# UBP - 2022
# UK STEWARDSHIP CODE REPORT

UNION BANCAIRE PRIVÉE

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# INTRODUCTION

The UK Stewardship Code 2020 defines stewardship as **“the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.”**

This definition reflects the understanding we have at Union Bancaire Privée, UBP SA’s (“UBP”) that we have a fiduciary duty to offer long-term, sustainable performance to our clients, as expressed in our 2022 Sustainability Report:

*As environmental and social challenges increasingly affect the profitability and viability of businesses across all sectors, we have a duty to adjust our investment decisions and product offering to continue to act in our clients’ best interests. To fulfil our fiduciary duty, it is no longer sufficient to focus on financial factors alone: they must be part of a more comprehensive approach that also considers non-financial information.*

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

Each time we invest in a company, we are implicitly deciding that this company is the right fit for our clients’ capital. We believe that there are significant investment opportunities in companies that are making the right transitions or coming up with solutions to environmental and social challenges.

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

Throughout this document, we report on how our approach aligns itself with the 12 UK Stewardship Code’s Principles. Although stewardship and responsible investment are not fully interchangeable terms, the majority of this report focuses on our responsible investment practices as we believe they are the most pertinent for creating long-term value for clients and other stakeholders leading to sustainable benefits for the economy, the environment and society.

The report concerns those assets managed by UBP’s Asset Management division.

This report has been reviewed by members of UBP’s Executive Committee (ExCo). It is signed by Nicolas Faller, member of UBP S.A. Executive Committee and Co-CEO of UBP’s Asset Management division, and by Andrew Banks, Head of Compliance for UBP’s London Branch.

**Nicolas Faller**

Co-CEO of UBP’s Asset Management division
Member of the Executive Committee

**Andrew Banks**

Head of Compliance
UBP’s London Branch

# 2022 KEY HIGHLIGHTS

Article 8 and 9 funds accounted for more than 2/3 of AuM in our public funds

1,800 +

employees completed the Sustainability@UBP e-learning programme

Voted on 35 environmental-related items

7

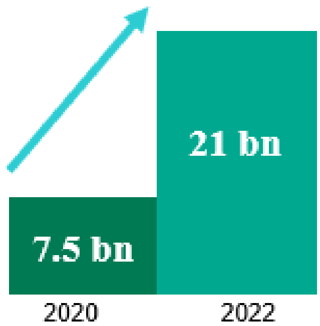
investment-related sustainability goals

New

Head of Sustainability joined in 2022

Carried out a new Materiality Assessment

Continued our collaboration with Maanch on the Engagement Tracker




CHF 21 Bn

Responsibly Managed assets

15

Sustainability committee meetings in 2022

Net-zero targets set for Asset Management

Increased the proportion of companies with committed or approved SBTi targets

40%

Women employees

Global impact equity strategy launched

All 10 fund labels renewed

# PURPOSE AND GOVERNANCE

## 1. PURPOSE, STRATEGY AND CULTURE

**Principle 1: Signatories' purpose, investment beliefs, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.**

### Overview of response to Principle 1

| | Key Statements |
|---|---|
| **Context** | • Our four core values – dedication, conviction, agility, and responsibility – govern our client relationships and guide us in our behaviour as a corporate actor and steward of our clients' assets<br>• Our sustainability approach is driven by our conviction that, to best serve our clients in the context of the transition to a sustainable economy, environmental and social considerations must be increasingly integrated into our decisions and actions |
| **Activity** | • UBP appointed a Group Head of Sustainability to develop a clear vision and roadmap on sustainability and drive their implementation across its whole business and strengthen the stewardship governance<br>• Stewardship governance was also strengthened with the revised Sustainability Steering Committee<br>• Our primary Fund Management Company, Luxembourg-domiciled 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 and published its net zero targets in January 2023 |
| **Outcomes** | • In the AM division, around 50% of AuM (CHF 15.7 billion) is classified as responsibly managed, of which CHF 800 million falls into the sustainable category. In 2022, we have achieved our sustainability objective set in 2020 of doubling assets in responsibly managed strategies from our baseline of CHF 7.5 billion<br>• All five UBP funds with the French ISR Label and all five funds with the Febelfin "Towards Sustainability" Label have successfully passed the audit and the labels were renewed<br>• In March 2022, UBP's emerging market impact investing strategy was named one of the top five EM equity strategies for environmental performance in 2021 by CDP's environmental fund rating Climetrics<br>• In 2022 our biodiversity strategy was recognised in the "Best ESG Investment Fund: Thematic (Natural Resources)" category |

### Context

#### Mission and Purpose

**Background on Union Bancaire Privée**

Headquartered in Geneva and with over 20 locations worldwide, UBP (here after "the Bank" or "the Group") is one of Switzerland's leading private banks, focussing on asset management for institutional clients and wealth management for private clients. Together with a workforce that embodies a multitude of nationalities and cultures, this international reach enables us to combine global expertise with local know-how. UBP offers a diversified range of long-only, alternative and private market products, encompassing both absolute and relative return strategies, which aim to grow client assets while applying a rigorous and disciplined risk management approach.

At UBP, we have increasingly integrated sustainability criteria into our investment decisions since signing the UN PRI in 2012, which prompted us to develop a Responsible Investment (RI) policy in 2014. The policy has since been regularly expanded and enhanced to reflect our growing commitment in this field.

### History

UBP's roots trace back to 1969, when Edgar de Picciotto established the Compagnie de Banque et d'Investissements (CBI) in Geneva. In its over fifty-year history, the Bank has maintained its independence - being fully owned by the de Picciotto family - and has achieved remarkable growth, organically as well as through targeted acquisitions of several major players in wealth management, both in Switzerland and abroad. From the 1980s onwards, the largest of these was that of TDB-American Express Bank in 1990, which led to the creation of the current entity, Union Bancaire Privée. Another significant acquisition was that of Discount Bank and Trust Company in 2002. In more recent years, UBP has acquired ABN AMRO Bank (Switzerland) AG in 2011, the international private banking activities of Lloyds Banking Group in 2013 and the Royal Bank of Scotland's International Private Banking and Wealth Management business (Coutts) in 2016. In late 2018, UBP acquired ACPI Investments Limited (ACPI) and the activities of ACPI IM Limited in Jersey, followed by the acquisition of Banque Carnegie Luxembourg S.A. (BCL) in early 2019. Most recently, in 2021, we announced two new acquisitions: Millennium Banque Privée, finalised in November 2021, and Danske Bank International, completed in January 2022.

The vision of offering investors a high-quality and innovative wealth and asset management service remains our guiding principle.

### Culture and Values

As a family-owned bank, our core values underpin everything we do and have been key in driving our success. Our four core values – dedication, conviction, agility and responsibility – govern our client relationships and guide us in our behaviour as a corporate actor. While these values had been coined before sustainability took on a central role for UBP, they nevertheless support us in how we address the issue.

1. **Responsibility**: Integrity, ethics and fairness take precedence in everything we do. It therefore makes sense that sustainability is central to our business model to meet the expectation of clients, employees, regulators and communities on social and environmental matters.
2. **Conviction**: Thanks to our long-term vision, we make choices based on strong convictions. For us, sustainability is not a short-term trend but a long-term strategic shift that we must respond to through our investments and operations best serve our clients.
3. **Dedication**: UBP and its employees work with open minds and a can-do approach to satisfy every detail of our clients' needs. This allows us to respond to impacts of social and environmental factors on the investment landscape and meet the growing demand for responsible investment solutions.
4. **Agility**: Thanks to our size and structure, we are flexible and able to make decisions quickly. This puts us in a strong position to respond to the challenges and opportunities that the sustainability transition brings about.

Our sustainability approach is driven by our conviction that, to best serve our clients in the context of the transition to a sustainable economy, environmental and social considerations must be increasingly integrated into our decisions and actions. We recognise that we have a dual role to play in this transition, as both a financial intermediary and a corporate actor. Our strategy therefore rests on two pillars: responsible investment, reflected in our investment strategy, and corporate social responsibility (CSR). Across these two pillars, we have identified five strategic themes for action, as described in the chart.


Source: 2022 UBP Sustainability Report

On the investment side, we have a duty to adjust our decision-making and product offering to continue to act in our clients' best interests as environmental and social challenges increasingly affect the profitability and viability of business across all sectors. To fulfil our fiduciary duty, it is no longer sufficient to focus on financial factors alone: they must be part of a more comprehensive approach that also considers non-financial information. Considering issuers' ESG practices and fulfilling stewardship responsibilities are also central to mitigating sustainability-related risks. The inclusion of ESG integration in our investment processes is described further down in *Principle 7*.

In 2022, therefore, we started to develop a three-step approach to help our clients navigate the risks and seize the opportunities that the transition is creating. Specifically, in addition to considering (i) financial factors to evaluate the likelihood of investees continuing to generate profits and the attractiveness of their risk-adjusted returns, we must factor in (ii) their business practices, to assess how sustainability risks affect their physical and intangible assets, and (iii) their business models, to consider their long-term viability.

At corporate level, UBP's commitment to sustainability can be witnessed through different actions:

1) in 2020 UBP adopted 10 sustainability objectives to guide its actions in terms of both its investments and its own operations between 2021 and 2025. As we have continued to develop our sustainability roadmap and carried out a new materiality assessment, we are now reviewing these objectives with the aim of aligning them with our evolving sustainability strategy. For the 2022 reporting year, we reported on progress against the original objectives in our Sustainability report. We have adjusted the wording of objectives 2 and 3, replacing "sustainable" with "responsibly managed": developments in sustainable finance regulations mean that the concept of "sustainable" is now more narrowly defined than when we first set our goals. These sustainability objectives are listed below:

1. INCLUDE SUSTAINABILITY FACTORS IN ALL OF UBP'S INVESTMENT DECISIONS
2. DOUBLE ASSETS IN RESPONSIBLY MANAGED STRATEGIES BY 2022
3. ENSURE THAT A QUARTER OF UBP'S DISCRETIONARY MANDATES ARE RESPONSIBLY MANAGED
4. INTEGRATE ESG CRITERIA INTO UBP'S ENTIRE RECOMMENDED INVESTMENT UNIVERSE
5. COMPLY WITH REGULATORY REQUIREMENTS RELATED TO SUSTAINABLE FINANCE
6. REDUCE UBP'S CARBON FOOTPRINT BY 25% BY 2025 COMPARED TO 2019
7. APPLY ESG CRITERIA TO ALL NEW TREASURY INVESTMENTS
8. MAKE RESPONSIBLE INVESTMENT THE PREFERRED CHOICE FOR UBP'S PENSION FUND
9. ADAPT RELEVANT POLICIES AND HR PROCESSES TO REFLECT ESG STANDARDS
10. CONTINUALLY ENHANCE INHOUSE AWARENESS AND SKILLS REGARDING SUSTAINABILITY

2) In 2022, UBP appointed a Group Head of Sustainability to develop a clear vision and roadmap on sustainability and drive their implementation across its whole business. The decision to create this role reflects our view that although we have made progress in integrating sustainability in our investments and operations, we needed more strategic guidance and leadership to help us embed sustainability throughout UBP. After joining UBP in August, our Head of Sustainability has developed a roadmap, outlining UBP's sustainability ambition and the resources, tools and systems needed to deliver it. This roadmap, which covers four focus areas as described below, was approved in the fall and will be implemented over the coming years.

**1 Adapt to ongoing regulations and anticipate**

- Regulatory watch on sustainability topics
- Reputational Risks
- Avoid greenwashing

**2 Build sustainability analysing capability**

- Build a sustainable investment case
- Build a centralized and accessible ESG database
- Select a research, analysing and back testing tool
- Partnerships with academics to increase research power and credibility

**3 Develop an attractive and consistent sustainability offering**

- DPM sustainability model portfolios
- Integrate sustainability into advisory offering
- Develop sustainable bespoke offering
- Develop sustainable fund offering

**4 Be consistent in regards to our corporate social responsibility**

- $CO_2$ footprint and targets
- Offsetting policies
- Social community and actions
- Remuneration policies
- Nostro

The Group Head of Sustainability gives updates on the roll-out of our sustainability strategy to the ExCo on a monthly basis. He also attends RICO and CSRCO meetings, which helps to ensure consistency between our sustainability efforts on the investment and the corporate sides. (Additional details in *Principle 2*).

## Activity

### Asset Management at UBP

UBP's Asset Management division provides institutional investors with answers to increasingly challenging financial markets, in line with our culture and values, prioritising effective stewardship. The focus is on creating new solutions for our clients' evolving investment needs and offering best-in-class products that take a differentiated approach, underlining our dedication towards our clients' interests. Investment teams draw upon UBP's sound infrastructure while being autonomous in their investment views and decision-making processes.

Most of the strategies are managed internally, such as global and emerging fixed income; global, European, Swiss, emerging market and impact equities; convertible bonds; multi-asset strategies; overlay solutions; long-only fund of funds and alternative strategies that include, but are not limited to, funds of hedge funds, private equities, private debt, infrastructure, and real estate. External portfolio managers and partnerships are selected when they show unmatchable long-term qualities.

In 2022, we

- Made changes to our governance and business structure and hired a new Head of Sustainability as of August 2022, which is further described in *Principle 2*
- Collaborated on industry wide initiatives to support well-functioning markets as shown in *Principle 4*
- Continued to integrate ESG considerations into our investment process as shown in *Principle 7*
- Advanced in our role of active ownership and engaged with companies as shown in *Principle 9*
- Worked together with other investors and organisations on collaborative engagement as shown in *Principle 10*
- Committed to NZAM and disclosed our targets as shown in *Principle 1 and 4*

### Business positioning

In an industry where there is a clear trend towards polarisation between pure passive and pure active managers, UBP is committed to be, and will continue to be, an active manager. This is in line with our company value of Responsibility and our commitment as a financial actor to play our role in tackling environmental and social challenges by engaging with companies through effective stewardship. We offer conviction-based, tailored solutions with an onus on superior service levels and combine this with the agility and nimbleness to adapt to an evolving environment, whether that be in the financial markets, the regulatory landscape or in responding to client preferences.

To this end, the Asset Management division of UBP has identified five themes that encapsulate our institutional clients' demands which are further explained in *Principle 6*.

| Credit & Carry | Impact & Responsible Investing | High Alpha | Convexity | Private Markets |
|---|---|---|---|---|

Of these themes, “Impact & Responsible Investing” directly addresses our commitment to stewardship and sustainability with responsibly-managed products available to our clients across all asset classes.

We address these demands across our five business lines:

- Long-Only Platform
- Alternative Investment Solutions
- Private Market Group
- Partnerships
- Asset Allocation and Discretionary Portfolio Management / DPM

We look at our size as a key advantage, offering an institutional structure while maintaining an entrepreneurial mindset of a boutique operator by empowering seasoned portfolio managers to be fully accountable for their investment decisions, while applying responsible investment principles across the board. We strive to be creative and agile to generate long-term value for the whole spectrum of clients, in addition to fulfilling our stewardship responsibilities for the economy, environment and broader society.

## Responsible Investing at UBP

### Commitments

UBP’s commitment to responsible investment was manifested by becoming a signatory to the United Nations Principles for Responsible Investment (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 formalised our approach in our first Responsible Investment Policy (RI Policy), introduced in 2014, and enhanced it in both practice and scope in 2018.

UBP is also committed to participating in the fight against climate change and contributing to the Paris Agreement’s objective to keep global warming well within 2°C above pre-industrial levels. With this in mind, UBP has pledged to integrate the recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD). Furthermore, our primary Fund Management Company, Luxembourg-domiciled 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, and published its net zero targets in January 2023.

UBP aims both to learn from and increase awareness of clients whenever possible and is committed to sharing knowledge with peers in the industry. To achieve this, UBP has entered a number of partnerships and initiatives such as the Cambridge Institute for Sustainability Leadership (CISL) Investment Leaders Group (ILG) and the CDP (formerly Carbon Disclosure Project), while supporting the work of the Task Force on Nature-Related Financial Disclosures (TNFD) Forum.

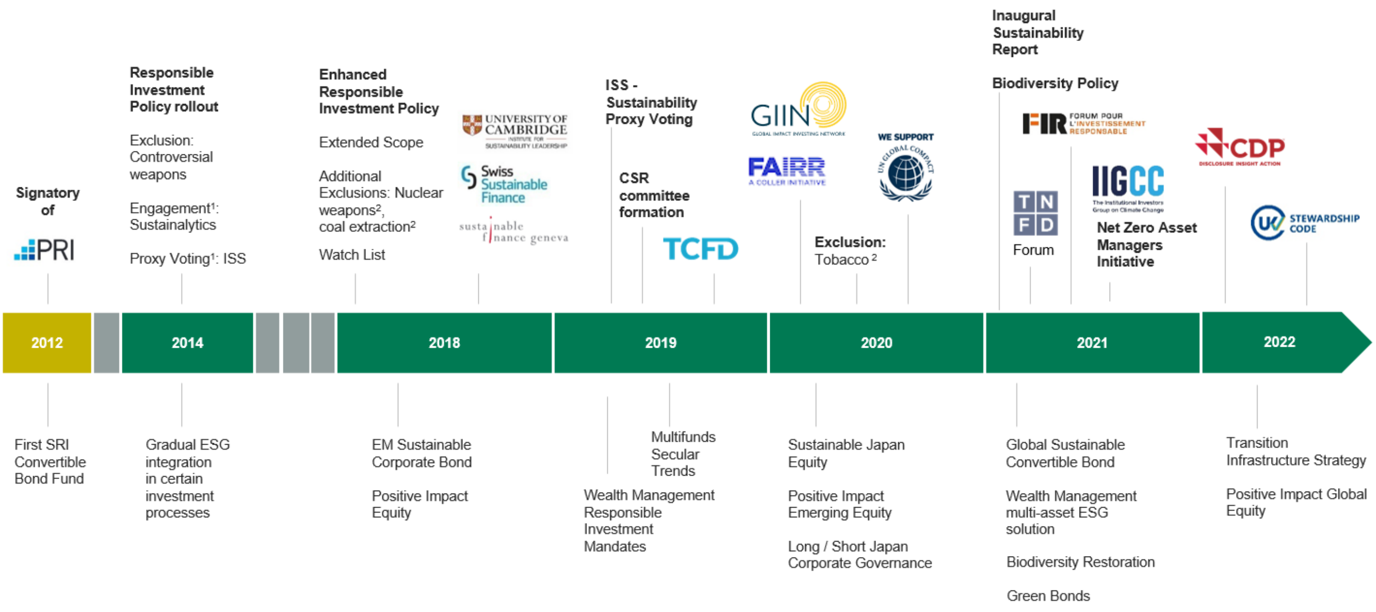
### Principles

Responsible investment is an approach to investing that aims to incorporate ESG factors into investment decisions to better manage risk and generate sustainable, long-term returns.[1] 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 therefore incorporated throughout our investment processes.

To substantiate our belief, we have committed to the UN’s six Principles for Responsible Investment.

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

## UBP's Historical Engagements and Initiatives




[1] For UBP funds. Client holdings upon request. [2] Revenue thresholds apply.

## Effectiveness in serving the best interests of our clients

UBP's mission is to add value and long-term performance to our clients' asset management activities. We firmly believe that long-term risk-adjusted returns can be enhanced through ESG integration, active ownership (engagement and voting) and a focus on the impact our investments make. As such, an assessment of the effectiveness in serving the best interests of our clients is to measure whether we achieve this mission. Two indicators that we believe illustrate UBP's continual success are industry recognition and evolution of assets under management.

UBP strives to provide adequate, clear, and transparent information about our products, services, and operations, including about sustainability. We believe that this will help clients and other stakeholders understand the associated risks and opportunities, inform choices, and foster fair competition across the market. Enhanced non-financial disclosure has become a major focus in response to concerns among clients, regulators, and the media about greenwashing.

### Industry Recognition

UBP, its portfolio managers and its funds have regularly received awards from independent research institutes. These awards not only recognise UBP's drive to innovate, its quest for performance, its agility and flexibility – all key components that set it apart from the competition – but also its ability to respond to the waves of changes that are affecting both markets and the industry.

With a focus on 2022, UBP's Asset Management division was recognised and laureated across regions, products and time horizons, including, for example:

- **French ISR Label:** An audited label that is given to socially responsible investments. UBP has five funds with this label as at 31.12.2022 and all labels were renewed following the audit in 2022.
- **Febelfin "Towards Sustainability" Label**: A quality standard for sustainable and socially responsible financial products, UBP has five funds with this label as at 31.12.2022.
- **CDP Europe Awards**: in March 2022, UBP's emerging market impact investing strategy was named one of the top five EM equity strategies for environmental performance in 2021 by CDP's environmental fund rating Climetrics, the independent, 100% open source, environmental fund rating in the world, available on many public website and fund platforms.
- **ESG Investing Awards**: Our biodiversity strategy was recognised in the "Best ESG Investment Fund: Thematic (Natural Resources)" category.

### Financial strength and evolution of assets under management

Over the last decade, UBP's total assets under management (AUM) have grown continuously from approximately CHF 72 billion as at the end of 2011 to CHF 140.4 billion as of December 2022. For our responsibly managed AuM, we only consider assets that are actively managed or advised, so CHF 62.3 billion held in execution-only accounts are considered out of scope as we have no direct influence over them. The remaining CHF 78.1 billion is split between our AM division (CHF 31.7 billion) and our WM division's DPM and Advisory services (CHF 46.4 billion). In the AM division, around 50% of AuM (CHF 15.7 billion) is classified as responsibly managed (SFDR Article 8 or equivalent), of which CHF 800 million falls into the sustainable category. While we do not classify the remaining 50% as responsibly managed, almost all assets comply with UBP's Responsible Investment (RI) Policy, which includes notably minimum exclusions and voting.

Responsibly managed assets were down from 2021 at group level. This decrease reflects the Bank's decision to adopt a more cautious approach to classifying assets as responsibly managed or sustainable. Additionally, 2022 was a difficult year for financial assets due to collapsing equity and bond prices and soaring energy prices. Still, our Impact funds attracted net inflows and, encouragingly, outflows were proportionally lower in our responsible investment strategies than in others, which meant that responsibly managed assets ended the year above the target set in 2021. Despite this year-on-year drop, we have achieved our objective of doubling assets in responsibly managed strategies from our baseline of CHF 7.5 billion. Going forward, the Board remains committed to further the development of long-term sustainable strategies.

# 2. GOVERNANCE, RESOURCES AND INCENTIVES

**Principle 2: Signatories' governance, resources and incentives support stewardship.**

## Overview of response to Principle 2

| | Key Statements |
|---|---|
| **Governance** | • UBP's management structure consists of the Board of Directors, several committees, including the Board's Risk Committee, which monitors sustainability and climate-related risks, and the Executive Committee<br>• Sustainability is implemented both within our investment processes and in our own operations. Reflecting the two pillars of our sustainability approach, we have set up two committees, the Responsible Investing Committee (RICO) and the Corporate Social Responsibility Committee (CSRCO), both reporting regularly to the Sustainability Steering Committee (STC)<br>• The Sustainability Steering Committee (STC), chaired by the Group Head of Sustainability, convenes monthly to define UBP's sustainability roadmap and goals for the Bank. It monitors the implementation of objectives and regulatory requirements and conducts internal change management<br>• The Board of Directors is updated about sustainability matters on a quarterly basis, while the Board's Risk Committee reviews the Bank's sustainability risk reports every month |
| **Resources** | • UBP's investment teams are responsible for the day-to-day implementation of the RI Policy, as well as for integrating ESG considerations into their investment processes<br>• UBP promotes and supports internal and external sustainability training opportunities. Over 1800 employees have completed the internal Sustainability@UBP training. In addition, 25 employees have completed external sustainability trainings, of which 13 employees followed the IMD Winning Sustainability Strategies online program<br>• To help us enhance sustainability convictions and knowledge among UBP's staff, we set up a Sustainability Ambassador programme, bringing together 30 Ambassadors for monthly meetings and collaboration on specific assignments |
| **Incentives** | • UBP's Executive Committee has set a series of sustainability objectives, which aim to promote responsible investment and corporate social responsibility. The remuneration of ExCo members is dependent, among other factors, on the achievement of these objectives<br>• Similarly, the remuneration of all members of UBP's RICO and CSRCO is linked to the successful implementation of UBP's Responsible Investment and CSR policies as defined by the ExCo |

## Governance

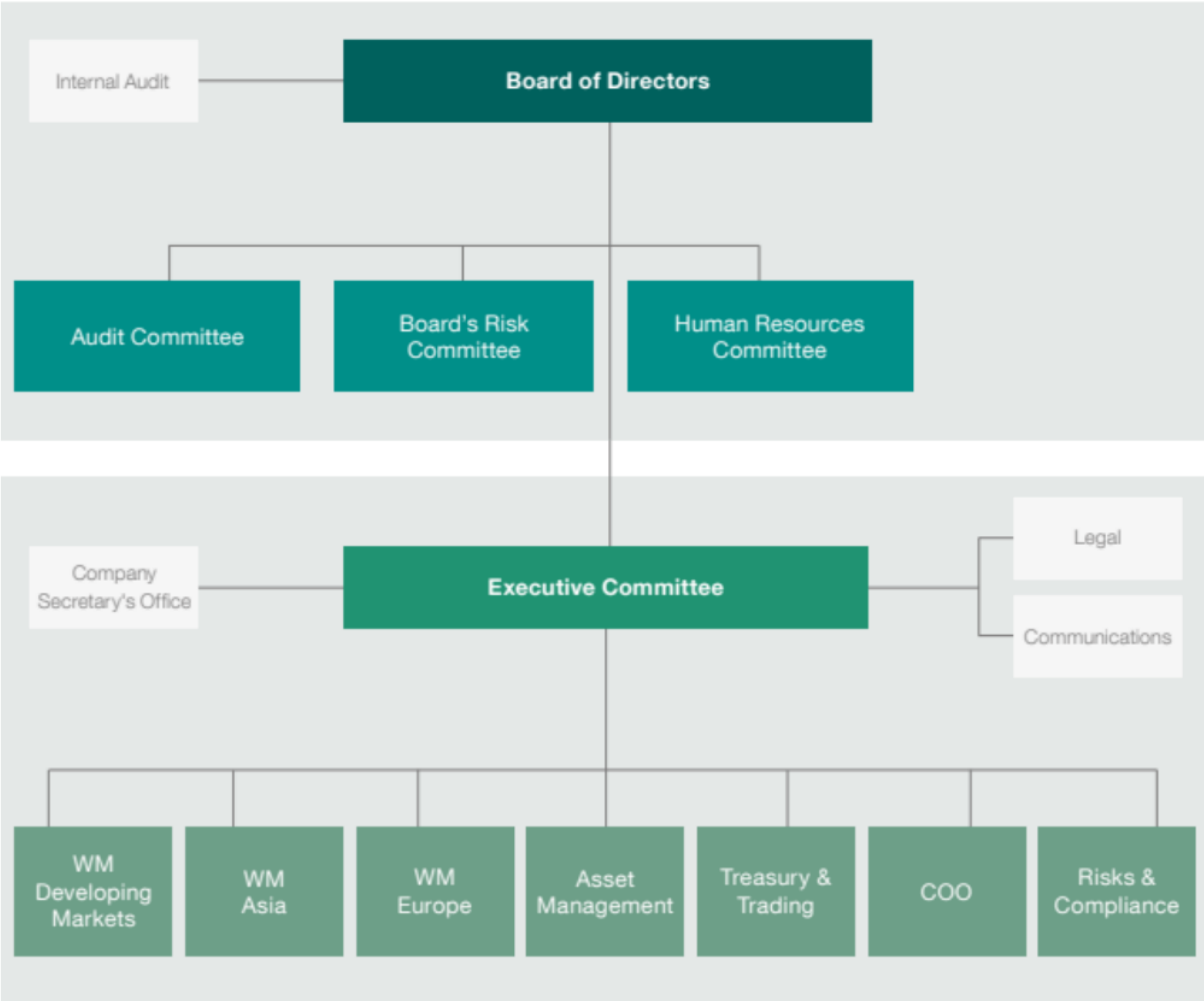
### UBP corporate governance structure

UBP's organisational structure is based on recognised corporate governance standards. The Board of Directors and committees consist mostly of independent directors. The duties and powers of the Board of Directors, UBP's committees and the Executive Committee (ExCo) are defined by UBP's Internal Regulations, which are approved by the Swiss regulator FINMA. Next to committees on a Group level, local committees exist as needed and in line with relevant local regulatory requirements.

UBP's management structure consists of the Board of Directors, several committees, including the Board's Risk Committee which monitors sustainability- and climate-related risks, and the Executive Committee. As regards its organisational structure, the Bank is organised into the divisions of Asset Management, Wealth Management (with regional coverage), Group Treasury & Trading, Group COO and Group Risks & Compliance.

The Board of Directors is updated about sustainability matters on a quarterly basis, while the Board's Risk Committee reviews the Bank's sustainability risk reports every month.

## Organisational structure




Source: UBP, as at 31.12.2022.

