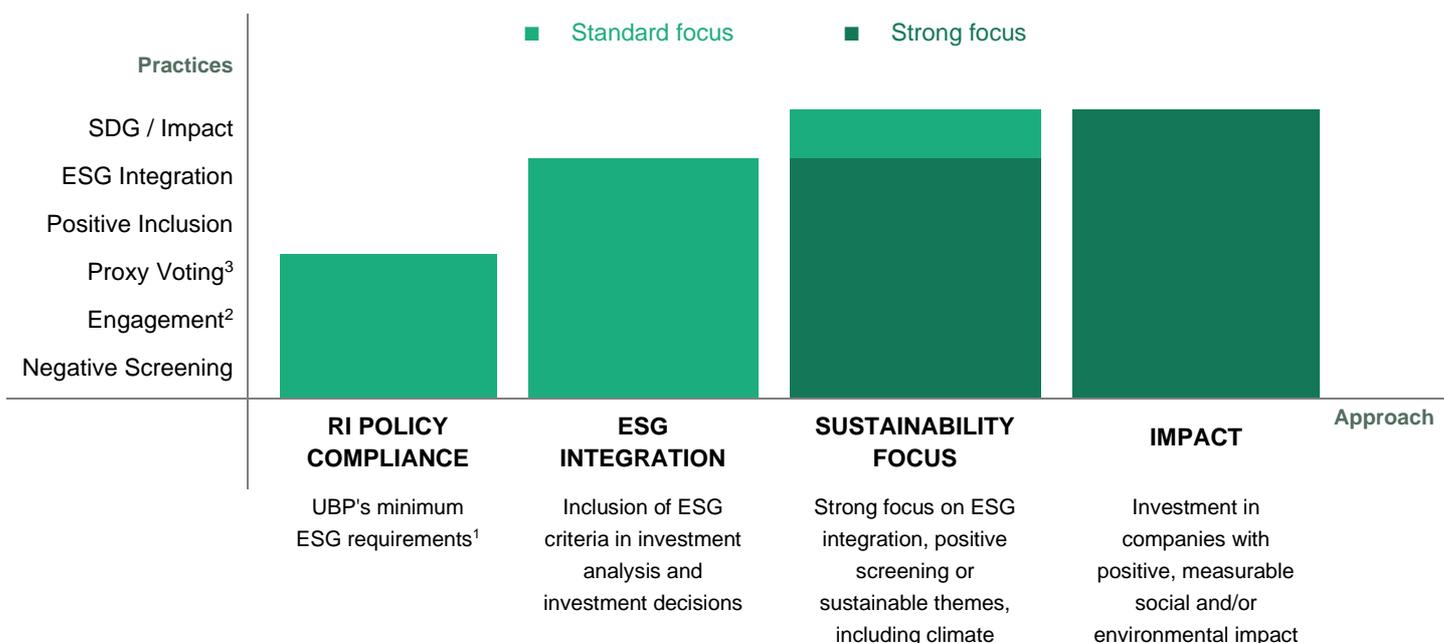
- **MSCI ESG Research LLC**: ESG data, SDG contribution, carbon emissions data and information on controversies and business involvement
- **Sustainalytics**: collaborative engagement, information on controversies, EU Taxonomy and Principal Adverse Impact (PAI) data
- **Institutional Shareholder Services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

Responsible Investment Policy

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

Responsible investment offering

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



For illustration purposes only.

¹ Applies to all UBP's AUM, excluding cash, Wealth Management's execution-only services and investments in third-party funds.

² Not applicable to Wealth Management. Applicable to client holdings upon request.

³ Ibid.

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

Responsible investment practices

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

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

■ **Negative screening** via:

- ▶ our **Exclusion List**
- ▶ our **Watch List**

■ The **Sustainability Champions List** promotes companies that, either through their processes, end products or services, make a positive contribution to society and/or the environment.

■ **Engagement** with a particular focus on companies deemed to be failing in ESG factors. By sharing with them the rationale behind our considerations, either directly or via our third-party engagement partners, UBP encourages these companies to address these considerations.