## Sustainability Governance Structure

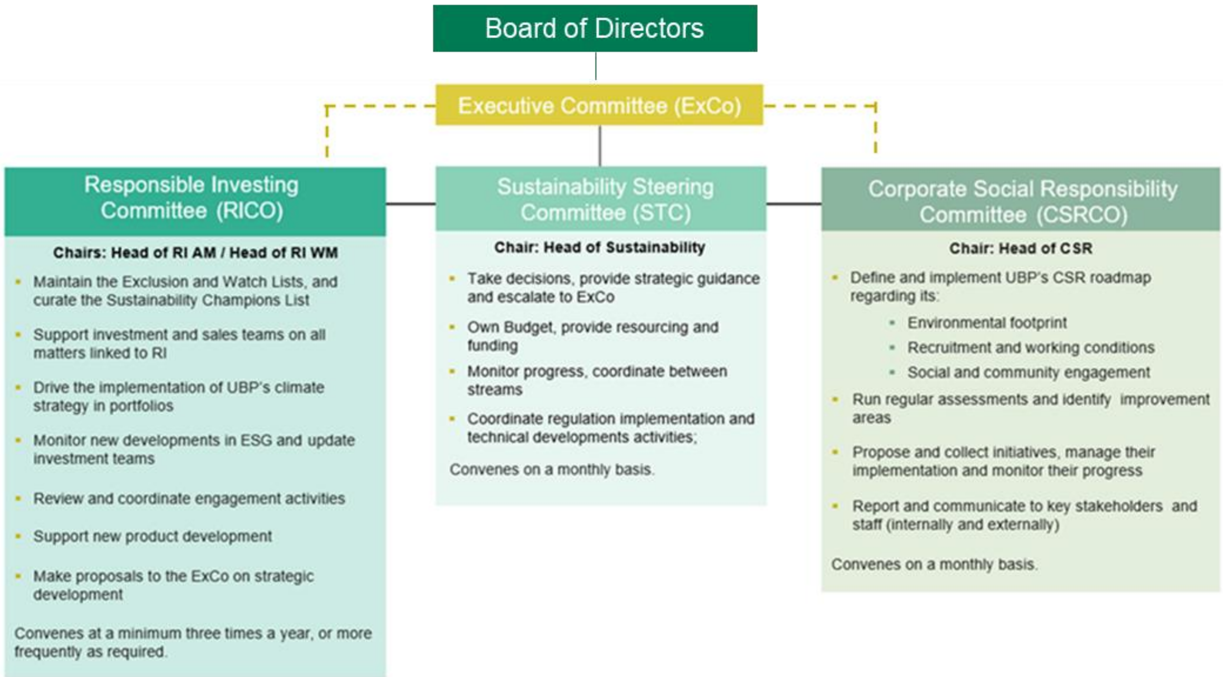
Our sustainability drive is founded on a dedicated governance structure. This increases our credibility and accountability in this area while also fostering strategic decision-making.

Our clear organisational structure and sound approach ensure robust management and oversight of sustainability topics and are a prerequisite for their successful integration across the entire UBP group. The day-to-day roll-out of our sustainability strategy involves functional committees that cover all aspects of our business and have well-defined responsibilities. By having committees that convene regularly and include the relevant stakeholders, we can maintain a good flow of information and take well-informed actions in a timely manner.

At the same time, having a clear process for involving the Executive Committee (ExCo) and the Board of Directors ensures that sustainability initiatives have the support of UBP's leadership and benefit from top-level oversight.

Over the past few years, UBP has developed a solid governance and organisational structure, so that sustainability is implemented both within our investment processes and in our own operations. Reflecting the two pillars of our sustainability approach, we have set up two committees, the Responsible Investing Committee (RICO) and the Corporate Social Responsibility Committee (CSRCO), to oversee responsible investing and CSR respectively.

Both committees report regularly to the Sustainability Steering Committee (STC), which either takes decisions directly or brings up issues to the ExCo if required.




Source: UBP, as at 31.12.2022.

The roles, responsibilities and key members of each management and committee involved in UBP's Sustainability governance are detailed below.

### UBP's Board of Directors

UBP's Board, composed entirely of non-executive members, is appointed by UBP's shareholders in its Annual General Meeting, with the consent of FINMA. When selecting Board members, the factors taken into account include skills, independence and diversity. Several Board members have in-depth knowledge of sustainable finance and engage with regulators and independent experts on these issues.

As at 31/12/22, the Board of Directors comprised 8 members, of which 3 are females (37.5%). Further details on the Board of Directors are included further down in the Diversity & Inclusion section. Their experience is described below:

**Daniel de Picciotto, Chairman of the Board of Directors**

Daniel de Picciotto has been Chairman of UBP's Board since 2016. He has been a member of the Board since 2010, before which he spent ten years on the Executive Committee. He joined the Bank in 1985 as Head of the Private Banking division's Research Department, before becoming Head of Private Banking in 1990 and then Head of Asset Management in 1996.

**Marcel Rohner, Vice-Chairman to the Board of Directors**

Marcel Rohner has been a member of UBP's Board since 2010 and its Vice-Chairman since 2016. He is directly involved in sustainability and stewardship matters at UBP through his role as Chair of the Board's Risk Committee. His extensive knowledge of sustainability stems notably from his role as Chairman of the Swiss Bankers Association (SBA), which recognizes the importance of sustainable finance and supports measures for the disclosure of climate risks, while at the same time advocating a principles and risk-based, proportionate approach. The SBA is also opposed to all forms of greenwashing, taking steps to preserve the Swiss financial centre's credibility.

Marcel Rohner has a wealth of experience in the fields of banking, finance and risk management. He worked for almost 20 years at UBS AG, holding roles including Chairman and CEO of Global Wealth Management & Business Banking in 2005, Member of the Executive Committee from 2002 to 2009 and CEO of UBS Group from 2007 to 2009. Marcel Rohner has a PhD in economics from the University of Zurich.

**Olivier Vodoz, General Counsel, Member of the Board of Directors**

Olivier Vodoz was first elected to UBP's Board in 1998, a position he currently occupies as General Counsel. Between 1989 and 1997 he was in government in Geneva canton, holding the positions of President of the Department of Finance and President of the Department of Defence, prior to which he was a member of Geneva's cantonal parliament. Olivier Vodoz has a degree in law from the University of Geneva and is a licensed legal practitioner in Geneva. Earlier in his career, he spent 20 years as a lawyer and partner at Geneva law firm Haissly & Vodoz. He has also worked as Ethics Commissioner at the Geneva police department, as well as being a member of the Assembly of the International Committee of the Red Cross from 1998 to 2013 and its Vice-Chairman from 2006 to 2013.

**David Blumer, Member of the Board of Directors**

David Blumer joined UBP's Board of Directors in March 2021. His career in financial services spans nearly three decades, in a variety of senior roles. He started in Zurich, at Credit Suisse, where he rose through the ranks to Head Trading and Sales and progressed to the role of CEO Asset Management. This was followed by a stint as CIO at Swiss Re, after which he moved to London as Head of EMEA with BlackRock before being appointed as their Head of Alternatives. David Blumer is an economics graduate of the University of Zurich.

**Nicolas Brunschwig, Member of the Board of Directors**

Nicolas Brunschwig has been a member of UBP's Board since 1998. He is a partner of the Brunschwig Holding group, which owns retailer Bongénie Grieder. Having joined that company in 1981, he is now in charge of central services and partnerships. Between 1989 and 2001, he was a member of the Geneva cantonal parliament, where his roles included chairing the Finance and Tax Committees. He was also chairman of the Fédération des Entreprises Romandes (employers' association for companies in French-speaking Switzerland) for seven years. Nicolas Brunschwig graduated with a diploma in Economics from the University of Geneva.

**Anne Rotman de Picciotto, Member of the Board of Directors**

Anne Rotman de Picciotto has been a member of UBP's Board since 2006. She is also a member of the Bank's Audit Committee and Human Resources Committee, and chairs UBP's Impact Advisory Board (for more details refer to *Principle 4*). After spending several years in Goldman Sachs' Asset Management division, she joined UBP's London branch management team in 2002, where she was responsible for business development with a focus on high-net-worth individuals and institutional relationships. Anne Rotman de Picciotto holds a BA in Business Administration from HEC in Lausanne, as well as an MBA from the INSEAD business school.

**Ligia Torres, Member of the Board of Directors**

Ligia Torres joined UBP's Board of Directors in September 2021. With core strengths in global AM and fixed income business development and sustainability, she has held various senior positions at BNP Paribas, most recently as its

CEO of Asset Management Asia Pacific in Hong Kong. Before that she was based in London, as Head of Emerging Markets in the Asset Management division after having been CEO Wealth Management UK. She also has extensive experience as a director in both asset management and wealth management companies. Ligia Torres graduated in business administration from Instituto Autonomo de Mexico, and in international finance from HEC Paris, and has a master's in futures and options from Paris Dauphine IX.

**Patricia Bielmann, Member of the Board of Directors**

Patricia Bielmann was nominated to UBP's Board of Directors and the Board's Risk Committee and appointed Chair of the Audit Committee in March 2022. With a career spanning 25 years in financial service and treasury & trading audit and consulting, Patricia Bielmann has held several senior roles, the most recent being Head of Financial Service Accounting Advisory and Audit Partner for international listed groups at KPMG. She specialises in corporate governance and compliance as well as growth strategy, including M&A and business development. She holds a master's in Business Administration from the University of Fribourg and is a certified public accountant both in Switzerland and in the US.

### UBP's Executive Committee (ExCo)

As at 31/12/22, the Executive Committee comprised 8 members, of which 1 is female. Their experience is described below:

**Guy de Picciotto, CEO and Chairman of the Executive Committee**

Guy de Picciotto has been UBP's CEO and Chairman of the Group's Executive Committee since 1998. He began his career as a management consultant in Switzerland and Belgium, before focusing on the banking sector with roles at UBS, Morgan Stanley, Bear Stearns and Sanyo Securities in Tokyo and New York. He joined the Bank in 1988, where he occupied various executive roles before being appointed Chairman of the Executive Committee. He holds a degree in economics and business management and has completed advanced Executive Management courses at IMD in Lausanne and INSEAD in Fontainebleau.

As at 31 December 2022, Guy de Picciotto was also a director of CBI Holding SA, and a member of the Committee of the Association of Swiss Asset and Wealth Management Banks.

**Nadège Lesueur-Pène, Head of Wealth Management Developing Markets, Executive Managing Director**

Nadège Lesueur-Pène joined UBP in 2015, managing the Emerging Markets & Eastern Europe wealth management teams, before becoming Head of Wealth Management - Developing Markets region, which encompasses Eastern Europe, Latin America, Israel, the Middle East, Africa and Turkey. In 2022, she was directly involved in UBP's Sustainability Governance as a member of the Sustainability Steering Committee (STC).

She has been a member of the Executive Committee since 2019.  She started her career at Paribas in Moscow as Deputy Head of the representative office. After five years with HSBC in Paris in international financing, she rejoined the BNP Paribas group, this time in Switzerland, first in structured finance, then in wealth management heading up the CIS and Central & Eastern Europe team and eventually also overseeing the Middle East, Africa, Turkey and LatAm markets.

**Michael Blake, CEO Wealth Management Asia, Executive Managing Director**

Michael Blake is Head of Wealth Management Asia, a post he holds alongside his role as CEO Asia. He became a member of the Executive Committee in 2019. Prior to joining the Bank in 2016, he was Chief Executive of Coutts International, and before that, Head of Asia Pacific Management Office at UBS. He has lived and worked in Asia, Switzerland and London over the past fifteen years and is active in various international affairs forums. Michael Blake read Philosophy, Politics and Economics at Oxford University.

**Nicolas Faller, co-CEO Asset Management and Head of Institutional Clients, Executive Managing Director**

Nicolas Faller has been Co-CEO of UBP's Asset Management division and a member of its Executive Committee since 2015. In 2022, he was directly involved in UBP's Sustainability Governance as a member of the Sustainability Steering Committee (STC), and UBP's representative on the Cambridge Institute for Sustainability Leadership Investment Leaders Group.

Nicolas Faller joined UBP in 2010 as Head of Sales Europe and was appointed Head of Global Sales in 2011, then Head of Institutional Clients in 2013. Before joining UBP, he was Global Head of Distribution at BNP Paribas Investment Partners, after holding several high-level roles at Fortis Investments. Nicolas Faller is a graduate of the University of Mulhouse and France's Ecole Supérieure de Gestion.

**Michaël Lok, co-CEO Asset Management and Group CIO, Executive Managing Director**

Michaël Lok has been Co-CEO of UBP's Asset Management division since 2015 and a member of its Executive Committee since 2016. In 2022, he was directly involved in UBP's Sustainability Governance as a member of the Sustainability Steering Committee (STC), in charge of investment teams.

Before joining UBP, Michaël Lok worked at Indosuez Wealth Management (Crédit Agricole group) as Global Head of Asset Management, after holding roles as Head of Investment and Head of Risk & Quantitative Portfolio Management. Before that, he was a portfolio and fund manager at Banque Martin Maurel and HSBC France. Michaël Lok holds two master's degrees, one in Finance (DESS) and one in Banking and Finance (DEA), from the University of Aix-en-Provence.

**Ian Cramb, Group COO, Executive Managing Director**

Ian Cramb has been UBP's Chief Operating Officer and a member of its Executive Committee since 2009. He has a very close role in managing, monitoring and reporting on stewardship, with the oversight of the CSR goals (climate, energy, buildings management) of the firm.

Before joining UBP, he was EMEA Consumer Chief Operating Officer at Citigroup, where he had previously held other high-level roles, including those of Risk Manager, Head of HR, Chief of Staff and COO. He holds a modern languages degree from Durham University.

**Philip Adler, CEO Group Treasury & Trading, Executive Managing Director**

Philip Adler has been UBP's Head of Treasury & Trading since 2016 and a member of its Executive Committee since 2017. Before joining UBP, he had been a member of the Executive Committee and Head of Capital Markets at Crédit Agricole Indosuez (Switzerland) SA since 2008. He previously worked at UBS SA, Commerzbank AG and the Crédit Agricole group. Philip Adler has more than 30 years of experience in banking.

**Raoul Jacot-Descombes, Group Head of Risks & Compliance, Executive Managing Director**

Raoul Jacot-Descombes has been UBP's Group Head of Risks & Compliance and a member of its Executive Committee since he joined the Bank on 1 January 2015. He supports UBP's stewardship efforts through the implementation of regulations and in his role as Head of Risk, where he has oversight on the monitoring of sustainability risks for the Group.

Raoul Jacot-Descombes started his career as a lawyer, before moving to the Swiss Anti-Money-Laundering Authority and then becoming General Counsel & Executive Managing Director at ACM, which was then acquired by Swissquote Bank. He also held the role of Director in KPMG's Forensic division, in charge of Western Switzerland. Raoul Jacot-Descombes holds a master's degree in law from the University of Neuchâtel in Switzerland and is a licensed legal practitioner.

Permanent guest to the ExCo:

**Bernard Schuster, Group Head of Communications, Senior Managing Director**

Bernard Schuster has extensive experience in banking, having spent 25 years in an international financial environment. In 2022, he was directly involved in UBP's Sustainability Governance as a member of the Sustainability Steering Committee (STC).

Before joining UBP, Bernard Schuster worked for several large banking institutions in Europe, including CIC, Citigroup and BNP Paribas. After starting his career as a Private Banker, he joined Citigroup in Paris as Branch Manager before becoming Head of Sales and Marketing for Citi IPB. In 2004, he moved to BNP Paribas Wealth Management in Geneva where he was the Head of Marketing and Product Engineering in charge of Investment Sales & Advisory Services, then took over a global role as Group Head of Business Development.

When he joined UBP's Private Banking division in 2011 as Global Head of Products & Solutions, he was responsible for strategic planning as well as managing the wealth planning teams. In this position he led several projects related to regulatory and tax suitability. In 2015, he took on a new challenging role as UBP's Group Head of Communications.

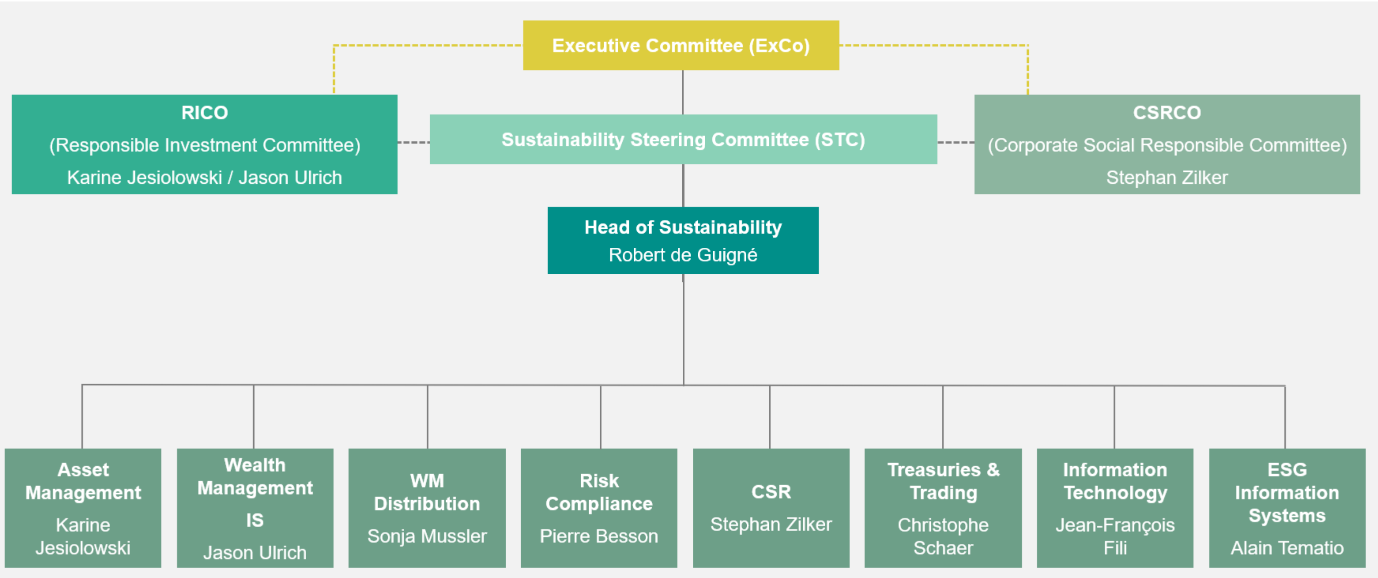
As such he oversees all corporate internal and external communications for the group including Asia, as well as managing the PR activities globally. Bernard Schuster has always been passionate about innovation, and he is active in the implementation of UBP's digital strategy.

He holds a bachelor's degree in Financial Analysis from ITB Paris and a Master in Banking Strategy, Marketing and Asset Management from CNAM/CESB, Paris.

### Sustainability Steering Committee (STC)

The Sustainability Steering Committee (STC) convenes monthly to define UBP's sustainability roadmap and goals for the Bank. It monitors the implementation of objectives and regulatory requirements and conducts internal change management. The STC is chaired by UBP's Group Head of Sustainability, who joined the Bank in August 2022, to lead the development and implementation of the Bank's sustainability roadmap, which includes stewardship-related matters. The Group Head of Sustainability, attends both the RICO and the CSRCO meetings and updates the ExCo monthly on the rollout of the sustainability roadmap, escalating matters for ExCo decisions where necessary.

The Sustainability Steering Committee evolved over the years to finally become a more operational body early 2023. It brings together nine senior managers from the main business and support lines relevant to the implementation of the bank's sustainability strategy, including not only the Chairs of the RICO, representing both AM and WM business lines, the Chair of the CSRCO but also representatives from IT, Compliance, Data Management as well as from Treasury and Trading. The STC oversees the execution of sustainability projects, manages related budgets, takes decisions on matters that have been raised by the RICO and the CSRCO and, where necessary, escalates them to the ExCo for decision-making.




Source: UBP, as at 31.12.2022.

#### Robert de Guigné, Group Head of Sustainability, Managing Director

Robert de Guigné is UBP's Group Head of Sustainability and Chair of the STC. He joined in August 2022 from his previous position as Head of ESG Solutions at Lombard Odier Group, where he worked for 15 years.

Over his career, Robert has worked for over 35 years in the asset and wealth management industry in large organisations such as AXA, Credit Agricole, and State Street but also in smaller firms, including Meeschaert. His roles have ranged from financial advisor and portfolio manager to head of research and finally, head of sustainability.

Robert is an engineer and holds an MBA. He is also a graduate of the French financial analyst program and is a certified actuary.

The Group Head of Sustainability reports to:

- the ExCo on a quarterly basis on how implementation is going on and potential strategic decisions to be taken
- the Board's Risk Committee monthly on Sustainability compliance concerns
- the Board of Directors once a year

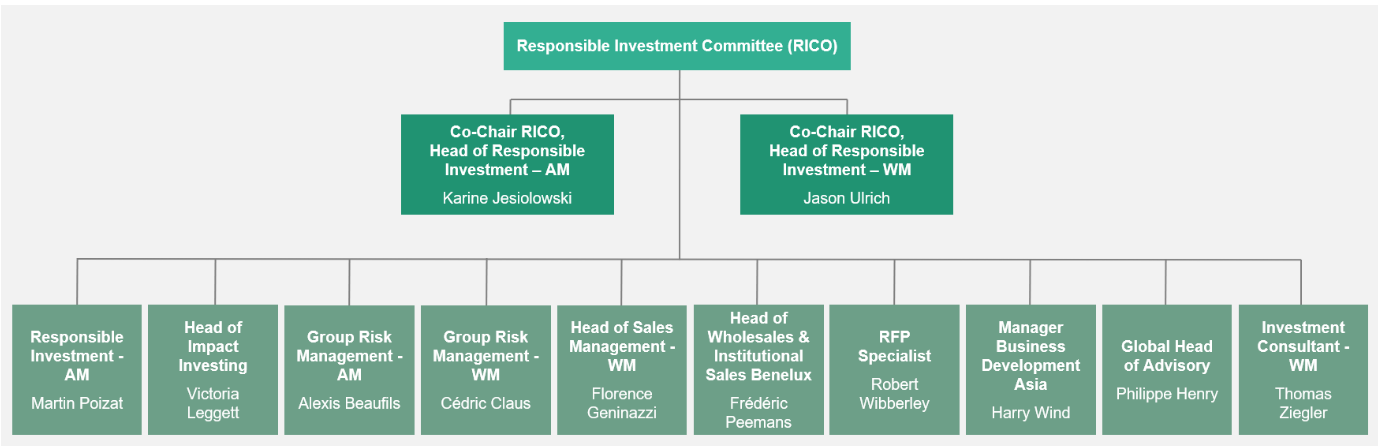
### Responsible Investing Committee (RICO)

The Responsible Investing Committee (RICO) monitors how we implement sustainability in our investment processes and ensures the application of the Exclusion and Watch Lists for individual investments. It designs responsible investment principles and policies, and monitors relevant ESG developments, updating investment teams accordingly. Co-chaired by the Head of Responsible Investment for Asset Management and the Head of ESG Solutions for Wealth Management, it meets at least three times a year.

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 the Exclusion List and the Watch 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 collaborative 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.




Source: UBP, as at 31.12.2022.

The experience of both co-chairs of the RICO is described below:

**Karine Jesiolowski, Head of Responsible Investment for Asset Management, Managing Director**

Karine Jesiolowski has 30 years of experience. She has been Head of Responsible Investment for Asset Management since 2018. Karine is a member of the Product Platform Committee and a board member of UBP Asset Management (Europe), UBP's Luxembourg-based fund management company since 2022.

Karine joined UBP in 2014 as Investment Specialist for Emerging Markets Fixed Income. Prior to joining UBP, she worked in roles as EM Strategist and EM Portfolio Manager at CPR AM and Rothschild AM. Karine then held positions as Investment Specialist and as Sales and Marketing manager at Fortis Investments and BNP Paribas Investment Partners. Karine holds an M.A. in Banking, Finance, and Insurance from the University of Paris IX – Dauphine and a Certificate of Advanced Studies (CAS) in Sustainable Finance from the University of Zürich.

**Jason Ulrich, Head of Responsible Investment for Investment Services, Managing Director**

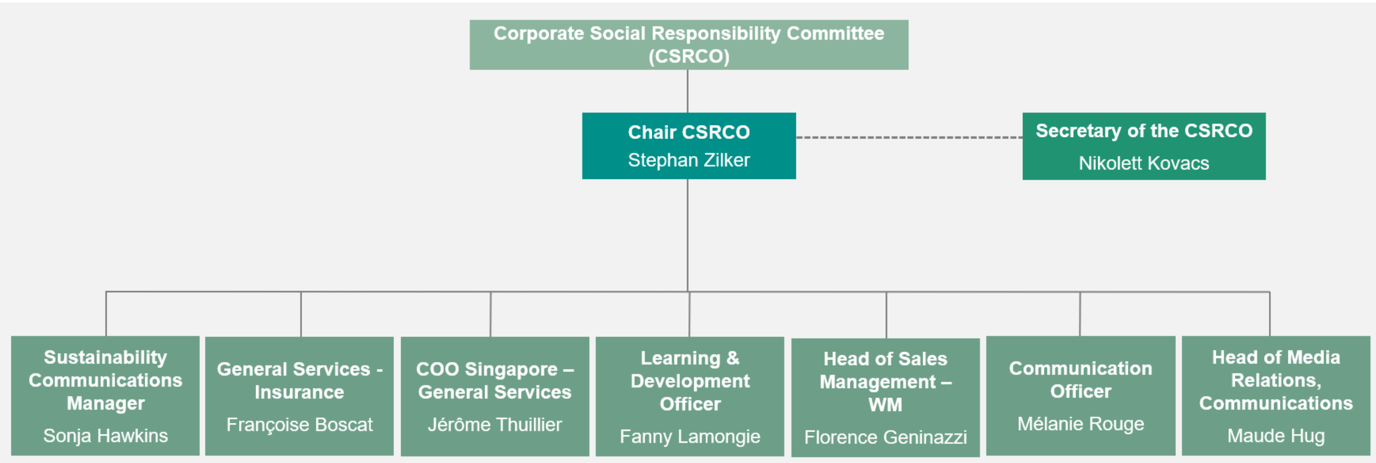
Jason Ulrich has over 25 years' experience in the Wealth Management industry and has been based in London, Geneva and Zurich. He held senior leadership roles serving HNW and UHNW clients across Europe and the Middle East, including meetings with clients and prospects abroad. His experience includes responsibility for discretionary and advisory services as well as product development and business development at Coutts International and now UBP. Jason became Head of Responsible Investment focusing on Investment Service deliveries for Wealth Management clients in December 2018. Jason is a graduate of the Swiss Finance Institute (SFI), a Certified ESG Analyst and holds a Master of Business Administration from the International Institute of Management Development (IMD) in Lausanne.

Jason was replaced as head of Responsible Investment for Investment Services in March 2023.

## Corporate Social Responsibility Committee (CSRCO)

The Corporate Social Responsibility Committee (CSRCO) is responsible for defining, implementing, and monitoring UBP's sustainability approach to its own operations. This encompasses environmental measures, talent management, and community engagement. Chaired by the COO of Zurich, Basel and Lugano, it meets monthly.

- Definition and implementation of UBP's Corporate Social Responsibility regarding its:
  - Environmental footprint
  - Recruitment and working conditions
  - Social & community engagement
- Run regular assessments and identify areas for improvement
- Propose and collect initiatives, manage their implementation, and monitor their progress
- Report and communicate to key stakeholders and staff (internally and externally)




Source: UBP, as at 31.12.2022.

**Stephan Zilker, COO Zurich and Head of UBP's Corporate Social Responsibility (CSR) Committee, Senior Managing Director**

Stephan Zilker is a Senior Managing Director at UBP and has been Co-Head of the Bank's CSR Committee since 2019, and its sole Head since 2021. He has over 20 years of experience in banking and joined UBP in 2016 as Chief Operating Officer for the Zurich branch. Starting his career as head of research groups in academia and industry, he switched to the financial industry while working as a consultant and project leader at the Boston Consulting Group. After moving to Switzerland in 2005, he led business management and strategy teams at UBS and Credit Suisse. Stephan holds an M.Sc. in Physics from the University of Delaware and a PhD in Physics from the University of Bayreuth. He also completed the IMD's Winning Sustainability Strategies program.

In 2023, Stephan Zilker became COO Group Risk & Compliance.

### Investment teams

UBP's investment teams are responsible for the day-to-day implementation of the RI Policy, as well as for integrating ESG 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, such as the Impact Investment team.

### 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, monthly. The Group Risk Management department monitors and analyses specific sustainability KPIs 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 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.

## Incentives

To ensure that ESG risks and opportunities are considered by all our business lines, UBP's Executive Committee has set a series of sustainability objectives, which aim to promote responsible investment and corporate social responsibility. The remuneration of ExCo members is dependent, among other factors, on the achievement of these objectives. Similarly, the remuneration of all members of UBP's RICO and CSRCO is linked to the successful implementation of UBP's Responsible Investment and CSR policies as defined by the ExCo. In addition, all our investment professionals, investment advisors and institutional salespersons must comply with a "sustainability" objective to increasingly integrate sustainability into their business activities. This includes, for instance respect for UBP's RI Policy, the gradual improvement of managed portfolios' ESG characteristics, the promotion of sustainable solutions to our institutional clients or the inclusion of sustainability considerations into future product development. The completion of this objective is considered annually in the determination of variable remuneration for this category of staff.

UBP's remuneration structure does not encourage excessive risk-taking with respect to sustainability risks and is linked to risk-adjusted performance. In this regard, our objective is to have more transparency, in qualitative or quantitative terms, on these factors and to promote sound and effective risk management of sustainability risks.

The achievement of sustainability related KPIs is one of the factors that determine the remuneration of ExCo, RICO and CSRCO members, and this therefore creates additional incentives to integrate sustainability successfully across the Bank.

## Training

We strive to provide an attractive work environment as well as continuous opportunities for learning and development. UBP is committed to ensuring fairness, equal opportunities, and equal rights for all our people, and we condemn every form of discrimination.

To develop our employees' talent, knowledge, and skill sets, we strive to offer high-quality internal and external training opportunities. This is key, both to meet our employees' expectations for professional development and to ensure that our workforce is well equipped to respond to rapidly evolving requirements, particularly in the areas of sustainability, regulation and security.

We monitor training-related KPIs throughout the year and liaise with different departments to ensure that employees receive appropriate training. We track the completion of mandatory training modules to ensure that employees have the necessary skills and know-how. In addition to the range of internal e-learning programmes on topics like compliance, regulation, security, management skills and sustainability, we support employees in completing external courses.

The HR Department measures the quality and effectiveness of courses by gathering feedback and conducting surveys, which allows us to continuously enhance our offering and adapt our programmes. We also help to prepare employees for retirement, offering financial backing for specific training and advice in Switzerland, and we provide financial assistance for outplacement guidance to employees whose contracts have been terminated.

In line with our commitment to enhancing the change management and leadership skills of UBP's senior managers, we have designed the Leadership Development Programme (LDP), an executive learning programme delivered in collaboration with the renowned IMD Business School in Lausanne.

The talent process is another key element. It forms the backbone of UBP's succession plan by providing employees showing high development potential with customised training and development programmes. The process runs every two years and took place most recently in 2021/2022. As training the younger generation is a priority for the Group, we launched a Graduate Programme in 2021, giving university graduates the opportunity to discover our business by rotating through different teams. The HR department and business units work together to select and place graduates according to UBP's needs and candidates' skills. The program has been extended from three graduates in 2021 to ten graduates in 2022. We also have a long tradition of training apprentices, and we offer opportunities for interns to discover various roles within the Bank.

To support employees throughout their careers with UBP, we conduct annual performance reviews that help us identify and meet their needs. In 2022, 92% of all staff received an annual review. Last year, we recorded almost 31,000 hours of training: an average of 12.6 hours per staff member (data for Switzerland only). We also continued the LDP and 25 managers and professionals from eight different locations participated. In line with our ambition to foster young talent and building on the success of our inaugural graduate programme, we expanded its scope to cover Asia and additional roles. We also took on three apprentices in Switzerland for a three-year period, leading to a federal Vocational Education and Training Diploma in banking. We have a successful track record of placing those who have completed the programme within the Bank, with a retention rate of more than 95%. In addition, we welcomed around 50 interns.

**1,800+**

employees completed the Sustainability@UBP training

Training is another important element of our awareness-raising efforts. In addition to a general sustainability e-learning programme available to all employees, client-facing staff undergo specific training so that they are up to date with the latest sustainable finance regulations and understand how sustainability is applied within UBP.

We have continued to promote our internal Sustainability@UBP e-learning programme and over 1,800 employees had completed the training by the end of 2022. The Human Resources department has further compiled a recommended list of external sustainability training opportunities and in 2022 we helped 25 employees undertake such trainings and 13 employees followed the IMD Winning Sustainability Strategies online programme.

Regarding Responsible Investment, all investment staff are kept aware of UBP's RI Policy and are regularly updated on developments, for example, changes to the Exclusion List, either directly or via each investment team's RI point-person. The RI Policy is available on both internet and intranet alongside a short video setting out UBP's commitment to responsible investment and internal presentations. Webinars and presentations occur throughout the year and are available for all employees. The intranet also contains a page dedicated to educating employees about ESG and Responsible Investment with links to third-party training modules.

To help us enhance sustainability convictions and knowledge among UBP's staff, we also set up a Sustainability Ambassador programme, bringing together 30 Ambassadors for monthly meetings and collaboration on specific assignments.

## Diversity and inclusion

At UBP, we are guided by a culture of meritocracy, aiming to provide all employees with equal employment and advancement opportunities regardless of their ethnicity, nationality, sex, gender identity, sexual orientation, religion, age and marital or family status. We therefore strive to ensure fair and equal treatment, avoiding positive or negative discrimination, throughout our HR process from recruitment to promotions and pay reviews.

Equal pay is ensured through benchmarking and assessments, while promotions, pay reviews and selection for executive development programmes are strictly based on performance. Nevertheless, we monitor the composition of the graduate programme, Leadership Development Programme (LDP) and the talent process to ensure diversity.

The Bank's staff handbooks contain diversity and antidiscrimination clauses that all employees are expected to uphold. To address adequately any incidents that arise, we have a clear process in place to report, review and manage any potential case of discrimination, sexual harassment, and bullying, including the possibility of involving a neutral external person.

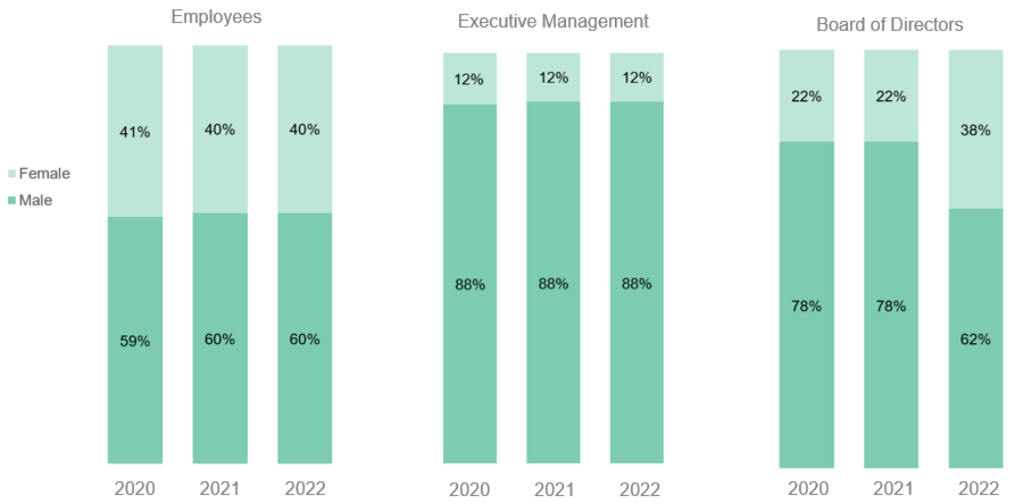
One of the measures taken to guarantee the principle of diversity/non-discrimination within the Group was to enshrine it in the Personnel Guidelines, in chapter I. Work environment, as follows:

*"The UBP Group believes in fair and equitable treatment of its employees and is committed to ensuring equal employment opportunities regardless of ethnicity, nationality, gender, sexual orientation, gender identity, religion, age, marital or family status, pregnancy, disability or any other status protected by applicable local law."*

With a presence in 20 locations around the world, we consider diversity a key asset that helps us to drive progress and innovation. We have built a truly heterogeneous workforce, as evidenced by the 64 nationalities present within it. To give more guidance on Diversity, Equity, and Inclusion (DEI) matters and meet the growing demands in this area coming from institutional investors requesting information about UBP's DEI approach and practices, we have started to work on a set of DEI principles, which will be finalised in 2023.

In 2022, female employees made up 40% of UBP's workforce, in line with the previous two years, with 25% of UBP's senior management positions held by women. Female representation at the executive level remained at 12.5%; however, the proportion of women on the Board of Directors increased from 22% to 37.5%.

Recognising the challenges faced in increasing female representation at the senior management level, we launched a project last year with the aim of making improvements over the course of the next 3-5 years. The process aims to identify 25-30 talented women with high development potential and develop them further towards taking on higher managerial responsibilities via external training and coaching as well as mentoring. The HR Department is leading this project in collaboration with the ExCo and the various business units. We will monitor female representation at senior management level in coming years to evaluate the effectiveness of this project.




Source: UBP Sustainability Report 2020, UBP Sustainability Report 2021, UBP Sustainability Report 2022.

There are also local initiatives taking place to support diversity and inclusion within the Group such as the "Women in Finance" lunch & learn sessions in the London office. In 2022, three sessions took place where all the women at UBP London were invited. At each session a guest speaker presented their career path and background, lessons learnt along the way and advice on leadership, network building and mindset coaching. The guest speakers come from various backgrounds, including finance and art, with the first guest speaker being Ligia Torres, board member of UBP S.A.

Going forward, in 2023, we are aiming to move forward with our project to increase female representation in senior management. To support the roll-out of our sustainability roadmap, we further plan to recruit additional sustainable finance specialists and support more employees in obtaining external sustainability certifications.

## Effectiveness

- The strengthening of our Sustainability governance over the last couple of years has successfully helped in enhancing our stewardship activities. In particular, the Sustainability Steering Committee helped accelerate the decision-making process with regards to responsible investment and CSR.

- Responsible Investment and CSR were strengthened through new hires and gained coordination with the arrival of the Group Head of Sustainability.

# 3. CONFLICTS OF INTEREST

**Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.**

## Overview of response to Principle 3

| | Key Statements |
|---|---|
| **Context** | • UBP has put in place a conflicts of interest policy which establishes the rules of conduct to be followed and escalated in situations where conflicts of interest may arise |
| **Activity** | • We disclose two examples of safeguards to prevent conflicts of interest<br>○ Voting<br>○ Double heading in governance bodies of our Fund Management Companies<br>• During 2022, the several mechanisms were added to mitigate the risk of conflict of interest linked to development of sustainable finance including:<br>○ As part of the implementation of EU SFDR Rules and its regulatory technical standard, the product governance via the product committee has been reviewed<br>○ The risk of greenwashing has been specified in the mapping as a situation that may arise |
| **Outcomes** | • In 2022, for our Asset Management activities, we have not identified any business-driven conflicts of interest over the last three years that would not have been managed appropriately |

## Context

Strong business ethics and regulatory compliance are key for building trust with clients, and for minimising reputational and financial risks. This ultimately contributes to revenue generation and the protection of shareholder value.

Moreover, as a financial actor, we have a social responsibility to conduct business responsibly, not only to maintain our own reputation and success, but also that of the sector. The financial sector is a highly regulated environment and is undergoing a great deal of regulatory change, especially regarding sustainable finance. In addition, there is a growing number of voluntary international and national initiatives addressing sustainability in general and sustainable finance more specifically. These come with a range of obligations, from implementing strategic change to providing transparent reporting. Accordingly, we must closely monitor both regulatory developments and voluntary initiatives, and align our processes, products, and services with the requirements they bring with them. The objective is to ensure appropriate conduct towards our clients, counterparties, and the financial system, so as to maintain our outstanding reputation and ensure client satisfaction.

The national regulations of the countries in which we operate, as well as the global frameworks and initiatives to which we are a signatory, most notably the UNGC, the UN PRI and the TCFD, represent the foundations of our business conduct. All global policy commitments as well as internal policies are signed off by the ExCo.

### Conflict of Interest

UBP has put in place a conflicts of interest (COI) policy which establishes the rules of conduct to be followed and escalated in situations where conflicts of interest may arise. As a principle, UBP manages conflicts of interest related to stewardship according to the same policies and processes as other COI. This approach encapsulates UBP's commitment to transparency, fairness, and ensuring that client interests are always prioritised.

From UBP’s perspective, a conflict of interest is any situation where the interests concerned (UBP, UBP employees, third parties) are in competition with the interests of UBP’s clients. A conflict of interest may arise where:

- the Bank serves clients with different interests
- the Bank is required to defend various interests on behalf of different parties (its own interests, client interests, market interests)
- the Bank uses a service provider or another entity of the Group to serve its clients
- a Bank staff member favours the interests of a client over those of the Bank

The Group takes appropriate organisational measures to detect, prevent, and manage conflicts of interest that could arise during the provision of financial services, in market activities, and in connection with its banking operations in general. In addition, an escalation process is in place to ensure that UBP employees report any conflicts of interest, and this also includes, where appropriate, the use of the whistleblowing framework set out in our staff handbook.

In particular, the following provisions and procedures are intended to prevent conflicts of interest:

- Legal separation where relevant
- Physical and logical segregation
- Hierarchical and decision-making segregation
- Information flow management
- Chinese walls/information barriers
- Watch list
- Product Committee and Risk Committee
- Clients' complaints and incident procedures
- Remuneration policies
- Inducement policies
- Conduct and culture committee
- Ad hoc corpus of policies
- Code of conduct
- Regular employee training

Some of these provisions directly enable effective stewardship, such as:

- **Information Barriers (Chinese walls)**: mechanisms to control the flow of privileged information across departments or divisions. This includes physical and digital segregations, distinct reporting lines, and controlled staff movement to avoid conflicts of interest from arising.
- **Confidentiality Protocols**: UBP places a premium on maintaining client confidentiality. Any external sharing of such information is strictly per legal or contractual obligations. Furthermore, employees are instructed to avoid using price-sensitive information in private transactions.
- **Separation of Supervision & Functions**: Potential conflicts arising from overlapping departmental functions are managed by ensuring distinct senior supervisory staff. This is especially for departments serving clients with divergent interests or when the firm's interests might diverge from those of the clients.
- **Transparency & Client-Centric Actions**: If potential conflicts can't be managed internally, UBP will transparently communicate the nature of the conflict to the affected client, providing them with ample details. Should these measures prove inadequate, UBP might opt against acting on the client's behalf.

Senior Management and department heads are responsible for ensuring that these measures are correctly applied.

The Compliance department is responsible for:

- Maintaining the register of proven conflicts of interest
- Recommending immediate safeguarding measures to line management in response to specific situations involving risks inherent in conflicts of interest
- Approving, or imposing where necessary, the creation of new confidentiality zones
- Mapping conflicts of interest and submitting such details to the Executive Committee
- Carrying out checks

Updates to the conflicts of interest map and register are presented to the Bank's Executive Committee for its approval on an annual basis. Further details on UBP's Conflicts of Interest policy are accessible here.

### Examples of safeguards to prevent conflicts of interest:

The following mechanisms and processes are in place to prevent and mitigate potential conflicts:

**Voting process**: UBP uses Institutional Shareholder Services (ISS) as its proxy voting agent, and votes cast, in the large majority of cases, are in line with their Sustainability policy recommendations. Still, a portfolio manager may propose an override of an ISS recommendation. To avoid any potential conflicts of interest (e.g. a potential risk of collusion between a manager and an investee company), as well as to ensure that our key voting principles are respected, such override needs to be justified with a detailed rationale and approved by one of the two co-CEOs of the Asset Management division. After validation, this recommendation change is implemented by the Fund's

Management Company which represents a second level of validation. In case of doubt or a difference of opinion, a voting committee would be convened to rule on the requested change.

**Double heading** in governance bodies of our Fund Management Companies: the risk of conflicts of interest is mitigated by the existence of independent Board members, the role of Conducting Officers and the requirement that all decisions be approved by committees (quorum) rather than by an individual person.

## Activity/Outcome

During 2022, the following mechanisms were added to mitigate the risk of conflict of interest linked to the development of sustainable finance and ensure effective stewardship:

- As part of the implementation of EU SFDR Rules and its regulatory technical standard, the product governance via the product committee has been reviewed to mitigate the risks of greenwashing:
    - integrating as a new member of the committee the Head of AM Responsible Investment,
    - enhancing the current product term sheet form specifying the sustainable criteria the funds plan to follow.
- At the same time, a review of all marketing documentation has been conducted to ensure that SFDR information are disclosed and fully aligned with the product SFDR characteristics as designed and approved by the product committee and reflected as such in the legal documentation.
- The risk of greenwashing has been specified in the mapping as a conflict of interest situation that may arise.

Finally, as future development, the Group is currently assessing the use of a tool to better monitor and manage gifts, external mandates, and personal account dealings.

Outcome: In 2022, for our Asset Management activities, we have not identified any business-driven conflicts of interest over the last three years that would not have been managed appropriately.

# 4. PROMOTING WELL-FUNCTIONING MARKETS

**Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.**

## Overview of response to Principle 4

| | Key Statements |
|---|---|
| **Context** | • At all levels of the UBP Group, we regard anticipating, analysing, managing, and monitoring risk as fundamental activities<br>• UBP has established a Sustainability Risk Framework designed to identify and address sustainability risks in our organisation across all activities and entities<br>• Sustainability risks are classified according to three categories: environmental, social and governance. We aim to measure UBP's exposure to those three categories and mitigate them |
| **Activity** | • Sustainability risk monitoring is organised around three main themes:<br>○ Specific issuer lists (including an exclusion list and watch list)<br>○ Portfolio sustainability risk scores<br>○ Carbon emissions to measure climate exposure<br>• Each investment team is responsible for identifying key market and ESG trends, risks and opportunities that may affect their asset class<br>• In 2022, as we acquired more in-depth knowledge and refined our sustainability roadmap, we embarked on a new materiality assessment process |
| **Outcomes** | • In 2022, 'responsible investing' emerged as our paramount material topic at the Group level, underscoring the significant potential of our activities to harness sustainability risks and opportunities<br>• In 2022, another evolution was the consensus among stakeholders that sustainability awareness, both internal and external, deserved its own distinction as a highly material topic<br>• Similarly, data management also rose on the agenda, with the understanding that sound (ESG) data management was essential to our developing of responsible investment strategies<br>• UBP believes that market participants should collaborate to help promote a well-functioning financial system, seeing it as a means to temper market and systemic risks. As such, UBP is a member of an array of trade associations as listed in this principle and several case studies of UBP's active contribution to these associations are included further down |

## Risk

### General

Risk management at UBP goes beyond the requirements that arise from being a bank – it is part of our corporate culture and has been since UBP was founded. At all levels of the UBP Group, we regard anticipating, analysing, managing, and monitoring risk as fundamental activities, and our governing bodies have always paid the closest attention to them. The aim is to look out for our clients, ensure the development and long-term future of our business in a controlled manner, and maintain our reputation.

UBP's approach to risk management is that it should be independent, rigorous and an integral part of all our processes. Accordingly, we achieve effective risk management by examining and assessing risks and by providing appropriate supervision and control resources. Other key aspects are communication and training for employees at all levels, enabling each of them to play an active role in ensuring that risk management is consistent across the Group. This rigorous approach has been adopted by all our staff, and it is a key factor underpinning our success.

### Sustainability Risk Framework

UBP has established a Sustainability Risk Framework designed to identify and address sustainability risks in our organisation across all activities and entities. Besides implementing a solid governance structure, we have worked on enhancing our sustainability risk framework. We introduced metrics such as $CO_2$ intensity and ESG scores for all our activities (Treasury & Trading, Asset Management and Wealth Management), therefore ensuring comprehensive risk coverage (see TCFD Report for more information).

Sustainability risks are classified according to three categories: environmental, social and governance. We aim to measure UBP's exposure to those three categories and mitigate them.

Sustainability risk monitoring is organised around three main themes:

- **Specific issuer lists:** according to the risk appetite defined by UBP's Responsible Investment Policy, two lists are maintained and monitored by the Group Risk Management:
  - Exclusion List: This defines the list of companies excluded by UBP as they are considered harmful from an ESG perspective. The current list contains the names of companies involved in controversial activities such as tobacco production, thermal coal extraction, nuclear weapons, landmines, and cluster munitions. Specific revenue thresholds may apply (see also *Principle 7*).
  - Watch List: This includes companies that may be involved in ESG controversies and represent a potential threat in the long run. Portfolio managers may still invest in these stocks/issuers, but investments are closely monitored by group risk management (through dedicated KRIs). Any investment in such companies is systematically challenged (see also *Principle 7*).
  - Additionally, and in line with Group policy, securities subject to international sanctions are excluded.

- **Portfolio sustainability risk scores**: The aim is to compute and monitor a sustainability score for each portfolio. The sustainability score for a given portfolio is the weighted average of individual sustainability scores based on the market value of each position. Minimum thresholds may apply, depending on the strategy.

- **Carbon emissions:** Dedicated reporting on climate exposure:
  - We measure the carbon footprint of our investments by their weighted average carbon intensity (WACI). The WACI is defined as the market-weighted average of total carbon emissions in tons of $CO_2$ divided by total revenues. This measure appears as the most appropriate across all asset classes, not only for equities but also fixed income and mixed assets. It should be noted that only Scope 1 and 2 emissions are considered for now, given the limitations associated with Scope 3 data (e.g., incomplete data, predominance of estimations, risk of double counting). We, however, plan to include scope 3 emissions once data and methodologies are improved.

Key risk indicators (e.g., WACI of the balance sheet, total assets under management on the Watch List etc.) and their respective limits are defined by the ExCo in line with the desired risk appetite level. UBP's Sustainability Risk Framework is available here.

### Market risk

As an asset manager, we place a strong emphasis on identifying, managing, and controlling risk. Still, since UBP's Asset Management division is organised around independent investment teams per asset class (e.g., Global Fixed Income, Impact Equities, Convertible Bonds), the initial responsibility to identify key risks lies with investment teams, while our Quant Analysis and Risk teams will provide and monitor key risk metrics for each portfolio.

Each investment team is responsible for identifying key market and ESG trends, risks and opportunities that may affect their asset class. They conduct relevant macroeconomic research, as well as credit/equity or ESG analysis, to assess current trends and future developments, using internal and external sources, such as, but not limited to, sovereign government and central bank data, international agencies (e.g., IMF, World Bank, OECD), think tanks, company reports/meetings, rating agencies, sell-side research, ESG data providers.

Each team has its own process and may use proprietary tools they have developed to identify key market risks. Still, the main KPIs and methodologies are being harmonised. And to ensure that information is shared, ad hoc meetings take place between teams to exchange views on market dynamics, trends, and themes.

Management of market risks inherent in investment management activities involves setting limits in terms of positions, sensitivity, value at risk (VaR), maximum losses, primary market exposure, issuers and countries. These approaches are supplemented by stress scenario simulations and risk-adjusted performance measurements, including VaR back testing. Specific and daily reports are produced by our Quant Analysis and Risk teams to allow detailed management of these risks.

In addition, across asset classes, diversification plays a major role in terms of risk reduction, and our portfolios have investment guidelines which cover diversification of underlying assets, geographical and sector exposure, or other criteria relevant to each investment strategy. Certain investment teams may set relative limits for securities, countries, sectors and tracking error ranges while others manage strategies fully independently from any benchmark.

**Efficiency in managing market risks**

In 2022, the main market risks identified included the continued rise in interest rates, the Russia/Ukraine conflict and its impact on commodities prices as well as China's slowdown. Our investment teams thus adjusted portfolios accordingly, to limit their impact on client assets. Below are examples of actions taken across our portfolios and reflexion on the efficiency of the chosen mitigating measures.

In Fixed Income, we became concerned that Western central banks would need to raise official rates by more than initially expected by capital markets globally. They had originally characterized inflation as transitory and mostly related to the disruption of supply chains during the pandemic. By contrast, Emerging market central banks had correctly increased their interest rates earlier and faster in response to higher consumer prices.

- Mitigation: we maintained a shorter duration exposure throughout most of the year, later motivated by the surge in gas and food prices following the partial destruction of Ukraine's export capabilities and the ban on Russian energy exports.
- Efficiency: the lower duration helped reduce mark-to-market losses to our bond portfolios, but the speed and length of the bear market still caused losses to most of our fixed income portfolios that our cautious position was insufficient to offset.

In Emerging Fixed Income, we became wary of developments in Russia as early as late 2021. Despite a flurry of diplomatic activity, we became increasingly concerned that a conflict was highly probable.

- Mitigation: our Emerging Market Sovereign committee took the decision to exit all local currency exposure to both countries well ahead of the invasion of Ukraine, as these were most likely to become non-tradable, or highly illiquid, in the case of sanctions on local assets. We also significantly reduced exposure in sovereign hard currency bonds to eventually exit all exposure to Russia. On the Corporate front, exposure was reduced too, but to a far lesser extent. Indeed, our corporate committee incorrectly assessed that the subsidiaries of Russian companies operating abroad would be able to service their debt thanks to their access to hard currency revenues from their foreign operations. The imposition of broad financial sanctions on those companies caused them to be unable to make interest and principal payments, although they were allowed subsequently to repurchase their debt.
- Efficiency: while our actions clearly helped protect local debt portfolios and, to a lesser extent, sovereign hard currency portfolios, they were clearly insufficient for our corporate strategies. This failure to better coordinate our strategy across the sovereign and corporate sectors led to changes in team leadership and investment process in our emerging market debt team.

Emerging markets were also affected by developments in China. While most countries were lifting restrictions on internal and external travel, the Chinese leadership maintained a severe regime of testing and isolation at municipal or provincial level, keeping economic activity at depressed levels, both domestically and externally through trade and travel bans. In addition, the unfolding crisis in the real estate sector also had a powerfully depressing effect on consumer sentiment given the number of unfinished homes partially paid upfront by buyers.

- Mitigation: we kept our exposure to Chinese credit at a minimal level and selectively held high quality stocks in sectors that were less cyclical and less exposed to the government crackdown on large technology companies.
- Efficiency: while we avoided new investments in Chinese corporate debt, a few of our remaining holdings became very illiquid and had to be either marked down or sold at distressed levels.

In Equities, the impact of rising rates was also taken into consideration. The continuation of the rise in interest rates from 2021 to the first part of 2022 led to a correction in the valuation given to growth in equity markets. The market correction at the beginning of the year was driven by the most expensive stocks, despite the bright growth prospects some of them exhibited. After several years of outperformance for growth equities, the valuation gap between the growth and value factors was at a historical high, particularly in developed markets. We also saw an increasing numbers of initial offerings for companies that were not profitable and counting on future growth to reach profitability.

As those stocks are expected to generate higher cash flows in the distant future, they are more sensitive to a rise in long-term interest rates and can be called “long-duration stocks”. As a result, they started underperforming as it appeared that interest rates were rising. Our internal analysis convinced the impact equity portfolio managers that this rise in interest rates would last, and they decided to de-emphasize growth equities.

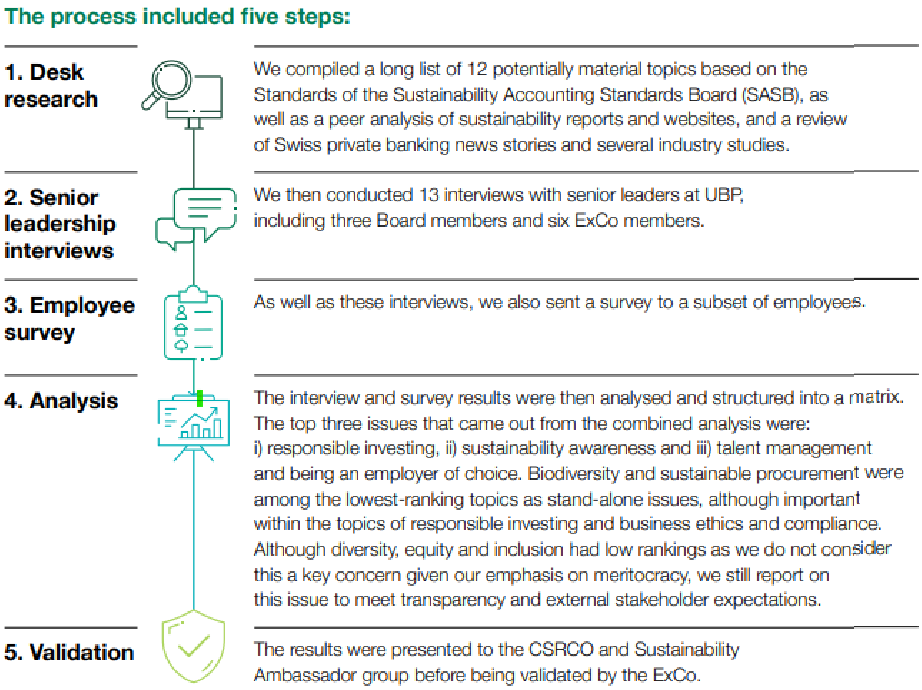
- Mitigation: the impact equity team reduced positions in long-duration stocks, with a particular focus on companies with sub-par profitability or a need for further capital soon. Opportunities to re-allocate to more profitable names, and large-capitalisation stocks, were assessed by the team and acted upon when other investment criteria were met.
- Efficiency: As a result, the average portfolio run by our impact equity team became relatively less growth-oriented, despite retaining their growth bias overall. It also increased the share of companies with higher-than-average profitability ratios. This should increase the resilience of the portfolios in an adverse economic environment.