- To act in the best financial interests of our clients in the long term, UBP exercises the **voting rights** attached to investments whenever possible. UBP adopts a principle of voting to promote business practices that are mindful of environmental, social or corporate governance issues, in line with the UN PRI.

Stricter conditions and exclusions are applied to UBP's **Sustainable and Impact product ranges**.

ESG research and analysis

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

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

For sustainable funds-of-funds and alternative strategies, detailed ESG due diligence is carried out on both the asset manager and the product. This includes the evaluation of resources and tools dedicated to sustainability, their approach to positive and negative screenings, the coherence of the investment strategy towards ESG and/or SDG targets, the actual commitment to engagement and proxy voting and how this is integrated within the investment process.

Negative screening⁴

Exclusion List

▶ Minimum exclusions

In accordance with the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (1997) and the Convention on Cluster Munitions (2008), UBP does not finance or support companies involved with such controversial weapons.

UBP is committed to participating in the fight against climate change and to contributing to the Paris Agreement's objective to keep global warming well below 2°C above pre-industrial levels.

According to the World Health Organisation, the tobacco epidemic is one of the biggest public health threats the world has ever faced, killing more than 8 million people a year around the world. As a family-owned bank that puts sustainability and the needs of future generations at the heart of our development model, we believe that supporting the tobacco industry through our investments is simply not compatible with our objectives.

UBP therefore believes that some investments should be restricted and has defined an Exclusion List, applicable to all UBP-branded public funds and certificates, WM Discretionary Portfolio Management mandates, WM Advisory Services and Treasury, as well as to institutional and private client mandates in agreement with the client.

The Exclusion List is updated regularly using a third-party ESG database and is supplemented by any additional companies that appear on the Belgian or Dutch regulators' exclusion lists of controversial weapons or that have been flagged by UBP's investment teams.

This Exclusion List currently includes:

- Companies that develop, manufacture or sell controversial weapons, such as chemical and biological weapons, cluster munitions, landmines, incendiary weapons using white phosphorus, blinding laser weapons and depleted uranium weapons;
- Companies which generate 5% or more of their revenues from nuclear weapons;
- Companies which generate 20% or more of their revenues from thermal coal extraction;
- Companies which produce tobacco and companies deriving 10% or more of their revenues from tobacco.

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

Additionally, and in line with UBP's Group policy, securities under EU, HK, OFAC, Swiss, UK and UN sanctions are also excluded, as well as investments in FATF "high-risk countries", while any investment in FATF "jurisdictions under increased monitoring" are subject to due diligence and approval.

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

The Exclusion List defines the base-level exposure that UBP is willing to have to certain sectors/activities considered controversial and/or harmful. For other potentially controversial sectors/activities, UBP relies on ESG analysis, engagement and active ownership to be effective at improving poor ESG practices

► **Extended exclusions⁵**

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

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

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

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

Sectors	Minimum exclusions	Funds that promote E/S charac. (Art. 8 SFDR)	Sustainable & Impact funds (incl. Art. 9 SFDR)
Controversial weapons⁶	0%	0%	0%
Nuclear weapons	5%	0%	0%
Other weapons⁷	-	10%	10%
Tobacco production	0%	0%	0%
Tobacco - Others	10%	5%	5%
Coal extraction	20%	20%	10%
Coal-powered utilities	-	20%	10% DM / 20% EM
Unconventional oil and gas⁸	-	10%	10%
Adult entertainment production	-	0%	0%
Adult entertainment – Others	-	5%	5%
UN Global Compact breach	Watch list	Excluded	Excluded
FATF High Risk Countries	Excluded	Excluded	Excluded
FATF Other Monitored Jurisdictions	Due diligence	Due diligence	Due diligence

Watch List

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

The Watch List includes those companies "red-flagged" by MSCI's ESG Research LLC as embroiled in controversies, such as not adhering to international norms and principles including the UN Global Compact (UNGC), the OECD Guidelines for Multinational Enterprises or International Labour Organization (ILO) conventions.