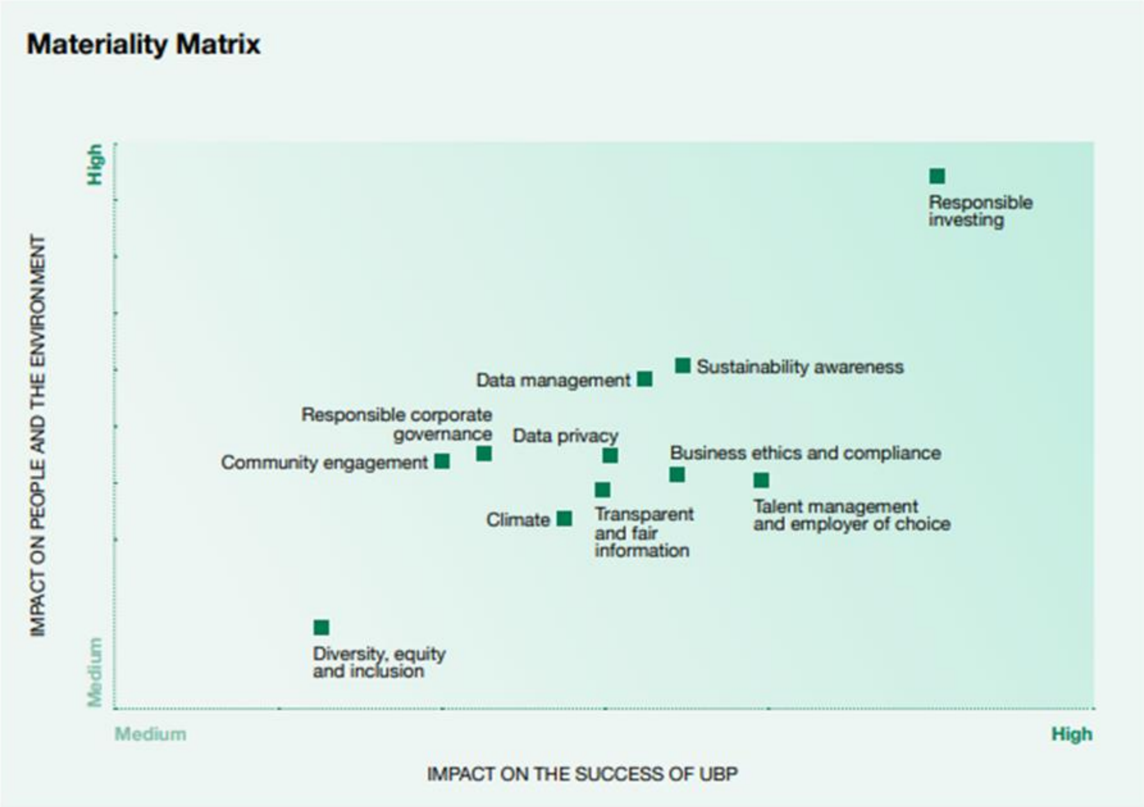
### Systemic risks

Sustainability challenges are having an increasing impact on us as a business, especially on the investment side, where social and environmental factors are creating risks and opportunities that we must consider.

UBP conducted its first materiality assessment in 2021. In 2022, as we acquired more in-depth knowledge and refined our sustainability roadmap, we embarked on a new materiality assessment process. We considered the negative and positive impacts of sustainability topics, actual or potential, on UBP as a business as well as the negative and positive impacts, actual or potential, we have on the economy, the environment, and people.

As a result, we removed topics that appeared not material but rather foundational elements of our approach (collaborations to build a sustainable financial industry, risk management) and those which did not emerge as material. We also grouped topics that are closely related – for example, employee learning/ development and employee recruitment/retention were combined into talent management. Significantly, 'biodiversity' was absorbed into 'responsible investing'. This reflects our position as a financial institution where our relationship with biodiversity is mainly channelled through our investments, not our operations. We also gave clearer labels to some of the existing material topics.






Source: UBP, 31.12.2022.

In 2022, 'responsible investing' emerged as our paramount material topic at the Group level, underscoring the significant potential of our activities to harness sustainability risks and opportunities. This mirrors last year's emphasis on 'sustainable and impact investing'.

A strategic decision this year was to encapsulate investment-linked issues, especially climate and biodiversity, under the broader 'responsible investment' umbrella. This integration is in line with UBP's responsible investment policy, where both climate and biodiversity have been distinctly identified as areas presenting both risks and opportunities. We firmly believe in integrating these issues into our investment processes, not only for the direct benefit of our clients but also due to their impact on the environment and society at large.

Still, 'climate' remains in the 2022 materiality matrix as a standalone topic, albeit with reduced materiality, while 'biodiversity' doesn't appear anymore. This differentiation is rooted in our understanding that while our operations can have some bearing on climate aspects, primarily through business travel, they have a limited impact on biodiversity. Stakeholders in this materiality assessment also recognized that our limited operational impact on biodiversity was a consequence of our on-going efforts to reduce plastic use and paper consumption, in line with our CSR policy.

In 2022, another evolution was the consensus among stakeholders that sustainability awareness, both internal and external, deserved its own distinction as a highly material topic. Similarly, data management also rose on the agenda, with the understanding that sound (ESG) data management was essential to our development of the responsible investment strategies. As an outcome, this realisation led us to identify the need for a more unified data management system, which was selected in 2022 and is to be rolled out in 2023. This system will provide a central ESG database for the whole group, where all ESG data from external providers, as well as internal indicators are grouped and shared. It will help in identifying discrepancies in data and allow us to create internal scores for the benefit of all teams.

Below we provide more details on Climate and Data Privacy, which were both identified as major systemic risks.

## 1. Climate

Managing climate risks and opportunities across our investments and our direct operations has been a priority for UBP in recent years.

For our investment activities, we evaluate both transition and physical risks using third-party data from ISS ESG as well as internal assessments. The information used for assessments includes GHG emissions, the breakdown of revenues by business and the distribution of companies' assets. Climate stress tests are run by ISS ESG, providing estimates of loss of revenue by location using different scenarios.

Climate change also offers opportunities for the Bank and its clients. The ExCo has identified the provision of responsible investment products and solutions as a core element of the Bank's strategy and an important opportunity for future growth. Since 2020, we have therefore increased our efforts to develop opportunities to invest in products and services that contribute to climate-change mitigation and adaptation.

Climate-related risks are monitored via the sustainability risk management framework supervised by the Group Risk Committee, which also considers regulatory risks in relation to climate change. A dedicated sustainability risk report is published every month.

To evaluate how resilient and adaptable our investments are to climate change, we have put in place a robust monitoring framework with key climate metrics covering physical and transition risks. We are rolling this framework out across our organisation.

When evaluating climate risk, we produce three types of outputs: transition risks, physical risks, and portfolio temperature scores.

### Transition risks

Climate transition risks refer to the potential economic, financial, and social challenges that can arise as a result of the global transition to a low-carbon and sustainable economy. This transition is driven by the need to mitigate climate change by reducing greenhouse gas emissions and transitioning away from fossil fuels toward renewable energy sources and more environmentally friendly practices.

Long-term impacts on investments identified by UBP can be categorized into i) prospects for future sustainability of beneficiary firms affected by stranded assets, license loss, and elevated operational expenses; ii) alterations in the appraisal of invested firms stemming from escalating operational expenditures, including factors such as input costs, regulatory charges, penalties, and shifting consumer preferences, and iii) impacts of sanctions and reputational harm arising from failure to comply with climate regulations. These impacts would further be translated into impacts affecting operations such as increase in energy costs, among others.

Tracking how the company's revenues are influenced by carbon emissions is done by the ISS ESG calculation engine, which gives us the estimated loss of our portfolios due to transition risk according to the International Energy Agency's (IEA) Net Zero Emissions scenario (by 2050). For each company, the changes in demand (for brown and green activities) and carbon costs are assessed on a geographical basis, allowing for the company's future cash flows and the impact on its valuation to be estimated. Climate Transition VaR measures the expected change in portfolio value as a result of the transition to a net zero economy. The change may be caused by factors including policy, regulation, technology, and customer preferences. The method takes a bottom-up, granular approach to measuring the effect that changes in the global economy (driven by climate change mitigation) will have on a company's valuation. It is based on the IEA Net Zero Emissions by 2050 (NZE2050) scenario.

### Physical risks

Climate Physical VaR measures the expected change in portfolio value resulting from the portfolio's exposure to climate-related physical risks (both acute and chronic risks), based on companies' geographical footprint and the nature of their business activities. ISS ESG calculates the physical VaR for two climate scenarios developed by the Intergovernmental Panel on Climate Change (IPCC): the RCP4.5 (or "Likely scenario") and the RCP8.5 (or "Worst-case scenario"). RCP4.5 and RCP8.5 are two of four Representative Concentration Pathways (RCPs) developed by IPCC6 to model future greenhouse gas concentrations, along with climate change and its potential impacts on the planet. The four RCPs represent different levels of future GHG emissions and the resulting radiative forcing (i.e. the amount of energy trapped in the Earth's atmosphere).

The computed figures by ISS ESG consider both operational risk (business interruption and repair costs) and market risk (country level impact on GDP, increased production costs). More details on the RCPs and the climate physical value at risk are published in the TCFD section of our annual Sustainability Report.

Company asset geolocations are mined from public sources at the subsidiary level and mapped back to the parent company. Potential damage to facilities and business interruption costs are assessed at asset level based on geographical coordinates and estimated asset values.

#### Portfolio temperature

A portfolio's temperature score (on a 2050-time horizon) is computed by ISS ESG in several stages. For each company, carbon emissions are extrapolated from the last five years to determine the trajectory up to 2050.

- The revenue trajectory up to 2050 is extrapolated based on global GDP forecasts and the company's objectives (depending on whether they have set a science-based target and whether this target has been validated by the Science Based Targets initiative (SBTi)).
- The carbon emissions intensity trajectory is then estimated.

The resulting temperature score factors in the relationship between rising emissions and temperatures, as provided by the IEA World Energy Outlook.

#### Managing climate risks

UBP's responsible investment practices ensure that climate risks, and more broadly ESG risks, are included in the analysis of the companies in which we invest (more details see *Principle 7*):

- **Negative screening**: we have a list of controversial businesses that we exclude from our portfolios. In the context of climate change, all our UBP-branded public funds and certificates exclude coal extraction (revenue thresholds apply), and we apply stricter criteria to sectors such as coal-powered electricity generation and unconventional oil and gas for our SFDR Art. 8 and 9 funds.
- **ESG integration**: UBP's investment teams are encouraged to assess ESG issues, including climate considerations, as part of their research and stock selection processes.
- **Active ownership**: investment teams are also encouraged to engage, directly or collaboratively with company management on relevant matters such as the climate. This is based on the conviction that divesting from controversial companies is sometimes not the best way of bringing about change within those companies.
- **Climate solutions and Impact investing**: we aim to develop our climate-friendly investments (e.g. taxonomy-aligned investments, green bonds, transition infrastructure…). In particular, our impact range aims to help finance the SDGs, including climate-related SDG 7 and SDG 13, by investing in companies that have a measurable positive impact on society and/or the environment.

### 2. Data Privacy

#### Our approach

In a rapidly evolving environment where cyberthreats are becoming more sophisticated and regulations more stringent, we must continuously enhance our policies, practices and awareness regarding data security and privacy. Banks handle highly sensitive data and are a key target for cybercriminals. Breaches can cause significant reputational and financial damage as well as legal consequences. Strong policies, processes, practices and awareness are therefore key to minimising the risk of potential security and data breaches and mitigating their impact should they occur. We must constantly anticipate new threats, adjust to new challenges such as remote working and technological innovation, and keep up with new regulatory developments across the various jurisdictions in which we operate.

Reflecting the cross-disciplinary nature of the topic, UBP's Group Security, Data Governance and Group Data Protection departments work closely together to ensure that data is handled responsibly and protected appropriately. In doing so, they strive to make UBP ever more resilient to cyberattacks and to raise user awareness of critical data and processing issues. Our Group Data Policy defines the overall governance framework for managing data, while our Group Data Privacy Policy outlines our rules on data protection and legal requirements in relation to processing personal information.

Our progress in 2022

To heighten staff awareness of cyber risks and their role in minimizing these risks, we launched a multi-faceted cybersecurity campaign in 2022. This included a webinar featuring an ethical hacker and new mandatory e-learning courses for all staff. Furthermore, all new employees, consultants, and contractors must complete these courses within three months of their arrival at UBP.

We organized a comprehensive cybersecurity event that lasted two weeks in October 2022, as well as a global continuous phishing simulation campaign from July to December 2022. Alongside this, we performed regular Security Due Diligence exercises and organized both internal and external penetration tests to better assess, identify, and reduce potential cybersecurity risks.

**E-LEARNING**

- Spot the phishing game
- Security Awareness Foundations
- Remote working
- Internet Security and You
- How to deal with security incidents
- Data protection
- Business continuity management
- The basics of physical security

In addition to strengthening our internal defences, we also focused on evaluating vendor security levels and disaster recovery protocols, including the ability to fall back onto recovery data centres. Our Security by Design process was improved in 2022 to better identify and mitigate risks during the development phases of UBP's project portfolio.

### Regulatory Compliance and Business Continuity

To ensure compliance with changing EU and Swiss regulations, we adapted our Data Protection Agreement documents for use with suppliers and counterparties. We also updated our Business Continuity Plans in response to global conditions, such as the de-escalation of the COVID-19 pandemic and the rising risk of energy power cuts in Europe.

Our Cyber Resilience initiative has been ongoing, aimed at meeting new regulatory requirements and ensuring operational resilience. This includes updating the list of vital processes and underlying vital applications and data, ensuring that the bank meets its objectives and complies with recent regulatory requirements.

### Outlook

In the coming years, we will continue to adapt to increasingly sophisticated forms of cyberattacks and comply with evolving regulations, including the new FINMA directives. We will also maintain our global cyber-attack scenario and its associated mitigation plan, focusing on the provision and restoration of vital services.

By taking a comprehensive approach that includes robust policies, targeted training, diligent monitoring, and proactive planning for future challenges, we aim to create an environment where data privacy and security are upheld to the highest standard.

### Effectiveness in managing market and systemic risks

The effectiveness of our investment teams and processes in identifying and responding to market-wide and systemic risks is assessed by Management as part of their regular performance assessment. Formal performance reviews are conducted monthly by both the Board and the Executive Committee. Last year, however, given heightened volatility and the sharp rise in commodities and energy prices, to which we are overall underweight, performance lagged. As an indication, in 2022, 32% of our flagship funds outperformed their reference benchmark (net, institutional share class, past performance is not an indicator for current and future returns). This was identified and led to some adjustments in some teams and processes in 2023.

## Promotion of well-functioning markets

### Industry associations

UBP believes that market participants should collaborate to help promote a well-functioning financial system, seeing it as a way to temper market and systemic risks. As such, UBP is a member of an array of trade associations such as the Swiss Bankers Association, the Asset Management Association Switzerland (AMAS) and the Alternative Investment Council, which encourage exchange, collaboration, and the setting of industry standards (including "self-regulation"). Throughout the year, UBP is involved in roundtables, consultations and surveys, examples of which are described below.

### Building Bridges - Geneva

The third edition of Building Bridges, Switzerland's leading sustainable finance conference, took place in Geneva from 3-6 October 2022. With over 65 sessions, the event covered topics ranging from climate change, energy transition and food systems to social issues and sustainable finance regulation.

As a sponsor of the event, UBP hosted a panel entitled "Sustainable infrastructure: new investment opportunities" aiming at promoting knowledge sharing among investment professionals. Charlotte Dewynter, Head of Infrastructure at UBP, moderated an interactive discussion with energy and transport experts including Isidora Kosta (World Economic Forum), Jesse Scott (Hertie School/DIW Berlin), Anne Hornung-Souku (TPG) and Marc Elliott (UBP).

The panel highlighted the urgent need to invest in sustainable infrastructure to help achieve global decarbonisation targets, given that the construction and operation of infrastructure is responsible for 79% of global emissions.

Marc Elliott emphasised that huge investments in solutions that enable us to extract, store and move clean energy around, as well as in energy efficiency measures such as building insulation are key for decarbonising our economy. He stressed that the current energy crisis has heightened the urgency of accelerating this transition to strengthen energy security and independence: "Energy Transition has moved from a long-term goal to a near-term imperative."

Reflecting on the likelihood of reaching the net-zero targets by 2050, Jesse Scott echoed the need for significant investments in both renewables and energy efficiency. “"We have half a decade for you people to invest in wind turbines, grids, and energy efficiency in buildings."

She further highlighted the role of government policies in providing the right regulatory framework to drive such investments along the narrow decarbonisation pathway.

Transportation was discussed as another key piece in the sustainable infrastructure puzzle. Anne Hornung-Souku outlined the need for investments in innovative technologies like electric vehicles and creative solutions like on-demand public transport systems.

The panel also highlighted the importance of investing in resilient infrastructure, with Isidora Kosta emphasising that infrastructure assets are increasingly affected by climate change and represent the most expensive claims following climate events.

A summary of the event was posted on our public website. We also seized the opportunity to communicate on sustainability issues with current or potential investors through our UBP podcast series. Highlights of the conference are available in the Building Bridges Insight episodes: https://open.spotify.com/show/7nBvRLM08I5NldJ8Pc7M9Z

### Sustainable associations and initiatives

Beyond industry associations, and to identify systemic risks and tackle the world's biggest challenges, governments, investors, the corporate world, and the financial sector must work together. Our commitments, memberships and partnerships help us to embed sustainability at UBP and to contribute to a more sustainable financial system. UBP has therefore partnered with, is a signatory to, or supports, several initiatives, associations and academic endeavours detailed further below.

Of note, in 2022, UBP became a member of the **Swiss Climate Foundation**, with our Head of Corporate and Social Responsibility now sitting on the Foundation's Advisory Board. The Swiss Climate Foundation, founded in 2008, brings together 31 Swiss banks, insurers, and other service providers to drive climate action in Switzerland and Liechtenstein. It has developed an innovative financing mechanism to mobilise significant sums for climate innovation projects in the local economy. Under the Swiss $CO_2$ tax law, one third of the collected tax money is reimbursed to companies based on their annual payroll, which the members, like UBP, donate to the Foundation. This money is then channelled towards innovative climate projects led by Swiss SMEs, that aim at reducing further the carbon intensity of the economy. This creates a win-win situation, supporting both climate action and the local economy. An interview with Vincent Eckert, Managing Director at the Swiss Climate Foundation, is available in our Sustainability Report (p.46).

### Global initiatives

- **United Nations Principles for Responsible Investment** (UN PRI): UBP has been a signatory of the UNPRI since 2012. In 2022, UBP was a member of the Sustainable Commodities Practitioners Group (see *Principle 10* and case study #14).
- **United Nations Global Compact** (UNGC): In September 2020, UBP decided to support the UNGC, the world's largest corporate sustainability initiative. Its mission is to drive responsible business conduct by aligning its members' strategies and operations with ten principles relating to human rights, labour, the environment and the effort to combat corruption.
- **Net Zero Asset Managers Initiative** (NZAM) – UBP Asset Management (Europe) S.A.: UBP Asset Management (Europe) joined the initiative in 2021. Currently, the NZAM has over 315 signatories representing USD 59 trillion in assets under management with a commitment to net-zero by 2050.
- **CDP**: In 2022, UBP became a signatory of the CDP, a global non-profit organisation that runs the world's leading environmental disclosure platform. In 2022, UBP participated in the CDP Non-Disclosure Campaign and in the SBT Campaign (see *Principle 10*).
- **Institutional Investors Group on Climate Change** (IIGCC): In 2021, UBP Asset Management division became a member of the Institutional Investor group on climate change and had been a signatory to the Global Investor Statement since 2018. This statement is organized by the Investor Agenda, a collaborative initiative involving organizations like CDP, IGCC, IIGCC, PRI, and others. The Investor Agenda brings together a diverse group of global investors from different regions, with a shared objective of urging governments to implement specific and essential policy measures. These measures are designed to facilitate the deployment of significant financial resources necessary to tackle the pressing issues posed by the climate crisis.
- **Taskforce on Nature-Related Financial Disclosures** (TNFD) – Forum: UBP supports the TNFD Initiative since 2021 and has attended several workshops which provided guidance to assess the impact of nature-related risks and opportunities on a company's business as well as increasing the resilience of companies' strategies to these risks.
- **Task Force on Climate-Related Financial Disclosures** (TCFD): In 2020, UBP started to support the TCFD, an initiative to improve climate-related financial risk disclosures. UBP's 2022 TCFD report can be found here.
- **Global Impact Investing Network** (GIIN): In June 2020, UBP became a member of GIIN, which seeks to accelerate the impact of industry's development through focused leadership and collective action.
- **FAIRR** Initiative: In 2020, UBP joined the member network of the FAIRR initiative. FAIRR provides research on risk factors linked to intensive animal production within the broader food system and provides the opportunity for investors to engage collaboratively. In 2022, UBP was a member of the Sustainable Aquaculture working group (see *Principle 10* and case study #13).
- **University of Cambridge Institute for Sustainability Leadership** (CISL) Investment Leaders Group (ILG): Since 2018, UBP is part of CISL's Investment Leaders Group (ILG) to collaborate on advancing responsible investment practices with the objectives of decarbonizing the global economy, protecting nature, and supporting inclusive and resilient societies. We also co-signed a CEO letter in 2022, brought by CISL and sent to the President of the EU Commissions ahead of the publication of the Repower EU Plan, sharing recommendations and solutions to accelerate the EU's energy transition.
- **Finance for Biodiversity Pledge**: Late 2022, UBP Asset Management division became a signatory of the Pledge, which encourages investors to commit to protecting and restoring biodiversity through their financial activities and investments

### Local initiatives

- **Swiss Climate Foundation** in 2022, UBP became a member of the **Swiss Climate Foundation**, with our Head of Corporate and Social Responsibility sitting on the Foundation's Advisory Board. (see more info in section Sustainable associations and initiatives earlier in *Principle 4)*
- **Forum pour l'Investissement Responsable** (FIR): Created in 2001, FIR, a member of Eurosif, is a multi-stakeholder association whose corporate purpose is to promote and develop responsible investment and its best practices. In 2022, UBP participated in the Written Questions to CAC40 companies, initiated by FIR. see *Principle 10* and case study #15).

- **Dutch Climate Commitment**: In 2021, the UBP Group became a signatory to the Dutch Climate Commitment of the Financial Sector, a Dutch initiative designed to provide information on the role of the financial sector in climate change, the sector's efforts to reduce its impact and the evolution of its carbon footprint.
- **The Big Exchange** (see below)
- **Swiss Sustainable Finance (SSF)**: In April 2018, UBP Group became a member of Swiss Sustainable Finance. SSF's mission is to strengthen Switzerland's position in the global sustainable finance market by informing, educating and promoting growth. SSF is a member of Eurosif, the leading pan-European association promoting sustainable finance.
- **Sustainable Finance Geneva (SFG)**: Since October 2018, the UBP Group has been a member of Sustainable Finance Geneva, an association recognized as a key platform for sustainable finance in French-speaking Switzerland. SFG enables all stakeholders to engage and dialogue with each other and is committed to promoting Geneva as a financial centre. Sustainable Finance Geneva is a partner of the Swiss Sustainable Finance network.

As part of these partnerships and initiatives, UBP has been involved in several collaborative engagements of which case studies are presented under *Principle 10*.

### Policy consultation by FCA in collaboration with The Big Exchange (TBE)

In 2022 we responded to the **policy consultation brought by FCA on the UK Sustainability Disclosure Requirements and Investment Labels**, in collaboration with The Big Exchange (TBE), of which UBP is a founding member.

The Big Exchange has a unique insight into UK retail customers who want to invest their money aligned with their values and with different range of expectations and outcomes. Our collaborative work started in November 2022 and was followed up by a meeting with the FCA in early January 2023. TBE shared that they are broadly supportive of the regulation as making fund labelling and sustainable investments more understandable for retail investors is also one of the reasons TBE exists. However, there were some aspects of the FCA consultation paper where we felt additional clarity was needed to ensure that retail customers would be allowed to continue to select investments that meet their needs and values.

During the meeting, we discussed how the FCA would consider funds invested in listed assets as being impactful, alongside investment in private assets. We raised our concerns that individual customers invested in such funds which seek to invest in companies offering solutions to environmental and social challenges, may not understand that such strategies do not qualify for the “sustainable impact” label.

**Outcome**

The meeting helped us to share our views with the FCA and to gather additional insight on the regulator’s proposal, ahead of sending our formal response to the consultation in 2023.

### Collaboration with external experts

Outside of these established partnerships and initiatives listed above, and as part of UBP’s Impact Platform, UBP has also developed its own committees with external sustainable experts from NGOs and Academia, as presented in the following case study:

## Impact Advisory Board

UBP's Impact Platform is overseen by the Impact Advisory Board. The Board is chaired by Anne Rotman de Picciotto, a member of UBP's Board of Directors, and is composed of four independent, external sustainability experts from NGOs and Academia. Its role is to take thought leadership drawn from external experts in fields outside of investment management such as biodiversity, impact investing and sustainable development, and embed it into the Bank's Impact Platform.

### Outcome

In 2022, the Impact Advisory Board met three times. Minutes of the meetings are available online.

One of the key roles of the Advisory Board is to provide thinking and guidance on broad issues within Impact. 3-5 investment cases and their IMAP scores are reviewed in depth at each meeting. These cases are independently selected by Simon Pickard, Chairman of the Impact Investment Committee, to ensure a variety of profiles in which the Board's insight could prove valuable.

The principal topics of discussion and action taken by the fund managers after the Board's advice are listed in the 2022 Impact Report.

The following topics, among others, were discussed during the year:

### March Board Meeting

- Review of policy on nuclear energy – a variety of views expressed by the Board and a discussion of nuclear power's applicability to various situations and countries
- Engagement case studies – at the Board's request, examples of successful and unsuccessful engagements and lessons learned. In particular, the review of an unsuccessful engagement which took place over 18 months and eventually led to divestment, led to the decision to better take into consideration companies' willingness to engage prior to purchase. However, the team remain mindful of not wanting to invest only in good engagers, as the Additionality may be more substantial with less good engagers
- Review of policy on rare earths – a cautious view expressed by the Board on various ESG aspects
- Four companies' IMAP scores were reviewed. The Board confirmed the scores for 3 of them and recommended to downgrade the Additionality score for the fourth one, a Chinese Education company, from 3 to 2 as more data would be needed on their teaching of sustainability. This led to the reduction of its IMAP score to 13 from 14/20.

### June Board Meeting

- Review of the 2021 UBP Impact Report – various recommendations on how to make the team's engagements a point of differentiation, including: encouragement of robust measurement; a focus on key areas like biodiversity but with a 'do no harm' lens on other issues; participation in and convening of a collaborative ecosystem being as key as bilateral engagement
- Discussion on engagement scoring – recommendation to avoid reductive scoring given the difficulty of ascribing on governance, roadmaps, etc.
- Discussion on measuring UBP's investor additionality – recommendations around setting targeted engagements to fewer companies; asking companies to provide evidence of implementation as a proxy for collating impact-output KPIs
- Three companies' IMAP scores were reviewed. One was confirmed, while two were downgraded.
    - The first one was for a manufacturer of agricultural and forestry equipment for commercial and private customers. While the company can help farmers along the sustainability curve, its future potential was questioned, leading to a reduction of 4 to 3. The IMAP score was thus down to 12 from 13.
    - The second company is a leading energy generation and distribution company in Brazil with a current focus on renewables. It also shows awareness of the damage caused by hydroelectricity vis-à-vis biodiversity. The Board recommended reducing materiality to 4, because only 10% of its business came from generating electricity, the rest being distribution. However, the Board also suggested that potential could be increased as it is a sizeable state company with a large opportunity set. All in, the IMAP score was unchanged at 13.

**November Board Meeting**

- Overview and in-depth discussion of COP27 and COP15 – comments on changing narrative around 1.5° warming target; influence of the Ukraine war.
- Preparation for first Biodiversity Workshop – outline of key targets for the meeting, participants; various recommendations made by non-Biodiversity Committee members.
- Review of NGO relationships – discussion and recommendations around UBP's NGO network and the opportunities for contributing to system changes and breaking down of silos.
- Five companies' IMAP scores were reviewed, with three scores confirmed.
    - The first company is China's largest online pharmacy, which helps improve transparency of healthcare-drug delivery and access to healthcare in general, thus alleviating pressure on overcrowded hospitals in the country. The Board were generally positive about the company but noted that KPIs should focus on outcomes rather than output. As such, it recommended reducing intentionality to 3 until this has been addressed. As a result, the IMAP score was downgraded to 15.
    - The second company offers a comprehensive range of financial services, including insurance, banking, and securities in Asia. It also appears as a strong candidate to be a climate leader, having developed sustainability reports, joined climate-related initiatives, is engaged, and has a group CIO passionate about sustainability. The Board, however, commented that joining initiatives was not the same as delivering outcomes – the company thus needs to tighten up its narrative. Moreover, biodiversity aspects are lacking. Finally, its impact comes primarily from providing insurance to underserved communities. As a result, the Board recommended downgrading Intentionality to 4 as Biodiversity was lacking and Materiality to 4 as not all life insurance is necessarily impactful, reducing its IMAP score to 13.

More details on changes to IMAP scores because of Impact Advisory Board 2022 meetings are available in Appendix 2.

**Effectiveness**

The independence and expertise of the members have proven effective in fostering knowledge sharing and in challenging the investment team to ensure a non-biased assessment of the level of impact of investee companies, to the benefit of our clients.