The Watch List is not an exclusion list. Investment teams have to justify the inclusion of these issuers in their portfolios as well as demonstrate, if possible, their engagement with the company in an effort to improve its ESG practices. However, as a minimum,

⁵ Apply to individual holdings held in our funds.

⁶ See definition above.

⁷ Other weapons include conventional weapons and support systems.

⁸ Unconventional oil and gas include oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, coal bed methane as well as Arctic onshore/offshore.

issuers in breach of the UNGC are systematically excluded from our Art. 8 and 9 funds (including Sustainable and Impact funds), as per SFDR.

Sustainability Champions List

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

Each investment team is invited to include issuers which they feel demonstrate particularly strong ESG credentials or make a positive contribution to society and/or the environment either through their practices or end products. The UN's 17 Sustainable Development Goals⁹ form the backdrop to this list, although it is the investment teams' bottom-up knowledge of their investment universe that is the ultimate determinant.

The resulting Sustainability Champions List is global and cuts across asset classes but does not make judgements on valuations, i.e. it does not constitute a direct investment recommendation. However, investment teams are encouraged, where appropriate, to consider this list when making their investment decisions.

Engagement with companies

Being an active investor, engagement is part of UBP's fundamental investment approach. UBP believes that combining forces with other investors when engaging with companies will increase its impact in 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 Asset Management division has teamed up with Sustainalytics, a leading global provider of ESG research which also offers global engagement services. This partnership is essential in facilitating the implementation of our RI Policy and in achieving durable change in the selected companies.

Upon identifying potential violation(s) by invested companies of the UN Global Compact or other international norms, Sustainalytics places the company under observation. It then:

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

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

Asset Management investment teams, as well as other UBP staff associated with Responsible Investment, have access to Sustainalytics' platform. There is an ongoing exchange between our investment professionals and Sustainalytics regarding specific questions about research provided by Sustainalytics and/or their methodology.

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

Last, collaborative engagement can also be undertaken via the UN PRI platform, or other organisations like IIGCC and the CDP, at the initiative of the RICO or investment teams.

Our **Sustainalytics' engagement activity** is published annually by the end of the first quarter on [our website](#).

Additionally, UBP's Asset Management division reports annually on how its approach aligns itself with the **UK Stewardship Code's** principles. Our latest report can be found [here](#).

⁹ <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>
Union Bancaire Privée, UBP SA | Responsible Investment | Q2 2022

Proxy voting

UBP believes that voting rights enable investors to preserve long-term economic value through the promotion of corporate governance and sustainable best practice. Proxy voting is applicable across our equity funds¹⁰ and – upon request from clients – to dedicated Asset Management mandates. Our voting policy aims to achieve two primary objectives:

- To act in the best financial interests in order to enhance the long-term shareholder value, and
- To promote ESG best practice.

UBP has decided to exercise voting rights through an industry-leading third-party voting-service provider, ISS. ISS offers global coverage of the securities markets and provides us with accurate information about investee companies, including meeting agendas and all the research material needed to assess the items to be voted upon. It offers a central hub for managing all the votes and providing operational, record-keeping and reporting services.

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

As general principles, voting rights are exercised with a view to:

- Support and empower effective boards of directors that:
 - ▶ Feature the skills and understanding to review and challenge management performance,
 - ▶ Are of adequate size,
 - ▶ Demonstrate an appropriate degree of independence and commitment.
- Support appropriate governance by management bodies (e.g. responsibility and accountability). Such governance must be clearly defined and made public to ensure transparency for all stakeholders.
- Favour remuneration policies that are commensurate with long-term shareholder value.
- Promote business practices mindful of ESG issues, in line with the UN PRI.

These guidelines focus on long-term economic value preservation through the promotion of corporate governance best practices. UBP has subscribed to our provider's Sustainability Policy¹¹ which places added emphasis on ESG, including climate, when analysing management and shareholder resolutions.

Our **voting summary** and **voting activity** records are published annually by the end of each first quarter and available on [our website](#), as is our **voting policy**.

Sustainable and Impact product ranges

At UBP, we believe that we have a responsibility to promote investments which are better aligned with the broader environmental and social objectives of society. Consequently, within our Asset Management division, we have developed a Sustainable and Impact product offering designed to promote socially and environmentally conscious investments.

For our Sustainable and Impact product ranges, enhanced practices may include¹²:

- **An ESG rating filter:** a minimum ESG rating applies to individual holdings;
- **Negative screening:** stricter value-based and norms-based exclusions;
- **Positive screening:** filtering companies selected for positive ESG performance relative to industry peers;
- **Active engagement:** direct engagement between investment teams and companies;
- **Impact investing:** investments intended to generate a measurable, positive social and environmental impact alongside a financial return;
- **Thematic:** investments in businesses offering sustainable solutions to environmental and/or social challenges.

¹⁰ For practical reasons, funds under EUR 15 million in assets are excluded from scope.

¹¹ <https://www.issgovernance.com/file/policy/active/specialty/Sustainability-International-Voting-Guidelines.pdf>

¹² The specific practices are detailed in each strategies' dedicated documentation.

Sustainable and Impact minimum requirements

As part of our desire to help finance higher sustainability standards, and in particular the transition to a lower-carbon economy, we favour companies with better environmental and social practices, and which seek, for instance, to protect biodiversity¹³, sounder water consumption, pollution and waste management, to promote gender equality and diversity, and to reduce their carbon footprints. As examples, products in the Sustainable and Impact range exclude forward contracts on agricultural commodities. They may also aim to limit investments in electricity utilities whose power production (or expansion plans) significantly come from conventional oil & gas or nuclear energy, and which do not show a commitment to the use of renewables. Similarly, products may seek to limit investments in companies involved in conventional oil & gas extraction or civilian firearms. For these, specific thresholds are set at product level.

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

Impact Platform

UBP has an **Impact Platform** with an independent Impact Advisory Board and an in-house impact investment process, the IMAP system, which aims to score each company's potential impact according to six themes based on the 17 UN Sustainable Development Goals and to four criteria: Intentionality, Materiality, Additionality and Potential.

To ensure that UBP's approach meets the most stringent impact criteria, the Bank has formalised its governance arrangements in this area by setting up two dedicated entities: the Impact Advisory Board and the Impact Investment Committee.

The **Impact Advisory Board** is chaired by a member of UBP's Board of Directors. Its role is to take thought leadership drawn from external experts in fields outside of investment management and embed it in the Bank's Impact Platform. The Board meets every six months to review the impact case behind companies held in UBP's impact investment solutions. Four independent external sustainability experts are also members of the Impact Advisory Board.

The **Impact Investment Committee** is in charge of developing the Bank's impact investing capabilities, while also incorporating industry best practices. The Committee includes the Head of Impact Investing, the Head of Responsible Investment - Asset Management, the Head of Multi-Management and Fund Research, as well as the members of the Impact Investment team. Relevant impact cases and ESG concerns are discussed, along with research pieces, with a focus on stress testing impact rationales.

More information about **impact investing at UBP** can be found in the [dedicated section of our website](#).

¹³ See UBP's Approach to Biodiversity at <https://www.ubp.com/en/investment-expertise/responsible-investment>
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Climate risks and opportunities

Climate-related risks are threats that arise from the transitional or physical effects of climate change that may directly or indirectly impact UBP's financial performance, operations, or reputation. Specifically, UBP recognises that climate change has the potential to severely impact our clients' assets. Therefore, we assess, monitor and manage the effects of climate change on our clients' investments, as well as on our own operations. Climate change, however, will not only manifest itself in the form of risks but may also create new opportunities, such as investing in climate change mitigation technologies.