# 5. REVIEW AND ASSURANCE

**Principle 5: Signatories review their policies, assure their processes, and assess the effectiveness of their activities.**

## Overview of response to Principle 5

| | Key Statements |
|---|---|
| **Context** | • UBP's objective is to ensure appropriate conduct towards our clients, counterparties, and the financial system, to maintain our outstanding reputation, guarantee client satisfaction and avoid financial penalties<br>• A "three lines of defence" model is implemented in line with relevant guidelines and directions<br>• An operational risk management framework which is set in place to facilitate consistent management of all types of operational risk by the business lines as well as management oversight and accountability |
| **Activity/ Outcomes** | • All Group-wide and Business-specific directives are formally and regularly reviewed by the Directives Committee<br>• Three updates to internal directives have been made to reflect sustainability considerations, which are listed in the principle<br>• UBP has put in place a range of stewardship-related policies, which are reviewed at least annually to make sure they are revised and improved when necessary<br>o Responsible investment policy<br>o Voting rights policy<br>o Biodiversity approach<br>o Remuneration policy<br>• We established a partnership with Maanch in 2021 to implement a tool for our investment teams to keep track of their stewardship activities. This collaboration led to the development and successful rollout of the Maanch Engagement Tracker in 2022<br>• Looking ahead to 2023, we anticipate further advancements in the engagement tracker, including the introduction of an automated reporting feature, seamless integration with Outlook, and the incorporation of our voting activity tracking alongside our engagement efforts<br>• To ensure UBP's approach to stewardship is suitable and effective, we undertake both internal and external audits of our activities to identify areas for improvement |

## General

As a financial actor, we have a social responsibility to conduct business responsibly, not only to maintain our own reputation and success, but also that of the sector as a whole. The financial sector is a highly regulated environment and is undergoing a great deal of regulatory change, especially regarding sustainable finance. In addition, there is a growing number of voluntary international and national initiatives addressing sustainability in general and sustainable finance more specifically. These come with a range of obligations, from implementing strategic change to providing transparent reporting. Accordingly, we must closely monitor both regulatory developments and voluntary initiatives, and align our processes, products, and services with the requirements they bring with them. The objective is to ensure appropriate conduct towards our clients, counterparties, and the financial system, to maintain our outstanding reputation, guarantee client satisfaction and avoid financial penalties.

## Internal Controls – Three Lines of Defence Model

UBP applies the relevant FINMA guidelines and directions as outlined in their circular 2017/1 on internal controls. In more detail, this circular provides directions on the set-up and responsibilities related to the Board of Directors, the Audit Committee, Internal Audit, Compliance and Risk Control. A "three lines of defence" model is implemented accordingly. The below functions, as well as permanent first level controls, which are operated by business line managers, compose the Internal Control environment.

- **1st level:** Four-eye principle, supervised by an employee's respective line manager and business heads. Additional technical controls are implemented in the relevant processes.
- **2nd level:** Independent controls by risk management / compliance functions:

- Risk Management develops and maintains tools and methods to measure, monitor and control risks with respect to investments. Risk management covers permanent controls of investment related restrictions (prospectuses, IMA etc.), including with regards to sustainability risks (such as the respect of exclusion lists, or of a fund's ESG objectives).
- Compliance anticipates and manages regulatory risks in the interests of the Bank and the Group. Compliance covers permanent controls of regulatory restrictions or requirements such as best execution, best selection, monitoring of conflicts of interest, personal account dealings, cross-border activities, etc. This includes the sustainability regulation legal watches, and the respect of sustainable finance regulations.

- **3rd level:** Internal and external audit:
  - Internal Audit determines whether the Bank's and Group's governance, processes, systems, and control environments are effectively in place.


Source: UBP.

### Operational risk management framework

To facilitate the management, in a consistent manner, of all types of operational risk on the business lines as well as management oversight and accountability, the Bank has developed an all-embracing, single Operational Risk Management Framework for the entire Group which comprises five key elements:

- Risk responsibilities
- Risk identification and evaluation
- Risk monitoring, controlling, and reporting
- Supporting controlling environment
- Risk transfer / hedge / insurance programs

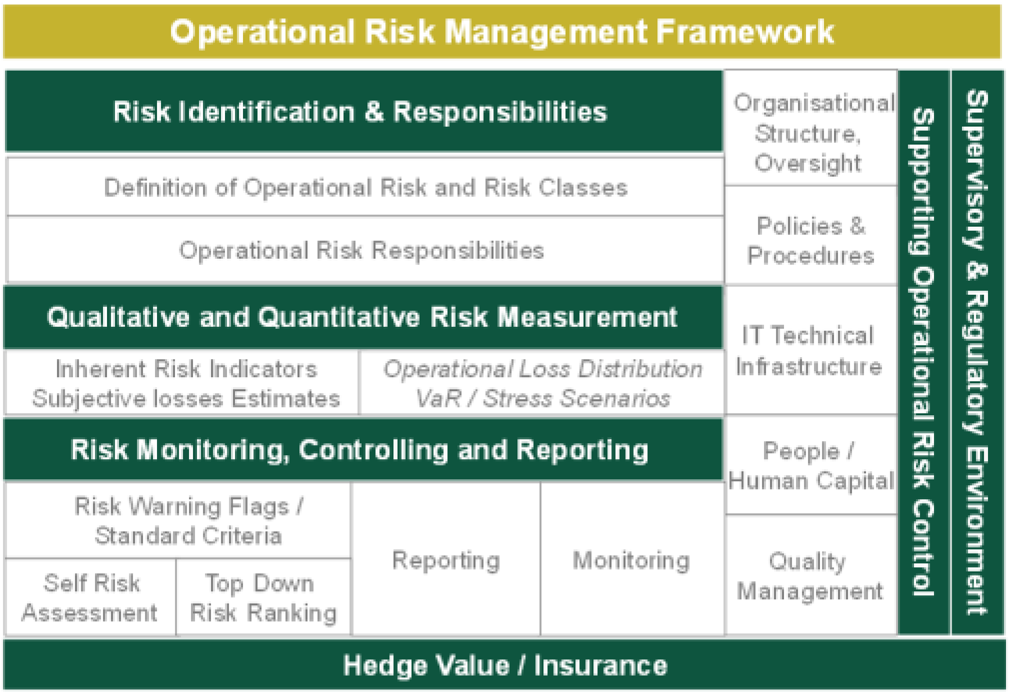
The first level of defence lies with the business line management, which has the primary responsibility for managing operational risks. Business line management is required to identify, assess, monitor, report and manage operational risks arising within their respective business areas, as part of day-to-day activities, with monitoring on a continuous basis to limit operational risk exposures in line with the business line's risk appetite.

For the second level of defence, which is independent from business management, UBP has a dedicated operational risk management team embedded within UBP's Risk Management Group, which is further supported by each Group entity's' local risk managers. The Operational Risk Management team provides the operational risk management framework and approaches to be implemented in the first line of defence as well as supports in the identification, assessment, management, measurement, monitoring and reporting of risks to senior management (via risk self-assessment, change risk assessment, key risk indicators approach), and as part of the internal control framework.

Next to Group Risk Management, the following units operate in this second line of defence: Compliance, Legal, Financial Controls & Credits, Security, Insurance Management and Business Continuity Management.

A third line of defence is provided by the Internal Audit which provides independent assurance on the effectiveness of the first and second lines of defence.

The framework is based on internal rules of UBP, the Principles for the Sound Management of Operational Risk of the Basle Committee on Banking Supervision (June 2011), the updated Circular on operational risk (March 2014), FINMA Circular 2017/01 on Supervision and Internal Control and BIS on "Principles for effective risk data aggregation and risk report".




Source: UBP.

In addition, we regularly review our processes and policies to make sure they are upgraded regularly.

## Internal Regulatory Framework

The Group Directive on Managing the Internal Regulatory Framework, which entered into force in 2012, sets out the Bank's framework of regulations and the approval process designed to ensure texts/directives are consistent with internal regulations. The Directives Committee oversees approving Group-wide and Business-specific directives, in addition to the executive committee in cases required by regulations. The Committee comprises the Group Chief Operating Officer, the Head of Risks and Compliance, the Chief Group Legal Officer, and the Chief Risk Officer.

All Directives are formally and regularly reviewed. The Group Head of Regulatory Services must:

- Keep directives up to date (ensuring that older directives still meet applicable regulatory requirements)

- Submit to the sponsors any required updates
- Check that updates are consistent with the applicable regulations

In 2021, the review cycle was revised: All directives older than one year (rather than three years previously) have to be submitted to the Compliance Department and/or their sponsor to obtain their opinion on whether the directive needs to be updated. Where necessary, the new version will then be submitted to the Directives Committee as part of the approval process.

After the addition of the ESG Data Policy as an annex to the Data Directive in 2021, UBP continued to revise its internal directive to reflect sustainability considerations. In particular:

- The Long-Only Fund List Directive, which describes the process and criteria used to build UBP's Private Banking recommendation and selection lists of long-only funds, was revised to include reference to how ESG considerations are taken into account in fund selection, including a dedicated ESG due diligence process based on a detailed proprietary questionnaire and direct exchange with external managers to confront and analyse the intentionality and materiality of their approach to sustainability.
- The Directive on Private Market Group now also specifically refers to ESG-related criteria being considered in the due diligence process on external managers. This includes the review of the manager's ESG approach, including their level of experience in sustainability management and their RI policy.
- The Procurement Directive now makes reference to the Supplier Code of Conduct revised in 2021: "*This Supplier Code of Conduct provides guidelines for ethical behaviour based on UBP's core values, applicable laws and regulations, and the principles of the United Nations Global Compact. Every supplier providing goods and/or services to UBP is expected to honour and comply with the Code and to ensure that their subcontractors involved in providing goods and/or services to UBP honour and comply with it as well*".

## Stewardship policies

UBP has put in place a range of stewardship-related policies, which are reviewed at least annually to make sure they are revised and improved when necessary. We believe that the sustainability governance structure as laid out under *Principle 2*, supported by the Compliance department including Regulatory Services, means that UBP's stewardship policies and processes remain effective and address developments in clients' preferences, industry practices and regulations in a fair, balanced and understandable manner. These policies include but are not limited to:

- **Responsible Investment Policy**: An overarching policy that codifies UBP's commitments to responsible investment and details the scope, governance and practices. The policy is available here. Revision of the policy is under the responsibility of the Responsible Investment Committee (RICO). In the case of major changes, these also have to be validated by the Steering Committee.
- **Voting Rights Policy**: The policy details the general principles of how UBP exercises voting rights actively, independently, and exclusively in the interest of investors, including the integration of ESG into decisions, through the choice of the Sustainability Voting Policy of our Proxy Voting partner. It is then applied at the level of each fund management company. The policy is available here (see also *Principle 12*)
- **Biodiversity Approach**: This document states our commitment at Bank-level to actively contribute to the fight for biodiversity. It includes key elements on the state of the issue, the main biodiversity-related initiatives we are involved in, how we raise awareness among our investment teams by identifying leading and lagging companies, and how we encourage them to work with investee companies, particularly those deemed laggards. (See also *Principle 4* on how we addressed the systemic risk resulting from biodiversity loss).


- **Remuneration Policy**: Lays out how the concept of Sustainability is integrated into UBP's staff remuneration policy. (See also section on Incentives in *Principle 2*)

## Improving Stewardship Reporting

Our decentralised approach empowers our investment teams to select engagement topics tailored to the specific challenges faced by the companies within their portfolios. However, we acknowledged early on that balancing this autonomy with the imperative to thoroughly document and disseminate engagement cases across teams can be challenging. To address this challenge, we established a partnership with Maanch, a certified B-Corp and a leading technology entity, as outlined in our prior iteration of the UK Stewardship Code (FY2021). This collaboration led to the development and successful rollout of the Maanch Engagement Tracker in 2022.

Maanch Engagement Tracker is a cloud-based solution to track, report and analyse all portfolio engagements for improved collaboration, transparency, and compliance with global regulations. This tool has significantly enhanced our processes by automating the continuous collection of data and analysis related to our engagements with portfolio companies. Additionally, it serves as a central platform for monitoring escalation activities and facilitating seamless communication among our teams. This collaborative partnership with Maanch has proven instrumental in tailoring the tool to our precise needs, evolving iteratively through ongoing feedback.

Looking ahead to 2023, we anticipate further advancements, including the introduction of an automated reporting feature, seamless integration with Outlook, and the incorporation of our voting activity tracking alongside our engagement efforts. (see also *Principle 9*).

> *"We are delighted by the progress we've made in partnership with UBP. Maanch Engagement Tracker has significantly grown since last year, now serving over £250 million AUM of clients. It offers a robust digital data trail that captures the impact of engagements over time, assisting in the monitoring of escalations that inform investment decision-making. The tool empowers our clients with regulatory reassurance and impressing investors."* - Darshita Gillies, CEO and Founder of Maanch.

In 2022, we also followed up on our second challenge, which revolved around the utilisation of diverse data systems throughout the Group. With the appointment of our new Global Head of Sustainability, a decision was reached to adopt a unified ESG data management system. This system will serve as the central repository for all ESG data acquired from various providers. Its implementation not only enhances data governance but also facilitates robust cross-verification of data, enabling us to achieve the highest data quality standards. Furthermore, this unified system will empower us to automate the computation of select ESG metrics directly within our IT and PMS systems. This strategic implementation will not only enhance the process of generating "internal scores," enabling seamless distribution across our business lines and teams, but also contribute to the streamlining of ESG reporting across the entire group. We completed the identification and selection of the new system in 2022, paving the way for its comprehensive rollout in 2023. (see also *Principle 8*).

## Assurance

To ensure UBP’s approach to stewardship is suitable and effective, we undertake both internal and external audits of our activities to identify areas for improvement. In addition to the reviews undertaken by the RICO and the Compliance department, assurance on UBP’s Responsible Investment practices and the assessment of their effectiveness arise from:

**Internally:**

- **The UK Stewardship Code 2022** report has been drafted by the Responsible Investment team, based on the proven input of different teams and departments (e.g investment teams, compliance). It was then reviewed by UBP’s Group Head of Sustainability and Compliance and finally approved by the co-CEOs of UBP’s Asset Management division, the Head of Asset Management London and the Head of Compliance for UBP’s London Branch.
- **Internal Audit:** In 2022, UBP Internal Audit Department carried out an audit of the UBP Group, and ESG Compliance activities. The scope included, but was not limited to, the following areas:
    - ESG Governance (roles and responsibilities, internal committees, and terms of reference, etc.)
    - Reporting to regulators (e.g., FINMA questionnaire about climate-related financial risks)
    - SFDR Article 9 investment process
    - Sustainability Reporting (i.e., UBP Annual Report, Group Sustainability Report)

  In conclusion, based on the work performed and taking into consideration the audit findings, a “Satisfactory Medium” rating was assigned to this report. This means that at the time of fieldwork, the system of internal controls provided adequate mitigation of financial, reputational, and regulatory risks.

**Externally:**

- UBP releases its Sustainability Report following the GRI Standards, the globally recognised framework for sustainability communication. This structured approach allows for a thorough presentation of material issues and corresponding performance indicators. Included within this is our TCFD report. In 2022, both our sustainability and TCFD reports received endorsement from UBP's Executive Committee and Board of Directors. A selection of sustainability indicators presented in the report was assured externally (limited assurance). This verification encompassed several GRI KPIs at the Group level and carbon emissions data pertaining to UBP AM funds and mandates (see page 58 of our 2022 Sustainability Report). To achieve this limited assurance, we enhanced our data gathering processes and provided a comprehensive breakdown of all metrics and KPIs in the "Basis for Reporting" section, annexed to the report. This portion clarifies metric definitions, computations, scopes, exclusions, and any estimation methodology deployed.
- As last year, we have continued to work with an external advisor to help enhance the quality, fairness, and extensiveness of our 2022 filing of the UK Stewardship Code. For clarification, no assurance was required nor received.
- UN PRI Report: As a signatory to the UN PRI since 2012, we undertake the yearly reporting exercise, led by UBP's Responsible Investment team in conjunction, with the investment teams. Our 2022 edition was signed off by one member of UBP's Exco and co-CEO of UBP Asset Management division, as well as by our Group Head of Sustainability.
- As part of the evaluation process to obtain the French ISR Label, some of our funds are audited annually with regards to their responsible investment policies by Ernst & Young.

Looking forward, as the demand for extra-financial reporting continues to grow, we are planning a series of workshops in collaboration with an external consultant in 2023 to equip us with the forthcoming requirements in the years ahead. This preparation is especially pertinent considering upcoming regulatory requirements, like the Swiss reporting on non-financial matters, which mandates child labour due diligence (reporting due on FY2023), the Swiss Ordinance on Climate Disclosures (reporting due on FY2024) and the EU Corporate Social Reporting Directive (reporting due on FY2025). Meeting these reporting obligations necessitates a thorough enhancement of our processes, policies, and group-wide data collection efforts. Moreover, some of these mandates may require external assurance to ensure that our disclosure practices remain transparent and impartial, providing accurate and reliable information. Our commitment to these endeavours underscores our dedication to maintaining fairness and balance in our reporting practices.

# INVESTMENT APPROACH

## 6. CLIENT AND BENEFICIARY NEEDS

**Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.**

### Overview of response to Principle 6

#### Key Statements

| | |
|---|---|
| **Context** | • As of 31.12.2022, UBP had total assets under management of CHF 140.4 billion, of which the Asset Management division was responsible for managing over CHF 31.7 billion.<br>• The Asset Management division of UBP strives to serve the whole spectrum of both local and global institutional clients<br>• We are committed to fostering enduring partnerships with our clients through suitable investment strategies, dedicated portfolio management, and strong client service. Our investment approaches and stewardship principles are geared towards achieving consistent long-term performance<br>• We believe our clients are best served by locally based relationship management teams. To this end, we operate through local sales offices across our active regions to act as a conduit between our clients and their investments with us |
| **Activity** | • As asset managers, we strive to ensure that our products fit with our clients' needs. Over the last couple of years, one of the key requirements of our clients has been for an increased, and more diversified, offering of ESG / sustainable strategies<br>• We have thus continued to bring new, innovative strategies, especially in private markets, where several strategies we pre-marketed in previous years were successfully launched in 2022:<br>  ○ A new strategy focused on opportunities to invest in sustainable and reliable long-term infrastructure assets offering attractive risk/return profiles<br>  ○ A private markets fund focused on lending money to actors who contribute in promoting and developing housing in the UK and Ireland predominantly, with a focus on social and affordable housing as well as key workers housing<br>• As required under MiFID II, in summer 2022 we rolled out a questionnaire to capture clients' sustainability preferences, in some EU locations and trained the Front Office on the topic |
| **Outcomes** | • We believe that education is essential to raising awareness, and as such, UBP has produced short videos and launched digital campaigns outlining key concepts such as value creation through responsible investment and on impact investing<br>• In 2021, we had started a series of quarterly virtual calls for our clients on our flagship funds, which we continued in 2022<br>• UBP also publishes annually a Sustainability and TCFD Report, which sets out the way we are contributing to the shift towards a sustainable economy, and reflects our willingness to consider sustainability not as a stand-alone topic but as an integral part of our day-to-day business and strategy |

### Client base

The Asset Management division of UBP strives to serve the whole spectrum of both local and global institutional clients and we distinguish between such investing in their own balance sheet and those which act as distributors. We maintain a good equilibrium between corporates, pension funds, insurance companies, banks, central banks, and family offices. We apply a dedicated approach to distributors which include other banks, private banks, and independent financial advisors on both a global and regional level.

As consultants play an important role in the institutional field, we put a special emphasis on our approach to these, being proactive and providing a high level of transparency in our offering and investment approach. Global consultants are covered by our sales team in the UK, complemented by regular exchanges with other local sales teams which directly follow their field consultants.

As of 31.12.2022, UBP had total assets under management of CHF 140.4 billion, of which the Asset Management division was responsible for managing over CHF 31.7 billion.

## Asset Management division' s AUM split

### Client type and product


**Source**: UBP

## Investment horizon

UBP's focus is on delivering long-term performance and our investment strategies and stewardship practices are structured as such. For our public offering, we ensure that the minimum recommended investment horizon is included in the legal documentation. As for segregated mandates, as part of the tender and on-boarding process, the investment horizon and objectives of the client are always determined.

UBP's compensation structure is designed, in part, to encourage the long-term performance of our products and services. In addition, all our investment professionals, investment advisors and institutional salespersons, among others, must comply with a "sustainability" objective to increasingly integrate sustainability into their business activities.

As such, and to guarantee greater stability within the Group and to align short-term and long-term performance benefits, the remuneration policy defers payment of a portion of the variable component for some staff members. Please refer to Incentives in *Principle 2* for more information on UBP's remuneration structure.

UBP has defined standard investment horizons per asset class, dependent on their volatility and liquidity risk profiles. Examples are indicated in the table below:

| Asset Class | Standard Investment Horizon |
|---|---|
| Money Market | Below 1 year |
| Absolute Return Fixed Income Low Volatility | 1-2 years |
| Global fixed Income | At least 3 years |
| Multi-assets | 3-5 years |
| Alternatives UCITS | 3-5 years |
| Global Equities | at least 5 years |
| Private Equities/Infrastructure/Real Estate | Longer term |

## Understanding client needs and communication

### Client coverage and relationships

At UBP, we aim to build a long-term relationship with our clients by providing them with appropriate investment solutions, high-conviction portfolio management and strong client service.

We believe our clients are best served by locally-based relationship management teams. To this end, we operate through local sales offices across our active regions to act as a conduit between our clients and their investments with us. Through this set-up, we offer a local one-stop point of contact for our clients. Each client has a relationship manager who is responsible for business development as well as providing high-level client service. Client relationship managers maintain a dialogue with clients and provide regular updates on market developments, research, products and other areas of interest. Our client-focused approach in combination with local coverage supports the creation of strong relationships between us and our clients.

The role of client relationship managers has a high emphasis on understanding clients' needs in a changing environment (regulatory framework, markets), and as such, a large part of their role is to coordinate client needs by liaising with the requisite UBP investment team as well as other professionals, sitting within the Asset Management division, who are experts in their respective fields, such as a climate or stewardship experts.

For example, when marketing one of our public products, our client relationship managers must determine whether the fund may be offered to a client depending on the status of the fund (e.g., registered or not), the status of the investor (e.g., professional or qualified investor, retail investor, etc.), on the suitability of the fund for the investor (e.g., investment horizon), etc. The Compliance department organises second-level spot checks in compliance with the above-mentioned rules.

Our staff includes experts who cover marketing-related aspects (providing comprehensive written material on our products and markets), investment specialists with responsibility for asset classes, a central team which handles requests for proposals (RFPs) and due diligence across UBP's offering, a product development and management team including funds legal experts which coordinates all requests pertinent to a product's lifecycle, as well as a market intelligence function which looks into peer analysis, market flows, etc. Our AM Responsible Investment team is also available for client meetings or calls to explain UBP's responsible investment principles and approaches.

Procedures are in place to ensure that any complaints from clients are dealt with swiftly and appropriately.

With regards to responsible investment, stewardship, and sustainability, UBP engages with our clients to determine their needs and to educate them about our approach (see below). By default, UBP's Responsible Investment Policy applies to all new segregated mandates, unless the client chooses to opt-out. This ensures that a dialogue concerning responsible investing always occurs with our clients.

UBP has a process for integrating and processing client requirements centrally, so the firm has an aggregated view and can spot trends in client requirements to ensure efficiencies in meeting client needs, as shown in the examples below.

### Examples of how we consider the views of clients

As asset managers, we strive to ensure that our products fit with our clients' needs. Over the last couple of years, one of the key requirements of our clients has been for an increased, and more diversified, offering of ESG / sustainable strategies. We have thus continued to bring new, innovative strategies, especially in private markets, where a number of strategies we pre-marketed in previous years were successfully launched in 2022:

- new strategy focused on opportunities to invest in sustainable and reliable long-term infrastructure assets offering attractive risk/return profiles and targeting:
    - New energies, less emissions, new mobility, more connectivity,
    - Proven technologies to help Reduce, Reuse and Recycle,
    - More circular economies,
    - Improved way of living.

  Ultimately, infrastructure can represent the backbone of more efficient and circular economies towards sustainability and global life improvement.

- a private markets fund focused on lending money to actors who contribute in promoting and developing housing in the UK and Ireland predominantly, with a focus on social and affordable housing as well as key workers' housing. Within the real estate space, "new living" is emerging as a mega-investment theme. The new living theme includes single- and multi-family housing, build to rent, student living, care homes, senior living, and other spaces where people live.

In Europe, the implementation of the Sustainable Finance Disclosure Regulation (SFDR) has also led to increased demand for Article 8 and 9 funds. To ensure quality standards throughout our offering, we therefore strengthened and formalised the ESG approach of some of our products ahead of classifying them.

Additionally, in relation to feedback on fee structures and platform availability, we have continued to create dedicated UK share classes to reflect the UK market's sensitivity to fees versus our other local jurisdictions. We also had new successes in the Nordics region and added our Biodiversity Restoration fund to Swedish retail platforms.

As required under MiFID II, in summer 2022 we rolled out a questionnaire to capture clients' sustainability preferences, in some EU locations, as necessary, and trained the Front Office on the topic.

### Access to investment professionals

Clients have access to investment and non-investment staff who can provide, among other services, information on their portfolio, market insights, bespoke risk management and tailor-made account structures. Investment specialists dedicated to their asset class are also available for client meetings and requests. They prepare written communication for our clients detailing our investment teams' views if there is a development of interest in the markets, produce White Papers on subjects that are likely to be of interest and publish Flash Updates – all made available to our investors.

### Insights, White Papers and media interviews

UBP's experts regularly produce Insights, White Papers and undertake media interviews on an array of markets, investing and sustainable topics to keep current and prospective clients well informed. Notable publications in 2022 included:

- Global banks: the policemen of the energy transition (including a podcast with Rupert Welchman, head of DM Impact Equity at UBP, and James Close, Head of Climate Change at NatWest Group)
- Global food supply disruption (with John Neppl, CFO of Bunge, an international leader in the agribusiness and food space)
- How can agricultural machinery optimisation help cut global emissions?
- Energy transition: a complex but compelling challenge

- Demonstrating how nature-related risks can impact investors
- The meaning of positive nutrition (White Paper)
- Changes in consumption patterns: survival of the fittest (White Paper)

Further insights are included in UBP's newsroom.

Also, our clients, prospects and partners can sign up to one or several newsletters on our corporate website, https://www.ubp.com/en/newsletter. By subscribing, they receive a digest of the Bank's latest news and investment insights by e-mail.

### Client communication and education

We believe that education is essential to raising awareness, and as such, UBP has produced short videos and launched digital campaigns outlining key concepts such as value creation through responsible investment and on impact investing. UBP organises investment summits and aligns with our enhanced offering, UBP is increasingly participating in roadshows dedicated to ESG. UBP's experts also regularly appear in the media. In addition, initiatives such as Swiss Sustainable Finance (SSF), of which UBP is a partner, have as a mission the objective of strengthening the position of Switzerland in the global marketplace for sustainable finance by informing, educating, and catalysing growth.

Additionally, UBP is active on seven social media platforms: LinkedIn, Twitter, Instagram, WeChat, Facebook, YouTube, and Spotify. We communicate about various topics, including corporate news, investment views, sustainability, and our investment expertise. The Instagram account is dedicated to impacting investing in educational content on this thematic.

In 2022, we published 29 sustainability-related news stories as well as 165 posts on responsible investing and CSR across four social media channels. We also featured over 60 stories on our Instagram account, which is dedicated to impact investing, we produced 30 videos, including Instagram reels, as well as six podcasts.

To better serve our diverse client base, we offer tailored presentations/marketing documents for either private or institutional clients. Also, while English remains our language of choice, we provide translated marketing communications in several European and Asian languages, when required.

In 2021, we had started a series of quarterly virtual calls for our clients on our flagship funds, which we continued in 2022.

Finally, recognising that communication starts with the direct interaction of salespeople with their clients, we developed mandatory sales training on our products through a series of 20+ e-learning modules. These modules qualify as certified training in Switzerland.

### The Big Exchange

UBP is a founding member of The Big Exchange (https://www.bigexchange.com), a UK platform which aims to make financial services more inclusive, to allow all to make our society and planet better through their personal finances. To help the end investor, The Big Exchange has been developing a Controversy Forum where we are sharing White Papers and insights when dealing with some of these areas of controversy. In addition, our Impact funds have been selected to be on the platform for their impact credentials.  In 2022, all our impact funds available on the Big Exchange platform maintained their gold medal ratings.

### Sustainable Investment Festival

In June 2022, UBP actively participated in the 'Sustainable Investment Festival' held in London. This event serves as a platform for fund selectors, financial advisers, pension consultants, trustees, and scheme managers to enhance their understanding and integration of ESG principles within their investment portfolios. The primary goal was to offer solutions to clients and investors seeking to make a positive impact on the environment, society, and the planet.

During the event, we conducted a session dedicated to 'Impact Investing in Emerging Markets,' sharing our expertise in this area. Additionally, we contributed a panel member to a discussion on 'Biodiversity.' Our engagement in the Sustainable Investment Festival in 2022 follows our successful participation in the inaugural event in 2021. We are committed to continuing our involvement in this initiative and participated again in 2023.

## Measure efficiency of our communication

We conduct ad-hoc surveys to review the effectiveness of our client communication. The latest one dates from 2021, when we sought to identify which means of communication were preferred by our institutional clients. We were then able to adapt our communication to the identified best practices. We now offer more targeted communications and systematically add a section of four to five bullet points as an introduction to our Flash Notes and White Papers, which serve as an executive summary. For ease of reading, we have condensed the Flash Notes as well as streamlined the standard interaction time with institutional clients to ensure that only essential information is conveyed.

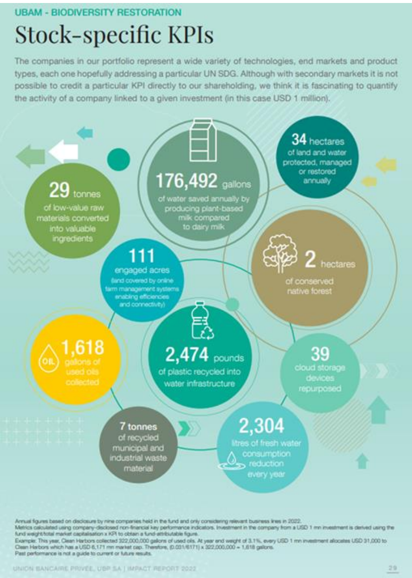
We plan to have a new survey in the coming years.