As part of our alignment with the Paris Agreement's objective to keep global warming well below 2°C above pre-industrial levels, and as a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD)¹⁴, UBP is committed to integrating its recommendations that are structured around four key areas: Governance, Strategy, Risk Management and Metrics & Targets. Aligned with these recommendations, UBP's approach encapsulates:

- **Governance:** climate-related issues come under the supervision of UBP's Executive Committee and are addressed at RICO and CSR Committee levels.
- **Strategy:**
 - ▶ Identify climate-related risks and opportunities.
 - ▶ Measure UBP's operational carbon footprint and set targets for reductions.
 - ▶ Reduce the carbon footprint of investment portfolios and develop a lower-carbon product offering. This is a key element of our funds that are in scope of UBP Asset Management (Europe) S.A.'s commitment to achieve net zero carbon emissions by 2050 or sooner.
- **Risk Management:** climate-related risks and opportunities are identified and assessed by the RICO and UBP's investment teams for our investments, and by the CSRCO for our operations. Climate-related risks are managed by the Risk Committee and the Risk Management department, in accordance with [UBP's Sustainability Risk Framework](#).
- **Metrics & Targets:**
 - ▶ UBP measures the carbon footprint of its investments¹⁵ by their **Weighted Average Carbon Intensity (WACI)**, expressed in tons CO₂e/USD million sales. The WACI is defined as the market-weighted average of total carbon emissions divided by total revenues. It is calculated by MSCI ESG Research using the latest available carbon emission data or estimates. For now, only Scope 1 and 2 emissions are considered, as Scope 3 data is additive across companies and may result in double counting. The WACI is the most appropriate metric across all asset classes, not only for equities but also for fixed income.
 - ▶ UBP also measures the carbon footprint (Scope 1, 2 and 3) of its own operations and has set targets to offset it annually and reduce it over time.

¹⁴ <https://www.fsb-tcfd.org/>

¹⁵ All UBP equity and fixed-income funds invested primarily in corporate debt domiciled in France or Luxembourg. UBP aims to gradually measure the carbon footprint of all its products and set reduction targets.

Monitoring and reporting

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

Monitoring

UBP takes into account sustainability risks and monitors the potential impacts of those risks. As such, UBP has defined a Sustainability Risk Framework available [here](#).

The framework includes UBP's definition of sustainability risk, the governance structure and risk monitoring.

Sustainability risk monitoring is organised around three main themes:

- Specific issuer list: Exclusion and Watch Lists
 - ▶ UBP's Exclusion List is encoded into its Asset Management portfolio management systems ensuring pre-trade checks and is communicated across the different UBP Wealth Management teams. Post-trade checks related to our Exclusion List are also carried out by UBP's internal Group Risk Management team and by the external administrator for UBP funds. Should a breach be detected, the relevant portfolio manager is notified and asked to correct the situation as soon as possible.
 - ▶ In addition, Group Risk Management analyses portfolio investments on the Watch List on a quarterly basis and requires justification from each investment team as to why such investments are being held.
- UBP Asset Management portfolio sustainability risk scores: for each portfolio, a sustainability score is calculated and monitored. UBP Wealth Management aims to gradually measure the portfolio sustainability risk scores.
- Carbon emissions:
 - ▶ We measure the carbon footprint of our investments by their weighted-average carbon intensity (WACI). See "Climate risks and opportunities" above for more information.
- Key risk indicators (e.g. WACI of the balance sheet and total assets under management on the Watch List) and their respective limits are defined by the ExCo in line with the desired risk appetite level.

Reporting

The **UN PRI Reporting Framework** is a mandatory requirement for UN PRI signatories and UBP reports on its own progress regarding responsible investment on an annual basis, thereby promoting a more widespread adoption and implementation of the PRI. The main elements of the UN PRI reported information are available on the UN PRI website.

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

Additionally, UBP publishes an annual **Impact Report**.

As a signatory of the **UK Stewardship Code**, UBP reports annually on our stewardship activities and outcomes for our Asset Management division.

UBP maintains a comprehensive record of its **engagement activity, votes cast** and the **reasons for voting** against management or abstaining. Our key engagements and voting records are published annually on [our website](#).

For UBP Asset Management division's products that follow UBP's ESG Integration, Sustainable or Impact approach, factsheets, available to all, and monthly reports, for professional clients, may include, but are not limited to, the **ESG Quality Score** and the **ESG Rating** and **Weighted Average Carbon Footprint**. These reports are at <https://www.ubp.com/en/funds>. In accordance with clients' needs and regulatory requirements, UBP is also able to produce tailored periodic ESG reports.

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