## Reporting

UBP strives to provide adequate, clear, and transparent information about our products, services, and operations, including with regard to sustainability. We believe that this will help clients and other stakeholders understand the associated risks and opportunities, inform choices, and foster fair competition across the market. Enhanced non-financial disclosure has become a major focus in response to concerns among clients, regulators, and the media about greenwashing.

UBP has developed granular reporting generated on a monthly, quarterly, and annual basis in order to communicate our stewardship and investment activities. For all our fund structures, we provide reporting as required by the relevant regulations. This obligatory reporting is complemented by additional reporting, which is made available to our investors, for example:

- Monthly retail fact sheet (per share class of each fund / sub-fund) that includes portfolio characteristics, performance statistics and other quantitative measures (varying across asset classes). Specific ESG data is included for our impact and sustainable strategies.
- Monthly institutional report (for the main institutional share class of each fund / sub-fund). This contains more extensive quantitative data than the retail factsheet, including risk metrics (such as volatility, tracking error, information ratio), holding breakdowns, for instance per geography, sector, ratings as appropriate for the strategy. Specific ESG data is included for our impact and sustainable strategies.




- Quarterly report with a qualitative focus, including market commentary, performance review, portfolio activity and outlook. Specific ESG information may be included for our impact and sustainable strategies.
- Regular performance attributions / contributions.
- Engagement activity is publicly available here (see also *Principle 9*).
- Voting report and voting record are available here. The latter provides rationales for votes deemed significant, such as votes against our policy, against management, on shareholder proposals, withheld, or abstained (see also *Principle 12*).
- Annual Impact report. This report contains an overview of our Impact team activity over the year, including highlights of the Impact Advisory Board, engagement cases examples and an overview of impact KPIs across our Impact fund range.

For mandates, we can provide customised financial and ESG reporting in line with clients' needs.

UBP also publishes annually a Sustainability and TCFD Report, which sets out the way we are contributing to the shift towards a sustainable economy, and reflects our willingness to consider sustainability not as a stand-alone topic but as an integral part of our day-to-day business and strategy.

# 7. STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

**Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.**

## Overview of response to Principle 7

| | Key Statements |
|---|---|
| **Context** | • At UBP, we are active managers seeking to exploit all the most rewarding sources of return in each asset class or market in which we invest. The investment processes are specific to the individual teams, their asset classes, and their strategies<br>• Our offering is embodied across four investment approaches:<br>  ○ RI Policy Compliance<br>  ○ ESG Integration<br>  ○ Sustainability Focus<br>  ○ Impact Strategies |
| **Activity** | • As part of our Responsible Investment Policy, UBP excludes a list of controversial businesses from our portfolios. Specifically, regarding climate change, all UBP-branded public funds and certificates do not include coal extraction (subject to revenue thresholds), and we impose more rigorous standards for sectors like coal-based electricity generation and unconventional oil and gas in our SFDR Art. 8 and 9 funds<br>• Being a signatory to the UN PRI, we exercise vigilance when it comes to companies that have violated global standards and principles. Consequently, these firms will be placed on a watchlist and engaged with, in the aim of improving their ESG practices<br>• Engagement levels may differ among various investment teams, but it remains a highly valued ESG influence strategy advocated on a global scale. The impact investment team, owing to the unique characteristics of their asset class, prioritizes engagement the most.<br>• Every investment team adopts a distinct ESG integration methodology, tailored to its investment strategy and asset class. Investment teams generally favour conducting their independent ESG assessments, often complemented by services from external providers<br>• We explain how ESG considerations and stewardship is integrated into our investment processes in the following Investment teams:<br>  ○ Swiss and Global Equity<br>  ○ Global Fixed Income |
| **Outcomes** | • We provide a comprehensive presentation of the structure and setup of our four investment approaches, which are established on the foundation of six key practices<br>• Case studies are presented detailing the different ESG integration processes applied by investment teams, the actions taken by the teams while engaging with specific companies, as well as the outcomes of those engagements |

## Integrating stewardship and investment

At UBP, we are active managers. We seek to exploit the most rewarding sources of return in each asset class or market in which we invest. This includes utilizing a pure bottom-up or a bias towards top-down, or even a blend of both for our fixed income and equity portfolios. For our multi-asset portfolios, we rely on strategic and tactical decisions. Meanwhile, our fund of funds approach emphasizes manager selection and asset allocation.

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

Investment processes are specific to the individual teams, their asset classes, and their strategies. For instance, even if two equity teams both employ a bottom-up approach, they might have different objectives. One team may focus on identifying companies that generate a positive impact, while another may look for those with the best ESG practices.

Moreover, as a signatory to UN PRI (see also *Principle 1*), we believe 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. As a result, ESG analysis and considerations, including active ownership, are assessed and incorporated throughout all our investment processes, with different degrees of integration.

Our offering is embodied across four investment approaches, each reflecting an increasing commitment to responsible and sustainable practices. The approaches range from:

- Basic “RI Policy compliance” (application of the standard exclusion list plus proxy voting and systematic engagement in international norms),
- ESG Integration (consideration of ESG criteria alongside financial criteria in the selection process),
- Sustainability Focus (focusing on selecting companies with best ESG practices)
- Impact strategies (seeking to invest only in companies that contribute positively to the environment and/or society).

As described in the chart below, all these approaches integrate one or more of the six practices, with different levels of intensiveness.


| Approach | RI POLICY COMPLIANCE | ESG INTEGRATION | SUSTAINABILITY FOCUS | IMPACT |
|---|---|---|---|---|
| | UBP's minimum ESG requirements[1] | Inclusion of ESG criteria in investment analysis and investment decisions | Strong focus on ESG integration, positive screening or sustainable themes, including climate | Investment in companies with positive, measurable social and/or environmental impact |
| **Range of products by asset class** | | | | |
| Listed Equity | ✓ | ✓ | ✓ | ✓ |
| Corporate FI | ✓ | ✓ | ✓ | ✓ |
| Convertible Bonds | ✓ | ✓ | ✓ | |
| Sovereign FI | ✓ | ✓ | ✓ | |
| Fund of funds | ✓ | ✓ | ✓ | |
| Alt. Investments | ✓ | ✓ | | |

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.

## Description of the practices

UBP’s responsible investment practices ensure that climate risks, and more broadly ESG risks, are included in the analysis of the companies in which we invest:

**Negative screening:**

We have a list of controversial businesses that we exclude from our portfolios. In the context of climate change, all our UBP-branded public funds and certificates exclude coal extraction (revenue thresholds apply), and we apply stricter criteria to sectors such as coal-powered electricity generation and unconventional oil and gas for our SFDR Art. 8 and 9 funds.

- **Exclusion List:**

In alignment with our core values and our commitment to global conventions, UBP maintains an Exclusion List that applies to various business lines, including our public funds, wealth management discretionary mandates, advisory services, and UBP's own treasury portfolio. Additionally, this list may be applicable to dedicated funds and mandates, subject to client agreement.

Specifically, UBP endorses the Convention on Anti-Personnel Mines (1997) and the Convention on Cluster Munitions (2008), refraining from providing financing to companies involved in the production of such controversial weapons. Likewise, in support of the Paris Agreement's objective to limit global warming to well below 2°C above pre-industrial levels, UBP has established criteria for excluding coal-related investments. Furthermore, recognizing the significant health risks associated with tobacco, as outlined by the World Health Organization, UBP does not endorse the tobacco industry.

To ensure compliance, the Exclusion List is integrated into UBP Asset Management's portfolio management systems and communicated to UBP Wealth Management teams. A second layer of oversight includes post-trade checks conducted by our Risk Management team and external Fund Administrators.

As indicated in the table below, the minimum set of exclusions varies depending on the sustainability profile of the product, with more stringent criteria and a broader range of exclusions applied to funds with an environmental or social emphasis, specifically Art. 8 and Art. 9 as per SFDR.

These minimum criteria establish the baseline level of exposure that UBP is willing to have to certain sectors/activities considered controversial and/or harmful. Additional exclusions or stricter thresholds may be applied in accordance with the investment policy of each financial product. Finally, for other potentially controversial sectors/activities, UBP relies on ESG analysis, engagement, and active ownership to effectively improve poor ESG practices.

| Sectors | Minimum exclusions | Funds that promote E/S charac. (Art. 8 SFDR) | Sustainable & Impact funds (incl. Art. 9 SFDR) |
|---|---|---|---|
| **Controversial weapons**[2] | 0% | 0% | 0% |
| **Nuclear weapons** | 5% | 0% | 0% |
| **Other weapons**[3] | - | 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 gas**[4] | - | 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 |

In certain cases, for Article 8 and Article 9 dedicated funds and mandates, UBP and institutional clients may agree to different exclusion lists/criteria, subject to specific minimum standards defined by UBP.

[2] See definition above.
[3] Other weapons include conventional weapons and support systems.
[4] 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.

- **Watch List:**

UBP aims to take proactive steps when research indicates that companies have violated international norms, which could pose a potential threat to their long-term forecasts.

The Watch List comprises companies that have been flagged by MSCI's ESG Research LLC due to their involvement in very severe controversies, including non-compliance with international norms and principles such as the UN Global Compact (UN GC), the OECD Guidelines for Multinational Enterprises, or International Labour Organization (ILO) conventions. Additionally, companies found to be in breach of the UN GC and the OECD Guidelines for Multinational Enterprises, as assessed by Sustainalytics, are also included in the Watch List.

The Watch List is not an exclusion list per se. Investment teams are required to justify the inclusion of these issuers in their portfolios and, if possible, demonstrate their engagement with the company to enhance its ESG practices. Also, UBP has partnered with Sustainalytics to systematically engage with companies it identifies as in breach of international norms, on our behalf.

Importantly, in our Art. 8 and 9 funds, issuers in violation of the UN GC are automatically excluded, as indicated in the section “exclusion list” above.

### Active Ownership (Engagement & Proxy Voting):

Investment teams are encouraged to engage, directly or collaboratively (e.g., via CDP: see our 2022 Sustainability Report), with company management on relevant matters such as the climate. This is based on the conviction that divesting from controversial companies is sometimes not the best way of bringing about change within those companies.

The level of engagement differs across asset classes and is the most important for our Impact strategies, where it is a key component of the investment process. For our Impact strategies, all companies are engaged systematically at least once a year using our Impact Engagement Framework (IEF). This is used first to better understand companies’ sustainability practices as well as to define engagement priorities (see *Principle 9* for more information).

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 has adopted voting principles aimed at promoting business practices mindful of environmental, social and corporate governance issues, in line with the UN PRI Principle 2 “We will be active owners and incorporate ESG issues into our ownership policies and practices” (see *Principle 12*).

### ESG Integration:

UBP’s investment teams are encouraged to assess ESG issues, including climate considerations, as part of their research and stock selection processes.

On a day-to-day basis, each investment team follows its own ESG integration approach as deemed most appropriate to the strategies it manages, undertaking its own ESG research, complemented by third-party ESG data. The investment teams work within a common framework as laid out in the RI Policy and are overseen by the RICO (see *Principle 2*) and UBP’s Group Risk Management division.

However, for UBP funds to be classified as SFDR Article 8 or 9, the process and disclosures must be reviewed and approved by the Product Platform Committee (PPC), of which the Head of Responsible Investment for Asset Management is a member.

### Example of ESG Integration Process #1: Global Fixed Income

UBP’s *Global and Absolute Return Fixed Income* team’s traditional credit risk assessment is complemented by ESG considerations, which combine screening, ESG integration and thematic approaches.

In 2021, the team strengthened its approach with the creation of its own ESG Committee and the adoption of a systematic approach to ESG integration that is independent and forward looking. It incorporates the Sustainability Accounting Standards Board’s (SASB) framework into internal research with a separation between the credit analysis and ESG analysis feeding into a scoring matrix:

**Scoring matrix and breakdown of our name coverage**

| ESG View | Credit View: Improving | Stable | Deteriorating |
|---|---|---|---|
| Strong | Overweight 16% | Overweight 19% | Underweight 2% |
| Average | Overweight 15% | Neutral 38% | Underweight 4% |
| Weak | Neutral 2% | Underweight 2% | Underweight 1% |

- Example: 16% of the names we cover have a "Strong" ESG View and an "Improving" Credit View. Those names have an "Overweight" Bottom-up score

### Case Study #1: ESG Integration – Fixed Income

**Region:** Europe
**Industry:** Consumer Staples
**Asset Class**: Fixed Income
**Theme**: ESG Integration

**Background**
The company is a leading producer and distributor of hot and cold beverages with a portfolio of more than 125 brands. Our objective was to conduct a detailed ESG analysis to determine the ESG view which is then integrated with our credit view for the overall investment view of the Fixed Income team.

**Action**
The analysis focused on the material factors for the Beverage Sector which are:

- Energy management – the company is committed to 100% renewable sources of its electricity by 2025 and reduced emissions by increasing its purchase of electricity in 2022 from renewable sources to 74% from 62% the previous year
- Water management – the company has a 2025 target to improve water use efficiency by 20% with 7% achieved so far. They have a 2030 goal to partner with the highest water-risk operating communities to replenish 100% of water used in their beverages in those communities with 85% achieved. They aspire to achieve Net Positive Water Impact by 2050
- Customer welfare – the company has set a goal that 60% of beverages by 2025 will provide a serving of fruit or vegetables (with no added sugar) or 40 calories or less per serving
- Packaging Lifecycle Management – As part of their commitment to sustainable packaging the company has already over 90% of packaging which is recycled, reusable and/or compostable with a higher recovery than peers
- Supply chain management -in line with peers, the company uses third-party certification and verification programs that include audits and corrective action processes for both major and minor nonconformities.
- Materials Sourcing – it maintained 100% responsibly sourced coffee and cocoa and is the largest buyer of Fair-Trade Certified coffee in the world
- Selling practices – in line with the robust responsible labelling and advertising policies the company had 0% advertising impressions on children and 0 non-compliance issues in recent times
- Governance - the company scores in the average range of peers with detailed policies on business ethics and corruption and has not been involved in any major controversies

**Outcome**
The resulting view comparing this company holistically versus peers was this was a Strong ESG company. As a result of this combined with the fundamental credit view of Stable, the overall view for this company was Overweight. This company also outperformed weaker ESG beverage companies over the year.

### Example of ESG Integration Process #2: Swiss & Global Equities

UBP's *Swiss & Global Equities* team integrate ESG in their investment process and their fundamental stock selection as ESG considerations are drivers of risks associated with an investment and for maintaining high and stable Cash Flow Returns on Investments (CFROI). ESG related information (quantitative and qualitative) is inputted into the proprietary Discounted Cash Flow models of all companies.

| Monitoring the Investment Universe | Quantitative screen: Historical view | Qualitative analysis: Forward-looking view | Portfolio construction |
|---|---|---|---|
| - Market cap filter: USD 10 billion minimum, strict **ESG exclusions: CCC and B rated issuers, Norms-based screening**<br>- Accessible markets with few operational restrictions | History of value creation<br><br>CFROI® > Cost of Capital<br><br>Consistently high CFROI® | - Ability to maintain high CFROI®<br>- Growth opportunities<br>**- ESG analysis, incl. climate risk management**<br>- Management strategy and quality | - Country diversification<br>- Sector diversification<br>- Management of tracking error<br>- Risk management incl. **carbon footprint monitoring** |
| **~1,700 stocks** | **Short Universe 200 – 300 stocks** | **Candidates 40 – 60 stocks** | **30 stocks** |

### Case Study #2: ESG Integration – Swiss & Global Equities

**Region:** North America
**Industry:** Health Care Equipment & Supplies
**Asset Class**: Listed Equities
**Theme**: ESG Integration

**Background:**
The company is engaged in the discovery, development, manufacture, and sale of a diversified line of health care products. The Company operates through four segments: Established Pharmaceutical Products, Diagnostic Products, Nutritional Products, and Medical Devices.

In 2022, the company faced significant risk due to controversies regarding marketing & advertising as well as product safety & quality that remained unresolved. As an example, one of its baby milk factories in the US was temporarily closed due to safety issues in its baby milk formula, which allegedly caused the deaths of children in the US. The company was also at risk of being exposed to a slowdown in demand for COVID-testing as this ceases to be reimbursable in some countries and as societies prepare to live with COVID as opposed to preventing its spread. Further to those claims, they have also lost the WIC (US FDA program to support women, infants, children) contracts in the US and it was expected that if they were to regain these, it is unlikely that private purchasers will rapidly revert to the company's offering given the recent controversies.

**Action:**

At the time of the infant nutrition issues that started beginning of 2022, the investment team identified the following risks to the company's CFROI®:

1. Immediate loss of revenue on the short-term (production stop) and long-term (loss of customers)

2. Higher capex for new production sites and upgrade of existing (later in 2022 the company announced 500m spend on a new factory)

3. Higher costs for air-shipping from other facilities and from purchasing competitor's products and providing it to the US government program for free (from the company at the time: "Working with USDA and state agencies to provide authorization for parents who get formula from the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) with other similar products at no cost, including for other manufacturers' products"

4. Legal costs for the cases of deceased or sick infants after consumption of the company's formula

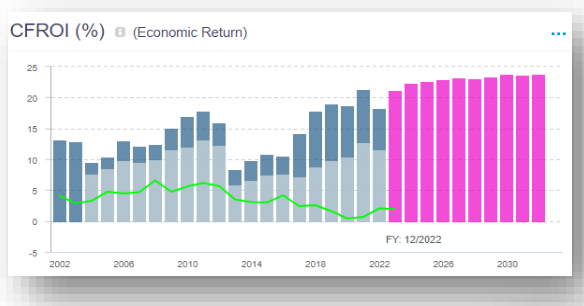
Quantifiable impacts were integrated directly into the CFROI® forecast for the company:

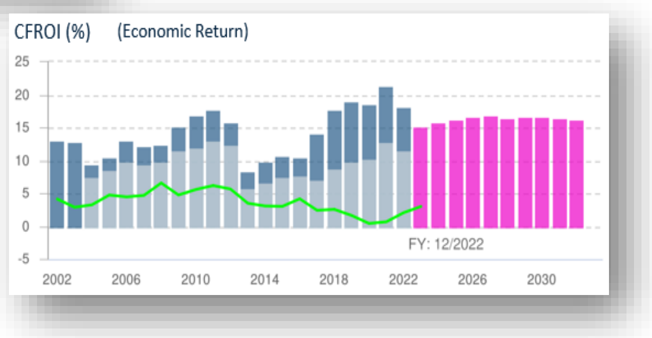
1. USD 1bn sales loss for the Nutrition department annually (in 2021, sales in Nutrition were at 8bn)
2. USD 500mn additional capex in 2022 (for a total of USD 1.8bn in FY 2022)
3. USD 1bn cost increase annually (in 2021, operating profit in Nutrition were at USD 1.7bn)

These combined considerations reduce the CFROI® by ca -1%, from a base level (ex-COVID) of ca. 16%.

4. Namely, as legal costs of settlements could be between zero and several bn USD, compared to ca. 7bn ex-COVID group net profit. So far, there have been no approved settlements or jury verdicts and litigation is in the early stages. The negative impact on the CFROI® would be -2% (for the year of the settlement only).

Additional impact on valuation came from applying a higher risk premium, raising the discount rate and leading to a lower price target (ca 5% effect for a 50bps higher risk premium). The graph below (CFROI®. Source: Credit Suisse, Holt) presents the abovementioned adjustments made by the team by adjusting downward future revenues and margin.




Source : UBP, Credit Suisse Holt.

### Outcome

As a result of this significant change in CFROI®, the team decided to exit its position in the company in 2022.

### Example of ESG Integration Process #3: Convertible Bonds

The ESG analysis of UBP's *Convertible Bonds* team is based on the assessment of four pillars: climate risk, environmental strategy, social capital, and governance. For each of these four pillars, companies are analysed on issues that matter the most with respect to their own business, as we believe this allows greater and more efficient understanding of the key sustainability issues a sector, or a company, is facing.

Each Pillar may be covered differently depending on the sector:

| Pillars | Implementation | Example of criteria |
|---|---|---|
| Climate | The criteria apply to all companies, independent of their sectors | GHG emissions<br>Regulatory risk<br>Quality of climate disclosures |
| Environment | The criteria are sector-dependent | Use of natural resources<br>Pollution (air, water, soils)<br>Policies and Governance |
| Social | The criteria are sector-dependent | Management of human capital<br>Working conditions<br>Supply Chain management |
| Governance | The criteria apply to all companies, independent of their sectors | Ownership structure<br>Board independence/diversity<br>Remuneration policy |

This analysis results in a scoring, where each pillar has equal weight. Each company's ESG score is reviewed at least once a year.

This extra-financial analysis is then integrated with the financial analysis of the company done independently. The initial weight of a company in the portfolio will then be dependent on its extra-financial and financial scores.

### Case Study #3: ESG Integration – Convertible Bonds

**Region:** Europe
**Industry:** Semiconductors
**Asset Class**: Convertible Bonds
**Theme**: ESG Integration

**Background**
The company is a Netherlands-based company that manufactures and distributes semiconductor assembly equipment for the semiconductor, electronics, mobile internet, computer, automotive, industrial, and solar energy markets. The firm's products are broadly organized in three lines: die attach systems, packaging products, which include molding, trim and form, and singulation systems, and plating systems, primarily for the electronics market. The firm has operations in the Netherlands, Austria, Switzerland, Malaysia, and China.

**ESG scoring:**
In 2022, the team's analyst reviewed the company's practices and sustainability commitment, along the four pillars.

| **Pillars** | **2022** | **Comment** |
|---|---|---|
| **Climate** | 3.5/5 | Carbon intensity in line with peers. The company is committed to reduce scope 1+2 by 60% and scope 3 by 25% by 2030. Disclosure in line with GHG protocol. Little impact expected from regulation |
| **Environment** | 2.5/5 | Strengthened environmental strategy esp. with regards to electricity sourcing and usage, but limited efforts to grow the share of clean technology. Water targets exist for ST and MT, but lacking ambition. Governance of environmental issues at Board level is positive. |
| **Social** | 3.5/5 | Operations have ISO certification ensuring high level of quality and safety of the production process. Human capital management is positive in terms of employee satisfaction, and some efforts are made to encourage diversity. |
| **Governance** | 3.5/5 | Strong board structure; accounting and financial reporting practices overseen by solid accounting governance. But votes against remuneration policy are increasing. |

**Outcome**
The overall score was raised to 13.5 from 12.5 in 2021 and 11 previously. The continued improvement in the company's ESG practices comforted the team to keep its position unchanged (after having been gradually increased earlier in the year following the previous upgrade).

**Impact strategies:**

Our impact range aims to help finance the SDGs by investing in companies that have a measurable positive impact on society and/or the environment.

We believe that companies which help to solve acute societal and environmental challenges are uniquely exposed to a clear growth path over the coming decades.

Our impact strategies use a thematic approach developed in collaboration with the Cambridge Institute for Sustainability Leadership (CISL) by distilling the first 15 SDGs into 6 investment themes:

- 3 societal: Basic Needs, Health & Well-being, Inclusive & Fair Economies
- 3 environmental: Healthy Ecosystems, Climate Stability, Sustainable Communities

SDG 16 – Peace, Justice and Strong Institutions is addressed through an annual donation to a cluster of charities which aim to address such aspects.

The intensity of impact is measured through the team’s proprietary “IMAP” scoring system: each company is reviewed against four measures: Intentionality – Materiality – Additionality – Potential.

# Additional Case Studies

## CASE STUDY #4

Industry: Pharmaceutical - Region: North America - Asset Class: Fixed Income - Theme: ESG disclosure and product involvement

### Background

We engaged with a large pharmaceutical company to further understand the following issues
1) Involvement with Opioids and the marketing of these products
2) Alleged Price Fixing
3) Disclosure of Product Recalls

### Approach chosen

To allow for an open and collaborative discussion, a meeting with the company was arranged as they were attending an Issuer & Investor Bond Forum.

### Objectives of engagement

The objectives of the engagement were to better understand the materiality of the issues which the company is alleged to be involved in, to discuss with the company what measures are in place to make sure such issues do not reoccur and to improve future disclosures.

### Action

We met with the company on 22nd of June 2022 at a Broker organised meeting.
We engaged with the company to discuss three topics:
1) Opioids: The company has minor involvement in Opioids (1.1% of total sales). The company explained that they had different approaches to marketing (i.e., do not promote) than other pharmaceutical companies who are involved with the global settlements and do not see this issue as a material overhang. Furthermore, the company is taking a role in finding pharmaceutical solutions to combat opioid addiction, misuse, and abuse. In 2019, the company launched a product for the treatment of opioid dependence.
2) Price fixing – As the case has been ongoing for 6 years, the company refused to comment on specifics. It denied any wrongdoing and does not see this as a material risk. Measures have been taken by management to ensure that staff receive rigorous training, especially those dealing with third parties in compliance.
3) Product Recall: We raised our concerns that product recall numbers are not disclosed by the company, and they took the feedback on board and will liaise with their ESG team. We made it clear that it makes it difficult to analyse their ESG strengths and weaknesses without this data especially when their main peer does disclose this information.

### Outcome

The engagement with the company gave us comfort to invest in the company going forward for the following reasons. Firstly, the company was open and responsive to our engagement and future dialogue and understood the concerns that we had. On Opioids, the disclosure the company gave on its minor involvement, that they do not promote legacy opioid drugs and are working on alternatives differentiate it from peers. Finally, while final settlement of the price fixing case is still pending, it appears that the business has put in place the necessary measures to avoid such issues in the future. We will continue to engage with the company and review their next sustainability report to assess the company's suitability.

## CASE STUDY #5

Industry: Energy - Region: Latin America- Asset Class: Fixed Income - Theme: Corporate behaviour & biodiversity

### Background

The company comes from a polluting sector. While completing the EMFI ESG assessment questionnaire, various ESG/sustainability related reports published by the company were reviewed. Following the review some open questions remained and we decided to reach out to the company directly to get some more information and assess how those topics were likely to evolve in the future.

### Objectives of engagement

The company announced its GHG emissions reduction strategy, in 2021, covering short, medium and long- targets with an objective to be net-zero emissions (scope 1 and 2) by 2050. It also confirmed that it would report on progress in line with international standards. Hence, in 2022, we decided to focus our engagement on the topics of "corporate behaviour" and "biodiversity", where we found the company's processes and practices were still lacking compared to their industry and rating peers.

### Action

04.01.2022 Email sent including the ESG Questionnaire

22.03.2022 Response to questionnaire by the company (IR)

10.06.2022 Engagement Factsheet sent by UBP

We reached out to the company in January 2022, sending them our ESG questionnaire including questions of all three ESG pillars. The company replied to all our questions, which helped to get a better picture about their current ESG processes and their targets. Their response was quite extensive which helped us to complete our view of their ESG processes.

However, some areas were not on the level and direction we expect the company to be. This included fairly weak policies and programs to address business ethics as well as limited to no evidence of rehabilitation or restoration programs in biodiversity areas. We informed the company of our findings by using our ESG engagement factsheet which sums up our ESG research and starts an engagement process with the company by pointing out the topics we want to see improvements regarding ESG.

### Approach chosen

Email engagement was chosen as it provides an efficient way for the company to save and distribute our ESG engagement within the firm and reply in a detailed manner.

### Outcome

Thanks to our ESG process (questionnaire, engagement) we were able to improve our understanding of the company's ESG processes and weaknesses but also confirm that the company's practices still compared fairly vs peers in Emerging Markets.

We kept our position. Since then, improvements on biodiversity and corporate behaviour have been limited, however. Hence, we will continue to engage with the company to further improve their approach to those ESG topics. The annual ESG review has been updated in 2023 and an email has been sent to the company accordingly.

# 8. MONITORING MANAGERS AND SERVICE PROVIDERS

**Principle 8: Signatories monitor and hold to account managers and/or service providers.**

## Overview of response to Principle 8

| | Key Statements |
|---|---|
| **Context** | • UBP works with a broad range of service providers and the process for selecting suppliers is based on due diligence that covers different areas including financial and security assessment.<br>• UBP's Responsible Investment teams lead the selection process of ESG-related providers and are closely involved in the integration of the data into our IT system, and in the training of other teams in the use of these data sets |
| **Activity** | • When establishing collaborations with service providers, we ensure that the policies and procedures of each service provider are in accordance with our specified criteria. We also define and identify the service providers that we have partnerships with<br>• Overall, our service providers enable us to have more access to data, ensure consistency, and enable us to lead effective engagements |
| **Outcomes** | • Although we are content with the data delivery from our service providers, it is important to acknowledge that certain methodologies may be novel due to the recent introduction of regulations. To uphold the accuracy and dependability of the information, we have initiated discussions with some of our data providers concerning PAI and Taxonomy data throughout the year<br>• Case studies are presented reflecting our engagement activity and objectives in correcting data mismatch between the company's reported data and the service provider's assessment |

## General

UBP works with a broad range of service providers, covering, for instance:

- Custodians, administrators, auditors, and consultants
- Portfolio management systems, trading, and middle-office tools
- IT and security architecture
- Research providers
- Proxy voting and engagement service providers

In all cases, UBP has policies for procurement and supplier management in place, such as a Supplier Code of Conduct (see below). The process for selecting suppliers is based on due diligence that covers different areas such as financial and security assessment. It clearly defines roles and responsibilities for review and management oversight over supplier and outsourcing relationships. UBP's Responsible Investment teams lead the selection process of ESG-related providers and are closely involved in the integration of the data into our IT system, and in the training of other teams in the use of these data sets.

In general, to ensure the services we seek will be delivered to meet our needs, the procurement process can be simplified as follows:

- The request is initiated by one of our business units
- The business unit suggests providers, and the procurement team examines potential synergies with providers we have already partnered with, or other providers the business unit may not have proposed
- Bilateral meetings are held with all providers and a testing phase is initiated
- The business unit challenges the data received and the methodologies, and a shortlist of providers is established

- The procurement team negotiates all aspects of the offer with the shortlisted providers, such as the price, coverage, data security and storage and frequency of deliveries
- An ad hoc project committee, created specifically for the request and composed of members from management, business, IT and procurement, makes the final decision on the basis of scorecards completed by its members.

## Service providers

When partnering with service providers to facilitate our responsible investment and stewardship practices, UBP ensures that each service provider's policies and processes are aligned with our requirements.

UBP has recourse to the following external service providers to facilitate UBP's Responsible Investment process, among others:

- **MSCI ESG Research LLC**: One of the leading ESG research providers in the industry. Their research is not limited to ESG ratings, but also includes business involvement screening, controversy screening and sustainable impact metrics. The web-based tool includes reporting modules.
- **Sustainalytics:** A leading ESG and global engagement service provider. We use them to assess alignment to the EU Taxonomy, Principal Adverse Impacts and systematic engagement with companies in breach of international norms.
- **Institutional Shareholder Services (ISS):** An industry-leading, third-party voting service and ESG data provider. We use ISS for their research/data on climate as well as for proxy voting.
- **RepRisk AG:** Specialises in ESG and business-conduct risk research via quantitative solutions which are deployed to provide risk assurance (business involvement) and flag potential controversies. RepRisk's model identifies increasing 'noise' levels around corporate ESG issues and so can provide an early indicator of meaningful controversies, which can be integrated into financial analysis and ongoing impact assessment to form thorough maintenance research of portfolio holdings.

### MAANCH:

In 2021, UBP developed with MAANCH an internet-based Engagement Tracker. The Engagement Tracker, part of MAANCH's M-Invest solution, enables asset managers and investors to automate data capture, analysis, and reporting of all engagements with their portfolio companies. The tool was rolled out to investment teams in late 2021 and should help enhance our engagement reporting process going forward.

### ESG Data and Research providers

As a responsible fund manager, monitoring the quality of data and the methodologies employed by our ESG (Environmental, Social, and Governance) data providers is of paramount importance. Ensuring data quality is vital because our investment decisions hinge upon this information and accurate and robust data may drive both our financial returns and the realization of positive societal impacts. We thus review the data provided by our ESG data providers, which includes spot checks, regularly reviewing and understanding their methodologies, and cross-referencing with other sources. When discrepancies arise, our actions range from collaborative dialogues to, if necessary, reconsidering our relationship with the provider.

Our responsible investment approach is underpinned by access to quality data. While in recent years there has been a great deal of noise about inconsistencies between different ESG ratings, we nevertheless see ESG data providers as essential. UBP currently uses an array of data providers across our various teams.

However, our view is that ESG data from third-party providers is a way to support our own research rather than a substitute for it. We therefore monitor the quality of the sustainability and ESG information received from providers.

As active managers, research is paramount to executing our investment edge. Our investment teams have access to various sources to collect information from the companies they are analysing (including companies' due diligence reports, management meeting minutes, annual and sustainability reports), brokers, rating agencies and data vendors, supplemented by the information provided by our third-party specialist ESG research providers.

This approach offers the advantage of enabling our investment teams to cross-check information from multiple sources for consistency. Any discrepancy leads to further research and engagement, either with the company itself, or with the data vendors.

We regularly review the service provided by ESG data providers and engage with them when needed to address potential issues, better understand the methodologies used or increase data coverage. This is under the joint responsibility of the Responsible Investment (RI) team and the Market data team. The monitoring governance process of data providers as well as its governance itself is described as follows:

1. The RI team defines the objective of data analysis and availability by specifying the types of data needed, quality standards, and compliance requirements.
2. The assessment of a need for specific data is defined by the business:
   - The RI team will consider and assess the service of different providers with special focus on methodologies, coverage, ease of use, access to analysts.
   - The Market data team will have greater focus on connectivity, licencing rights, data governance and cost.
3. The assessment of the indicators would include a comparison between KPIs that we use internally to opt for the service provider that is most suitable for our needs. Generally, we would look at the following:
   - Coverage: such as the percentage of data sets that are covered by the provider
   - Alignment with regulation requirements
   - Methodology: as methodologies can differ from company to company, we evaluate the methodology based on the most reliable, accurate, and consistent with our specific data analysis needs and objectives.
   - Availability of reporting tools at portfolio level
   - Connectivity with UBP IT systems: whether the providers' platforms are already or can be easily integrated into our own IT systems since the simpler the integration process, the lower the associated costs as well as increased efficiency, as both the downtime and disruption to our existing operations can be decreased.
   - Yearly costs as well as the number of licences: choosing a provider at a cost that is reasonable with the quality of service provided is crucial for effective financial management and decision-making.

In addition to the above general requirements, additional criteria are assessed depending on the nature and type of the analysis and data needed. When choosing a data provider with a focus on taxonomy, for example, we looked at each provider's coverage of the taxonomy data scope that we would like to assess such as:

- Taxonomy data scope:
  - Revenue Eligibility
  - Revenue Alignment
  - Revenue Breakdown (green/enabling/transition)
  - Capex/Opex breakdown
  - Report at portfolio level
- Taxonomy approach: Compliance with EU regulation
- Cost breakdown and whether PAIs are included

4. Our on-going monitoring is primarily triggered by the feedback of users (PMs, analysts, reporting or the RI team itself) on KPIs such as quality and up-to-datedness of data, availability of analysts, or reactivity of the provider to queries. Our communication channel would usually be emails, with the potential of having virtual meetings if needed. As part of our escalation process, if an issue regarding the mentioned KPIs was not solved at the level of the user, the issue would be escalated to the RI team and/or the Market Data team. In the extreme case where it cannot be resolved in a timely manner due to a complete lack of responsiveness from the data provider, the decision may be to terminate the contract.
5. From a risk and compliance standpoint, UBP monitors, on an ongoing basis, the performance of the service providers on a risk-based approach via KPIs, SLAs and the feedback and comments sent by UBP users to the data management team.
   Building the capability to analyse sustainability data inhouse, as well as a sustainability information and research system, will be a major focus in the coming years. This is in line with "Data Management" being identified by stakeholders as a material topic in our materiality assessment. As described in *Principle 5*, we selected in 2022 a new unified ESG data management system that will be rolled out in 2023. This tool will

help us in cross-checking data inconsistencies relative to historic or industry averages. The total number of these inconsistencies will be monitored regularly for each provider.

The following example illustrates a scenario in which UBP teams identified deficiencies in the accuracy of our data provider's information and the subsequent results that emerged from a series of interactions and engagements.

**Principal Adverse Impacts and EU taxonomy data - timely response but improvement to data needed**

In 2022, we turned our focus to data and methodologies regarding PAI (Principal Adverse Impacts) and EU taxonomy. Recognizing the novelty of these datasets, we understood that perfection from the outset might be elusive. However, maintaining a balance between understanding and rigor was essential. Therefore, we paid particular attention and had multiple exchanges with our data provider throughout the year to ensure accuracy and reliability.

Indeed, some reports contained inaccuracies or lacked essential details, prompting us to engage directly with them. These issues encompassed disparities such as variations in definitions or calculation methodologies for specific indicators, deviating from those stipulated in the SFDR regulation, as well as challenges related to the mapping of specific sovereign debt instruments. We emphasized the need for corrective actions, additional information in case of issues, and proactive client communication to prevent the publication of erroneous data.

Outcome: Encouragingly, over the year, we noticed a marked improvement in their service and data quality with more proactive engagement from their end.

## Case Studies

Case study #6 illustrates an example where we interacted with a data provider due to a discrepancy in reported emissions data by the company and by the data provider. We value the responsiveness of our data providers and the open dialogues we can have with them on instances such as the one highlighted below.

### CASE STUDY #6

Industry: Electronic Equipment, Instruments & Components - Region: Europe - Asset Class: Listed Equities - Theme: Carbon emissions

#### Background

The company is a Swiss holding company which focuses on IT, consumer electronics (CE), and telecommunication products. The company cooperates with hardware and software manufacturers and provides additional services in value-added sectors, such as high-end servers, storage, security, and networks. As an outsourcing partner for other companies, it supplies customized logistics services for the IT, consumer electronics and telecommunications sectors. It is active in approximately 20 European countries.

Being a small and mid-cap company, coverage by ESG data provider is not necessarily optimal. Despite having published a sustainability report, in which it reported on its scope 1, 2 and 3 emissions, these were not captured by our ESG data provider, which used modelled emission. Moreover, we identified that the company was not classified using the correct business activity.

#### Objectives of engagement

The objective of the engagement activity has been to correct the data mismatch between the company's reported emissions and to get it reclassified by ISS climate to adjust the climate scenario analysis according to the right industry.

#### Action

The investment team has been engaging with ISS climate directly, discussing why emissions reported by the company were not recognized by ISS, its business activity classification, the company disclosure on their emission reduction targets.

#### Approach chosen

Engagement was conducted through email exchanges with ISS climate.

#### Outcome

Following our engagement, the company's business activity was amended and, resulting in a significant reduction of their modelled emissions. It however continues to use modelled emissions rather than the ones disclosed by the company directly. Regarding emission reduction target, ISS did not change its assessment in 2022 as targets remained qualitative at the company level.

Case study #7 explains an instance on data mismatch between the company's reported EU Taxonomy eligible revenues and the data reported by the data provider.

### CASE STUDY #7

Industry: Electronic Equipment - Region: Europe - Asset Class: Listed Equities - Theme: EU Taxonomy Reporting

#### Background

The company is a French-based company which provides energy-related solutions globally, operating through two segments: Energy Management and Industrial Automation. The company demonstrates a strong focus on growing its clean technology portfolio, which includes offerings in industrial automation, power grid systems, and vehicle electrification. Its business expansion efforts may strengthen its position in capitalizing on low-carbon technology demand. The company leads most global peers on governance practices, notably board composition and business ethics. Electrical system and energy technology providers typically have labor-intensive operations, based on research data. Thus, the company is exposed to risks related to potential workforce unrest, but these are mitigated through industry-leading employee management initiatives.

The company has been an early adopter of transparent sustainability disclosures on sustainable revenues. In 2022 (FY 2021), it reported on its EU Taxonomy eligible activities under the published EU Climate Delegated Acts (DAs). 28% of its revenues can be linked to EU Taxonomy-eligible economic activities (climate change mitigation). Since our Taxonomy data solution provider estimated lower eligible revenues, it was decided to engage with the company and with our data provider to reconcile data.

#### Objectives of engagement

The objective of the engagement activity was to reconcile the data mismatch between the company's reported proportion of EU Taxonomy eligible revenues and the data provider's assessment.

#### Action

The investment team engaged first with the company directly to better understand its roadmap to comply with the regulations via email. It confirmed its compliance with the regulations to disclose eligibility towards the already published Delegated Acts (DAs) in its 2021 Universal Registration Document published at the end of March 2022. It also recognized that a full reporting on eligibility and alignment would not be possible until early 2024, when the remaining DAs have been issued.

In June 2022, the engagement activity was then continued with our data provider via in person meetings and email exchanges, where it was recognized that the discrepancy could be since the data source for Green Safeguards was missing (not published or potentially old) and mentioned an update to their taxonomy reporting in Q4 2022, which could resolve this. This could potentially be resolved in 2023 when companies will have to officially report with more transparency.

In October 2022 the team followed up with the data provider via emails exchanges after the data had still not been corrected. The answer was that they would need to have the exact split of these revenue percentages per Taxonomy aligned activity as they make the conclusions per activity which are then aggregated together.

#### Approach chosen

When possible, in person meeting has been chosen as the preferred engagement approach, for instance, during a visit from our data provider at UBP's premises. In person meeting facilitates direct exchanges and detailed analyses of the case with clearer discussions around the outcomes and challenges.

For follow-ups and information requests, e-mails exchanges have also been used as an efficient engagement approach that is easily documented and traced.

#### Outcome

The company confirmed its compliance with the regulations to disclose eligibility towards the already published DAs in its 2021 Universal Registration Document published at the end of March 2022 and reiterated that a full reporting on eligibility and alignment will be published once the remaining DA are published and in line with regulatory deadlines.

For the 2022 reporting period the data from our data provider has been corrected. The team will continue to monitor the case, especially once additional EU Taxonomy solutions will be reported on.

The engagement case has not led to a change of positioning in the name.

# ENGAGEMENT

## 9. ENGAGEMENT

**Principle 9: Signatories engage with issuers to maintain or enhance the value of assets.**

### Overview of response to Principle 9

| | Key Statements |
|---|---|
| **Context** | • As an involved investor, UBP's core investment approach incorporates engagement, which is facilitated through three distinct channels: Internal, Engagement Partner, and Collaborative<br>• Internal staff engage with companies when such interactions are considered pertinent, stemming from the research conducted by UBP's investment teams. Each of our investment teams operates autonomously, possessing unique processes and styles customized to their respective asset classes and investment objectives |
| **Activity** | • We categorize our interactions into two main groups: formal engagements and dialogues. In 2022, it's estimated that we engaged with over 500 companies on a range of subjects, and the number of dialogues exceeded that figure<br>• Our investment teams have different approaches and different interaction measures for engagement. We highlight some of those approaches such as the Impact Engagement Framework (IEF) established by the Impact team |
| **Outcomes** | • We give an overview of collaborative engagements completed on Climate related topics as part of our Net Zero Asset Manager (NZAM) commitment<br>• For several years, UBP has partnered with Sustainalytics for their top-tier stewardship services, supported by global investors. We emphasize the breakdown of engagements carried out with the assistance of Sustainalytics<br>• We list several case studies of our engagement in 2022 to give more details on the background, our specific actions taken and the outcomes |

Being an active investor, engagement is part of UBP's fundamental approach to the investment process. 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. Engagement is undertaken at UBP via three channels: 1) Direct engagement, 2) through an Engagement Partner and 3) Collaborative, when UBP believes that combining forces with other investors will increase its impact in influencing behaviour or increasing disclosure of such companies (described separately in *Principle 10*).

### Direct Engagement

Internal staff initiate direct engagement when deemed appropriate as part of each investment team's research process. This forms part of their investment and ESG integration process as detailed in *Principle 4 and 7*. Our investment teams act independently from one another with each having a specific process and style tailored to their asset class and investment purposes (see also *Principle 7*). They can decide on which topic to engage in based on their bottom-up analysis which helps identify specific/material company gaps in terms of ESG practices.

As highlighted in *Principle 1* in our sustainability approach, across teams, prioritized topics on which engagement is conducted cover:

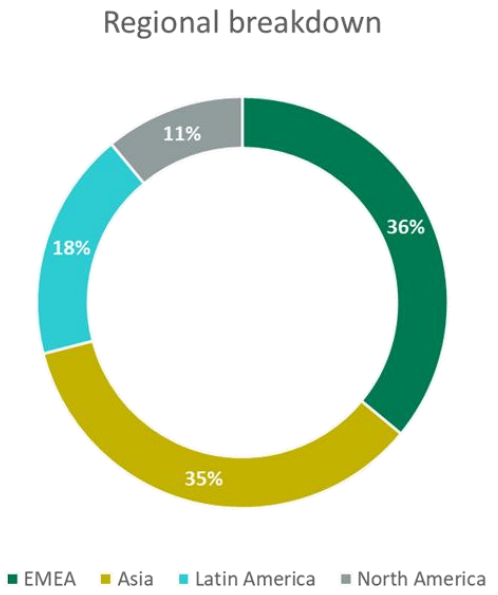
- the need to deepen knowledge of companies' ESG practices
- the promotion of sustainability/climate data disclosure
- the adoption of ambitious climate strategy
- Governance issues

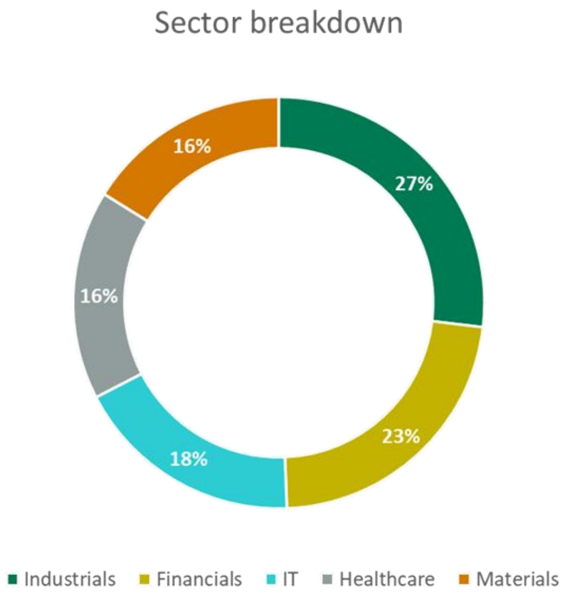
Other issues may be addressed on a case-by-case basis, reflecting material issues identified for a given company. Means of engagement vary but can include the sending of a standard ESG questionnaire or direct calls/meetings with the companies.

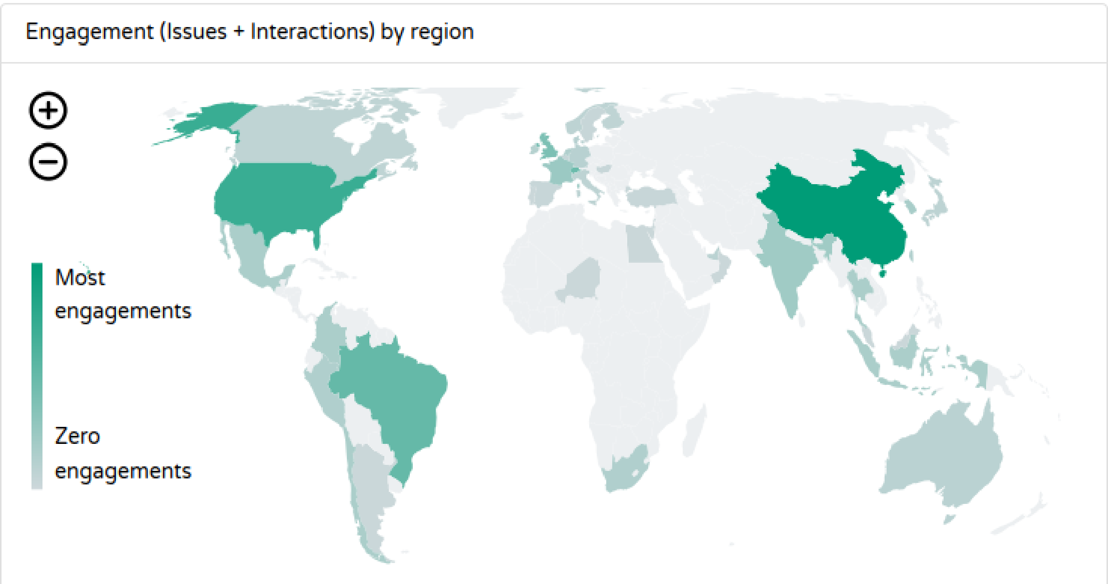
Before engaging, teams deeply analyse the company, looking at its sustainability metrics and strategy, alongside other factors like industry dynamics or potential financial impact. Based on this, they work to find common ground with the companies, setting clear and, when possible, measurable goals in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

In 2022, we recorded 518 engagement actions (371 interactions and 147 issues), with a particular focus on Chinese (14%) and US (10%) companies.

The main topics addressed were environmental (31%, with a focus on climate, biodiversity, and Water), Governance (29% with a focus on remuneration, governance structure and supply chain) and Social (27%, with a focus on training & education and health & safety). In addition, 13% were impact-specific, including the impact engagement framework and guidance.




Source: UBP, Maanch

Different teams may emphasize engagement differently. For instance, while some teams engage as needed, our Impact team always includes engagement in their process.

**Impact Engagement:** Engagement is a key feature of our Impact initiative. Engaging with companies is the most effective way to understand their true "intentionality", encourages deeper and broader measurement and disclosure of non-financial KPIs and helps them progress on their sustainability journey. As a result, engagement is fully embedded in our Impact investment progress and takes several routes: from the systematic, annual, Impact

Investment Framework is detailed below, to targeted engagements when a specific issue has been identified, through to group campaigns with platforms like CDP, FAIIR, and UN PRI, as expanded on in *Principle 10*.

## Impact Engagement Framework

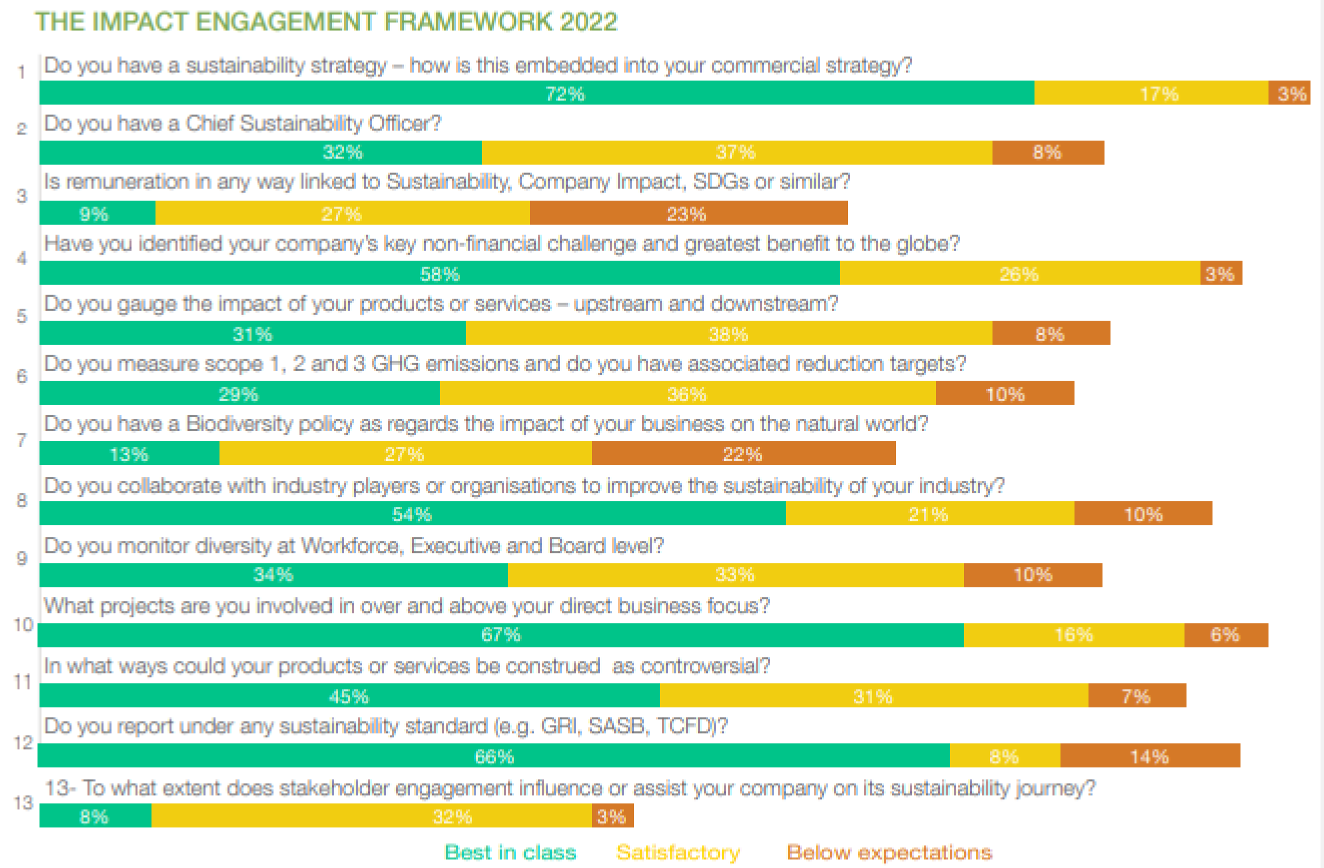
The Impact investment team assesses all the portfolio holdings in line with the IEF ahead of the annual engagement meetings. The pre-filled questionnaire is sent via email to the companies and an engagement call is set up where feasible. Engagement calls give the opportunity to follow-up on certain questions and get more details where needed. During the annual engagement meetings, the full questionnaire is reviewed together with the company and additional inputs are added to the evaluation.

The IEF aids as a great tool to compare companies based on the 13 questions and gives an overview where engagement is needed based on the topics/questions where a lower score is given. These engagement meetings also aid in reviewing and monitoring the improvement of certain activities that have been put on following previous engagements.

**Outcome**

In 2022 the fourth annual cycle of the Impact Engagement Framework (IEF) was completed. Compared to previous years, performances look mixed, with improvements in some areas and lower scores in others. This is due to evolving regulations and to the maturing of the topic of sustainability.

The strongest progress was seen in question 12 on reporting standards, reflecting stricter disclosure requirements and growing adaptation. Despite marginal progress compared to the previous year, incorporation of sustainability KPIs remains the lowest-scoring area and this is priority in engagements as shown in case study 15 in *Principle 12.*




Source: Bloomberg Finance L.P. Figures are trailing 12 months. The figures do not always tally due to common holdings in funds.

Bar height indicative of the overall sample performance with maximum attainable score of 100%. The split of each bar indicates the proportion of Best in Class, Satisfactory, and Below Expectation company responses.

More details and the key highlights are reported in the 2022 UBP Impact Report.

**Climate: a clear stewardship focus across investment teams**

As a signatory of the Net Zero Asset Manager Initiative and in line with our net-zero targets set for UBP Asset Management (Europe) S.A., climate is one of the priority engagement topics. In 2022, we conducted direct engagement on climate with 107 companies across the globe through 142 interactions. This included requests for information through questionnaires, as well as active discussions, which covered different topics such as:

- encouraging selected financial institution companies in the UK and Peru to disclose Scope 3 emissions, including on Category 15 (financial emissions)
- monitoring the deployment of the climate strategy of a US Utilities company
- encouraging a Canadian industrial company to evolve from the use of offsets to absolute reduction targets and eventually SBTi-aligned targets and CDP Climate disclosure
- requesting disclosure of taxonomy eligibility/alignment

In parallel, we voted on 35 environmental-related items last year, of which 26 were climate-related. We voted in favour of most of the E-focused shareholder resolutions (23/27) and of the climate-focused shareholder resolutions (15/18). More details on our voting activities are listed in *Principle 12*.

## Interaction Methods of Engagement

As part of our engagement strategies, we primarily leverage four interaction methods to communicate and engage with companies.

| | |
|---|---|
| **Email** | Email correspondence is one of the main interaction channels for initiating and maintaining dialogues with our investment companies, offering efficiency and ease of documentation. Furthermore, it simplifies overcoming location limitations and language barriers. |
| **In person** | When possible, in-person meeting has been chosen as the preferred engagement approach.<br>In-person meeting facilitates direct exchanges and detailed analyses of the case with clearer discussions around the outcomes and challenges. |
| **Phone / Virtual Meeting** | Phone/virtual meetings bridge the gap between different locations and can offer accessibility in case where in-person meetings are not possible, providing a seamless connection between stakeholders.<br>Communication is enhanced as it requires real-time, two-way communication, where immediate feedback can be provided, and misunderstandings can be reduced. Additionally, human interaction can be instrumental in creating trust and understanding. |
| **Roadshows / Investor Calls** | Roadshows and investor calls serve as a dynamic platform for real-time discussions, enabling us to address concerns and gain valuable insights from the company and other investors. This is often the primary engagement method for engagement with bond issuers. |

## Engagement partner

UBP has teamed up with Sustainalytics, a leading global provider of ESG research which also offers global engagement services, to maximise the influence of its engagement activities. This partnership is essential in facilitating the implementation of our RI Policy and in achieving durable change in the selected companies.

UBP holdings are shared with Sustainalytics on a quarterly basis. Engagement cases are selected based on the results of their ongoing qualitative screening, which can reveal reported breaches of international standards, sanctions issued by regional / national courts against companies or recognition of a company's responsibility in an incident. When an investee company is flagged by their screening process as being non-compliant with the UN Global Compact principles or other international norms, Sustainalytics contacts the company to seek additional information and to discuss potential and adequate corrective actions that would protect and add value to the said investment.

Upon identifying potential violation(s) by invested companies of 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 arranges two conference calls per year with the engaged company – meetings are complemented or substituted by written correspondence and/or in-person meetings. UBP is informed continuously on progress through the Sustainalytics website, as well as through quarterly/annual reports.

As detailed in *Principle 8*, external data providers and engagement partners such as Sustainalytics are regularly reviewed to ensure that their service is in line with our policies and expectations. UBP has used Sustainalytics (formerly GES) as an engagement partner for several years due to their leading position in their stewardship services, backed by global investors. We value their expertise in topics such as human rights, labour rights, environment, climate and business ethics, and their handling of sensitive cases.

### 2022 Sustainalytics engagements on behalf of UBP

In 2022, Sustainalytics engaged on 42 cases with companies held in UBP portfolios linked to breaches of international norms. As of 31.12.2022, there were 36 ongoing engagement cases, and six cases were resolved.

The split of the themes of these cases:

- Environmental: 5%
- Social: 28%
- Governance: 67%

As part of the engagements, 31 milestones with 31 companies were achieved, where a company committed to addressing the issue, developed a strategy to address the issue or was in an advanced stage of implementing the strategy.

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

UBP's Sustainalytics 2022 engagement report is publicly available here.

## Case Studies

See below case studies which highlight some of the engagement means and objectives of our teams.

Case study #8 demonstrates an example, where we interacted directly with an investment company on their CDP disclosure. More details on our collaboration with CDP on the non-disclosure campaign are included in *Principle 10*.

### CASE STUDY #8

Industry: Electronic Equipment, Instruments & Components - Region: Europe - Asset Class: Listed Equities - Theme: GHG emission disclosure – CDP campaign

**Background**

The company is a Swiss-based manufacturer of systems and components for the non-destructive testing, security applications, and plasma excitation in the fabrication of memory chips, flat screens, and solar panels. The company's ESG profile indicates it has kept pace with improvements made by industry peers, especially in labor management and governance. Its workforce management initiatives appear above par relative to those of industry peers. The company also has strong business ethics policies and practices. Further, it leads global peers on corporate governance structure. X-ray based equipment system and component manufacturing is typically associated with high labor intensity, however, the company has low labor management complexities due to its small workforce. The company's board and ownership structures are robust. The board has an independent majority, the company also adopts the majority voting standard and conducts annual elections for appointing directors. Meanwhile, its business ethics framework includes enforcement measures such as audits and whistleblower reporting mechanisms. The company's products are used in industrial processes and inspection. This presents opportunities in the cleantech space. However, the company has some weaknesses in its disclosure practices namely on development strategies to harness cleantech opportunities and more generally regarding its climate change strategy. Moreover, the company did not reply to the Climate Disclosure Project (CDP) disclosure request. This led us to engage with the company collaboratively as lead investor in CDP 2022 Non-Disclosure Campaign.

**Action**

In June 2022, the investment team sent the company a request co-signed by a group of financial institutions who have a specific interest the company via email to encourage them to reply to CDP's questionnaire. The co-signatories believe that precise and complete disclosure of environmental footprint would be very useful to the company, its shareholders, and the wider society.
The company replied positively in July 2022 and disclosed to CDP by the set deadline.

**Approach chosen**

The team approached the company by sending a letter co-signed by 31 investors representing USD 5.9 trillion AUM via email to maximize the influence of its engagement activity.

**Collaborative Engagement**

The company initially received a request for information, administered by CDP, on behalf of over 690 investors globally. After it did not reply, UBP sent the letter to the company which was directly co-signed by 31 investors representing USD 5.9 trillion AUM.

**Objectives of engagement**

The objective of the team's engagement was to encourage the company to reply to CDP's information request and more broadly to disclose more on its climate strategy.

**Outcome**

The engagement case was successfully closed as the company replied to CDP and filled its climate disclosure questionnaire in due time.

Case study #9 is one of the examples on engagement on corporate governance and the importance of it as well as the potential return on improved governance for the companies themselves.

### CASE STUDY #9

Industry: Consumer Discretionary - Region: Asia - Asset Class: Japanese Listed Equities - Theme: Governance Improvement

**Background**

The company is currently listed on the standard section of the Tokyo Stock Exchange (TSE). A Prime segment listing would allow the company to be included in major indices, improving trading volume and liquidity issues. However, for this move, stricter governance regulation applies.

**Approach chosen**

For direct discussions 1-on-1 meeting with company via Web meeting tool were held. In addition, we reviewed its governance update at every AGM.

**Objectives of engagement**

As the company is listed on the standard section of the Tokyo Stock Exchange (TSE), the investment team decided to engage to encourage them to improve their governance in line with Japan Governance Code and explain to them the importance of the Prime section of the TSE (potentially lead to improvements in liquidity).

**Action**

The team first met company in 2021, but their improvement was not enough. The follow-up meeting occurred in August 2022, where the team notably presented the benefits for the company to improve its governance to be listed on the TSE Prime segment.
The discussions included, among other aspects, the need to have at least one female director and to add a separate nomination and compensation committee. It also covered the need to improve ESG disclosures as this becomes industry standards. Finally, the team explained the potential benefits for the company to be on the Prime section, which include the possibility to be included in mainstream stock indices, resulting in increased liquidity and a more diversified investor base, with notably passive funds and institutional investors like pension funds.

**Outcome**

Following the meetings, the investment is maintained, and we will continue to monitor progress.

After some months, ESG disclosures on the company's website improved, but governance issues remained.
As the yen started to weaken early 2023, weighing on the company's performance, we exited our position but look to revisit the case after the company's AGM in the summer of 2023 to see if progress were made on the governance front.

# 10. COLLABORATION

**Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.**

## Overview of response to Principle 10

| | Key Statements |
|---|---|
| **Context** | • Our collaborative engagement can take two forms:<br>○ Our partnership with Sustainalytics to engage with companies that are non-compliant with the UN Global Compact principles or other international norms<br>○ Active participation in numerous global and local initiatives and significant involvement in them |
| **Activity** | • We undertake collaborative engagements through engagement platforms such as:<br>○ UN Principles for Responsible Investment (PRI) platform<br>○ Institutional Investors Group on Climate Change (IIGCC)<br>○ Global Impact Investing Network (GIIN)<br>○ FAIIR<br>○ Cambridge Institute for Sustainability Leadership (CISL) |
| **Outcomes** | • We present case studies that delve into the collaborative engagements conducted in 2022, offering a deeper understanding of the context, the specific steps we took, and the resulting outcomes |

## Systematic engagement on international norms

UBP has partnered with Sustainalytics to engage with companies that are non-compliant with the UN Global Compact principles or other international norms. Such engagement straddles individual and collaborative engagement. Sustainalytics pools investors together in order to increase the effectiveness of their engagement. Below, we provide two case studies of engagement via Sustainalytics.

Please also refer to *Principle 9* for more detail on our partnership with Sustainalytics, and *Principle 8* for more information on how UBP monitors service providers.

Case study #10 highlights one of the engagements conducted via Sustainalytics.

## CASE STUDY #10

**Engagement through Sustainalytics** - Industry: Pharmaceuticals - Region: Middle East - Asset Class: Fixed Income - Theme: Palm oil production

### Background

The company and its subsidiaries have been involved in anti-competitive and corrupt practices in various countries over the last few years. According to a lawsuit filed in May 2019 by 44 US state attorneys general, its wholly owned subsidiary has played a central role in an industry-wide collusion to maintain market share, avoid price erosion and keep prices high for over 100 different generic drugs in the US.

It is suspected that the height of the price-fixing practices was between July 2013 and January 2015. The company has also been subject to the US Department of Justice (DOJ) Antitrust Division's investigation into the issue and was indicted in August 2020. Previously, in May 2015, the company and one of its subsidiaries entered a settlement with the US Federal Trade Commission and agreed to pay USD 1.2 billion to resolve allegations that the companies paid their competitors to hold up generic competition to its narcolepsy therapy, Provigil (so-called pay-for-delay practices).

In January 2018, it settled bribery allegations in Russia, Mexico, and Ukraine with the Israeli regulator for USD 22 million, while in December 2016, it settled with the US DOJ for USD 519 million for violation of the Foreign Corrupt Practices Act (FCPA). Related to the same allegations, the European Commission fined the company and its subsidiary €60.5 million for pay-for-delay practices in November 2020. In August 2020, the company was indicted for three price-fixing conspiracies. The corrupt practices included paying bribes to various officials to increase promotion and sales of the company's drugs since at least 2005.

### Action

Sustainalytics engagement started in August 2019 and has been on-going since. Change objective defined by Sustainalytics: "The company should take appropriate actions by investigating the alleged misconduct internally and cooperate with authorities to address the issue. It should also develop and implement a drug pricing model that ensures equitable access to medicine and implement competition guidelines." In 2022, Sustainalytics had two engagement calls with the company.

In February, the call focused on seeking more details on the system the company has in place for ensuring that a coordinated and effective mechanism exists for delivering company-wide responses to business ethics. Ethics and due diligence policy is the main framework for delivering the training, auditing, and compliance aspects, focused on the compliance team and the office for business integrity. Compliance champions have been created who act as gatekeepers on main decision-making aspects of product delivery. On the issue of the pricing policy and whether any changes had been seen as a response to the issuing of the policy, the company reported that the policy is only to address the view that the company should have a policy and that not having one is material to the ESG rating. The company continued to deny any allegations of price fixing.

Later in the year, the company confirmed that they are advancing well on the delivery of ethical codes of conduct for staff. The company disclosed examples of training material, delivered through a micro site, whereby staff are asked to respond to scenarios against which values are described. Training is mandatory and over 90% of staff have been trained. Executive pay is also linked to the delivery of ethics, although at the meeting it was disclosed that there have been no incidences where compensation has been reduced because of non-ethical behaviour. Through Sustainalytics in addition to an ongoing written correspondence, two calls were held in 2021 to address the company's use of human rights due diligence on exit from and entry to regions and how it approaches network shutdown requests. The aim is that the company implements a robust human rights due diligence framework in line with internationally accepted standards to provide guidance to identify high risk jurisdictions and manage heightened exposure.

### Collaborative Engagement

4/5 Milestones set by Sustainalytics achieved
Performance level: Medium

### Outcome

The engagement process is still on-going, and the company has shown a good response and willingness to discuss the material issues as well as progress with the delivery of ethical codes and training. The next step is to seek a new call with the company in 2023 to understand any challenges to the delivery of the ethical position, as well as commentary on progress against ESG ethically focused indicators. We maintain our exposure to the company.

## Collaborative engagement

As described in *Principle 4*, UBP is a member of several global and local initiatives, in which it aims to take an active role. Examples of our involvements are detailed in several case studies below.

# Case Studies

In December 2022 the first biodiversity workshop was held with corporate participants as well as NGO representatives and academics as detailed in case study #11.

### CASE STUDY #11

Name: **Biodiversity Workshop** - Industry: Food Supply Chain - Region: Global - Asset Class: Listed Equities - Theme: Biodiversity restoration – Food supply chain

#### Background

This collaboration was set up to assist the sustainability objectives of our Biodiversity strategy.
Biodiversity restoration is very difficult to gauge due to the complexities of measuring biodiversity net gain and the lack of corporate focus and disclosure on this topic.

#### Objectives of engagement

Our goal in organizing this series of Biodiversity workshops involving important stakeholders such as NGO's, academics, and corporations is to have a positive impact as investors. This involves fostering discussions among stakeholders and promoting the adoption of strategies that support the protection and restoration of biodiversity.
The success of the workshop is measured by a) attendance and engagement of corporates b) active participation and knowledge sharing of NGOs and Cambridge academics c) any agreed outcomes for further workshop to move investee companies along the biodiversity curve.

#### Action

The first workshop was held on 5th December 2022 and sought to address challenges to biodiversity resulting from the food industry.

- Corporate participants: Including a food producer, a food retailer, and a meal-kit delivery business, all held in our Biodiversity Restoration portfolio
- NGO representation: Cambridge Conservation Initiative (CCI), Fauna & Flora International, Traffic, Peace Parks Foundation, UNEP World Conservation Monitoring Center (WCMC)
- Academics from University of Cambridge
- UBP Impact Investment Team

#### Approach chosen

The corporate participants were selected based on their involvement in the food supply chain, as the topic of food production impact was chosen by the Impact team/UBP's Biodiversity Committee to be the first topic to tackle.

Regarding NGO/Academics participants – individuals most relevant or with most experience in the topic of discussion attended (from both the academic and on the ground sides).

The roundtable was a virtual event due to the various geographies from which individuals were attending. The event lasted 2h – however this only constitutes the 1st session of this workstream. The ambition is to run parallel workstreams during the year (food production, water, forestry…), each composed of several sessions.

#### Collaborative Engagement

UBP facilitated the roundtable discussion between 4 very different stakeholders: corporations, finance, NGOs, and academics, with the aim of this collaboration allowing for a different outcome than typical siloed approach.

#### Outcome

The immediate outcome is that different stakeholders could hear the challenges and opportunities around biodiversity from different perspectives.

Three themes stood out of the workshop: regulation, measurement, and consumer appetite. There will be a follow-up meeting in 2023, where the collaboration will continue on these three themes with the aim to take the conversation to the point of some practical outcomes.

We agreed initial areas to pursue a) case studies b) ongoing collaboration to support corporates through regulatory changes such as TNFD and SBTN and the Global Biodiversity Framework.

In 2022 UBP collaborated on the CDP Non-Disclosure Campaign acting as a lead signatory for 19 companies to engage with them on data disclosure across three themes (climate change, forest, and water). A summary of the outcome of the campaign and UBP's contribution can be found in case study #12 below.

## CASE STUDY #12

Name: **CDP Non-Disclosure Campaign -** Region: Global - Theme: climate change, forest, and water data disclosure

### Background

CDP launches an annual Non-Disclosure Campaign (NDC) in collaboration with financial institutions engaging with companies on data disclosure across three themes (climate change, forest, and water). As part of the 2022 campaign a record of 260 participants representing $US30 trillion in assets took part.

The NDC runs at the same time as the regular CDP disclosure request, while participants of the campaign aim to encourage and engage with companies to increase the number of corporate disclosures.

Financial institutions can participate in the campaign by leading or co-signing. As a lead signature the participants directly engage with the companies and encourage them to disclose in line with the CDP questionnaire.

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

In 2022, UBP acted as a lead signatory, sending the letters directly to 19 companies.

### Non-Disclosure Campaign Timeline

February: The sign-up window for the campaign opens

February – March: Participating institutions select the target companies and sign up as lead or co-signature

May – August: Lead participators engage with and encourage their target companies to submit their CDP disclosure

October: Following the disclosure period, the NDC team analyses and publishes the results of the reporting period

### Outcome

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

For 2022 it was assessed that due to the collaboration between financial institutions, companies were 2.3 times more likely to disclose than companies not included in the NDC campaign. In high emitting sectors such as transportation and power generation, companies were even 4.6 times and 4.4. times respectively, more likely to disclose following the collaborative engagement.

Companies that had already submitted their response to the questionnaire in 2021 resubmitted in 90% of the cases again in 2022. This speaks for the lasting impact of the campaign. 2022 Campaign Results Overview:

| | Control Group | | NDC sample | NDC vs control group response rates | |
|---|---|---|---|---|---|
| | Submitted | % | % | Absolute difference | Difference factor |
| Distinct companies | 342 | 11.5 | 26.5 | 15 | x2.3 |
| Climate change | 296 | 12.9 | 27.9 | 15 | x2.2 |
| Forests | 32 | 3.6 | 11.4 | 7.8 | x3.2 |
| Water security | 62 | 8.4 | 18.9 | 10.4 | x2.2 |

Source: CDP, 2023. 2022 CDP Non-Disclosure Campaign: Results Report, https://cdn.cdp.net/cdp-production/cms/reports/documents/000/006/764/original/CDP_2022_Non-Disclosure_Campaign_Report_18_01_23.pdf?1674225832.

In 2022, UBP applied to be a lead investor for more than 50 companies, and ultimately was chosen in 19 cases. Among these 19 cases, four companies agreed to disclose that same year and two pledged to do so in 2023. This success rate is slightly lower compared to the overall success rate of the campaign's average (21.5% vs. 26.5%).
In addition to our participation as lead investor, we co-signed on more than 40 cases in 2022.
Furthermore, in 2022 a 56% increase was seen in the number of financial institutions participating in the campaign.

### More details

More details on the campaign and the full 2022 progress report from CDP can be found here.

### Next steps

We have already volunteered for the 2023 campaign and hope to use the lessons learned last year to increase our impact.

Since 2020 UBP is a network member of the FAIRR initiative and case study #13 below summarizes one of the engagements which was done in 2022 as part of the initiative.

### CASE STUDY #13

Name: **FAIRR -** Industry: Salmon producers - Theme: Sustainable Aquaculture and animal feed supply chain

#### Background

In February 2020, UBP became a network member of the FAIRR initiative, which aims to build a global network of investors showing focus and engagement in relation to the risks linked to intensive animal production within the broader food system. In this case the engagement revolved around managing ESG Risks in Aquaculture.

This collaboration brings together investors who collectively engage with eight aquaculture salmon producers to address risks associated with the animal feed supply chain. The aim is to promote the development of a science-based strategy, including the adoption of alternative ingredients to soy or fishmeal and oils, as well as increased investment in Research and Development.

#### Action & Outcome

In 2022, UBP participated in a field visit organised by FAIRR with other participants from financial institutions. This was conducted at one of the participating salmon producers to explore ongoing innovations and initiatives aimed at reducing the use of traditional feed for salmon.

Phase II of the engagement concluded with the publication of the FAIRR report, which details the outcomes of discussions with the companies and outlines ways investors can better support the industry's transition.

More details can be found here:
https://www.fairr.org/engagements/sustainable-aquaculture

Since June 2021, UBP has been a part of the UN PRI Sustainable Commodities Practitioners' Group (SCPG). Case study #14 highlights the work that was done within that group.

### CASE STUDY #14

Name: **UN PRI Practitioners Group -** Theme: Tackle deforestation

#### Background

Under the umbrella of the UN PRI, the Sustainable Commodities Practitioners' Group (SCPG) aims to foster collaborative engagement to tackle deforestation in the palm oil, cattle, soy, pulp, and wood value chains.
The aim is to help signatories address deforestation as a systemic risk, share best practices and agree on the choice of metrics, in collaboration with technical experts.

The SCPG's work was launched in June 2021, with over 40 PRI signatories, including UBP, for a period of 12 to 16 months, through a series of ten workshops.

#### Action

After spending most of 2021 assessing the various value chains, players, policies in force and performance indicators available, 2022 was guided by the development, harmonization, and implementation of best practices through a mutual consultation mechanism.

Part of the group mobilized in December 2022 around the United Nations COP 15 conference, to encourage world leaders to work towards an achievable yet ambitious global biodiversity framework. The final workshop was concluded in January 2023, following which the group committed to publishing its achievements to support the launch of a new collaborative initiative supported by PRI. The new initiative would aim to protect nature and halt the loss of biodiversity with a broader scope (than just raw materials).

https://www.unpri.org/stewardship/pri-led-collaborative-stewardship-initiative-on-nature/11316.article

#### Outcome

Going forward, the team has been invited to join the UN PRI's Nature Reference Group, to be launched in 2023:

"The Nature Reference Group aims to build investor capacity for addressing nature and biodiversity loss, by providing a forum for signatories to advance their awareness of nature-related impacts, dependencies, risks, and opportunities. Convenings will focus on investment practices, during which participants can share their experiences with relevant tools, disclosure frameworks, and initiatives. Members will be invited to feed into PRI's broader capacity building efforts on the topic of nature, including the development of relevant products and guidance".

Since 2021 UBP Asset Management (France) has been a member of the Forum pour l'Investissement Responsible (FIR) and in 2022 UBP actively participated in one of their campaigns as highlighted in case study #15 below.

<table>
<tr><th colspan="3">CASE STUDY #15<br>Name: FIR – Theme: Written Questions to CAC 40 companies AGMs – Climate Strategies</th></tr>
<tr><th>Background</th><th>Action</th><th>Outcome</th></tr>
<tr>
<td>Since 2020, the FIR has been conducting a written question campaign at the general meetings of CAC 40 companies. This exercise seeks to assess primarily companies' transparency on specific aspects of their environmental and social responsibility.<br><br>As indicated by the FIR, this campaign aims<br><br>1) to point out to these large companies the issues that are important to responsible investors: climate change, biodiversity collapse, the commitment to a circular economy, gender equality, shared value, social dialogue, etc.<br><br>2) to encourage other investors, who may not be particularly aware of these issues, to become so; and<br><br>3) to show responsible savers the issues on which investors exercise vigilance and where they expect companies to make progress.</td>
<td>In 2022, UBP participated actively in the FIR campaign. Our Convertible Bond team's ESG specialist and portfolio manager oversaw answers to the first question (out of 10), with a special focus on companies from staples (4 companies), luxury goods (4), energy and materials (3), automotive (3) – while two other market participants covered the same question for other sectors.<br><br>The question referred to companies' climate strategies as follows: "Are you explicitly committed to aligning your earnings and investments (CAPEX / OPEX / R&D / M&A, etc.) with the Paris Agreement objective of limiting global warming to 1.5°C? How do you ensure that these earnings and investments respect this objective (please describe the methodologies used)? What key action plans and, if applicable, related investment amounts have you implemented to achieve this objective in the short, medium, and long term?"<br><br>Answers to questions were scored on a scale of 0 to 3 stars, based on a common methodology.</td>
<td>The majority of CAC40 companies received 2 stars; 9 were identified as weak (1 star: defining objectives, outlining an action plan, and providing partial communication about investments), and 2 appeared as leaders (3 stars: defining objectives aligned with the Paris Agreement, communicating a detailed action plan along with comprehensive quantified investments).<br><br>The complete report covering all 10 questions and companies' scores is available on the FIR website, alongside the detailed answers of each company, ensuring full transparency to the benefice of all potential investors. More details available here.</td>
</tr>
</table>

# 11. ESCALATION

**Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers.**

## Overview of response to Principle 11

| | Key Statements |
|---|---|
| **Context** | • When UBP's investment teams engage with a company to influence its practices, this is primarily with regards to Sustainability / ESG disclosure, climate strategies, or governance. In such cases, we see engagement as a long-term collaborative effort with issuers, involving investigation and guidance both ways<br>• Where engagement is unsuccessful or progress is deemed insufficient, UBP's investment teams reserve the right to escalate as appropriate |
| **Activity** | • To track its engagement process, UBP is using the "Maanch Engagement Tracker" software, to which UBP contributed and is still contributing to the development of the program. Interaction with the companies is logged by individual teams, thus making these engagements visible to the whole UBP Investment Platforms<br>• We present regional and sectoral breakdowns of engagements |
| **Outcomes** | • Investee companies collaborate with us on various engagement matters, but at times, the engagement reaches an impasse, requiring the consideration of escalation measures whereby the process is presented, potentially leading to a reduction in investments or divestment if active ownership does not yield results<br>• We present two case studies and the steps that led to the escalation |

Most of the direct engagement undertaken by our investment teams is focused on obtaining a holistic understanding of a company's strategy and ESG practices (see *Principle 7 and 9*).

When UBP's investment teams engage with a company in order to influence its practices, this is primarily with regards to Sustainability / ESG disclosure, climate strategies, or governance. In such cases, we see engagement as a long-term collaborative effort with issuers, involving investigation and guidance both ways. UBP's main goal when engaging with companies is to maintain a transparent dialogue in order to achieve improvement and have a positive impact. We believe that a one-size-fits-all approach does not work because each company has unique characteristics, even if the main engagement topic is the same.

To track its engagement process, UBP is using the "Maanch Engagement Tracker" software, to which UBP contributed and is still contributing to the development of the program. Interactions with the companies are logged by individual teams thus making these engagements visible to the whole UBP Investment Platforms (see also *Principle 9*). The tool also helps us track any escalation step for a given engagement.

We work in partnership with our investee companies on all engagement issues but sometimes the engagement stalls and we have to consider escalation measures. As a first step, each investment team discusses the failed engagement topic in their routine meetings to decide the next steps. The first step is generally to target a higher level of the corporate hierarchy, where we typically raise concerns with the Board or Executive Committee of the targeted company. If this process does not yield any result, then the issue may be discussed at a higher level within the UBP organization to receive feedback from other UBP members (e.g. Impact Investment Committee for the Impact Equity Team).

As a next step, we may use our proxy voting rights at AGM and vote against the election or discharge of Board Members and executives to raise awareness within the company about our intentions. We may convey our voting intentions ahead of AGMs to highlight our stance on a particular matter of disagreement where we are trying to engage. If the company is not open to active dialogue even after this step, then the issue is discussed at the highest level within the investment teams to make final decisions (e.g. Impact Advisory Board for the Impact Equity team). At this stage, we will also consider collaboration with other investors, which can be a more efficient form of achieving an outcome in this escalation process. If all our engagement methods do not yield any success, if we see no prospect of the company enacting change and if our engagement objectives could not be achieved through an active dialogue, even after multiple interactions with different representatives of the company, then we may consider reducing our investments or even divesting completely. Escalation techniques can take many forms, from a simple letter to the company to full divestment.

These escalation techniques are broadly consistent across all strategies and geographies. In addition, some of our strategies also have dedicated engagement policies with specific sectors identified for engagement and specific escalation strategies as described below and in case studies #8 and #9.

# Case Studies

## CASE STUDY #16

Industry: Consumer Staples - Region: Asia - Asset Class: Listed Equities - Theme: Palm oil production

### Background

The company is a producer of palm oil. Although palm oil can be controversial due to deforestation and labour rights issues, it was decided not to exclude the sector altogether, but favour companies in the space that demonstrated sustainability commitment, as palm oil is the most consumed oil in the world, and it presents efficiency benefits relative to alternative oils. Within the space, the company was selected for its alleged industry-leading sustainable practices. The Malaysian-based company is a member of RSPO and distinguished as one of the top-rated entities by SPOTT—an authority in palm oil and timber assessments.

### Objectives of engagement

Considering the controversial nature of palm oil production, engagement was deemed essential. Our aim was to facilitate a transition from good to exceptional sustainability practices, encouraging positive effects across the entire supply chain. We also sought potential collaboration opportunities to guide the industry toward elevated standards.

### Action

At fund launch (September 2021), the team sent a letter to the CEO and to the Chairman of the company to introduce the concept of the Biodiversity Restoration fund and open a communication channel for future collaboration – the company's response was affirmative and receptive to the concept.

Subsequently, the team had numerous engagement attempts between Dec-21 and Q1 2022. Eventually (24/03/2022), the company declined to arrange a call, explaining that it “does not participate in selected teleconference meetings with individual parties”.
The team responded on 01/04/2022 to explain the purpose of our engagement once more, but the company's resistance persisted, stating it did not wish to participate to future requests from UBP.

### Approach chosen

The objective of the engagement was to discuss the Impact Engagement Framework over a call (meeting not being an option as the company is in Malaysia) and build from there for future collaboration. However, due to the declined requests, all interactions were held over email.

### Collaborative Engagement

No collaborative engagement on this case, however, the Impact team is a member of the UN PRI Sustainable Commodities Practitioners Group which covers the deforestation risk of target commodities, including palm oil.

### Escalation

Due to the lack of response, escalation included numerous follow-ups with the company – time during which the position in the company was not being increased. Considering the lack of cooperation from the company in engaging with its investors, we made the decision to gradually divest from our position. This choice was driven by the absence of responsiveness on the company's part and aligned with our commitment to impactful and effective engagement practices.

### Outcome

Ultimately, the position in the company was fully exited.

## CASE STUDY #17

Industry: Higher Education - Region: Asia (HK listed) - Asset Class: Listed Equities - Theme: GHG emission disclosure

### Background

The company provides higher education services in a country where enrolment is structurally rising. We have been a shareholder since the launch of the Impact Emerging fund.
That said, their commitment to climate action was limited and their GHG emissions intensity high compared to peers.
When we noticed that the company was on the target list of CDP for their Non-Disclosure Campaign, we applied to be the lead investor for this company and were appointed as such (see *Principle 10* for more details on our collaboration with the CDP for the NDC campaign).
We believe CDP disclosure is good for investors as it helps standardize GHG emission disclosure. However, it is also good for companies as it forces them to confront their strengths and weaknesses (they get a rating, which is published after the first year) and encourages them towards setting emissions reduction targets.
CDP measures the efficacy of the campaign by running a control group in parallel to the target list. Being on the target list increases the probability of a company disclosing by over 2x.

### Objectives of engagement

The objective of the engagement is to get the company to calculate and disclose its GHG emissions data on the CDP platform.

### Action

As lead, we sent the letter signed by other CDP-affiliated investors to the Chief Financial Officer via an email on 8th of June 2022. As we did not receive a response, we sent a reminder after a few weeks. This time the CFO responded he would look at it. We didn’t hear back following that email.

We were able to schedule a meeting with the CEO in our Hong Kong office on 11th of August 2022. We took this as an opportunity to escalate the issue. The participation to the CDP campaign was thus mentioned to the CEO during this meeting. The CEO confirmed he would follow up with his CFO with the intention of disclosing data that same year.

The CFO followed up shortly after and submitted the answers to the CDP climate disclosure questionnaire in-time for the 2022 campaign.

### Approach chosen

Because of the location issues, we first offered a teleconference to discuss this issue more in detail. Following a comprehensive email from the company, we favoured e-mail exchanges to explain ourselves more on this topic. Finally, a one-to-one meeting was organized.

### Collaboration

The collaboration with CDP gave us credibility in this engagement. The letter was signed by over 25 other investors, who might have engaged as well in parallel (even if they were not lead investors).

### Escalation

The meeting with the CEO shortly after sending the letter acted as a catalyst.

### Outcome

The company is now listed as disclosing on the CDP website.
We maintained our exposure.

# EXERCISING RIGHTS AND RESPONSIBILITIES

## 12. EXERCISING RIGHTS AND RESPONSIBILITIES

**Principle 12: Signatories actively exercise their rights and responsibilities.**

### Overview of response to Principle 12

| | Key Statements |
|---|---|
| **Context** | • UBP Group is committed to be an active owner and incorporates Environmental, Social and Governance (ESG) issues into its ownership policies and practices, in line with the UN PRI Principle 2 "We will be active owners and incorporate ESG issues into our ownership policies and practices"<br>• We believe that the utilisation of voting rights is a fundamental duty we uphold as responsible custodians of our clients' financial interests. Voting is a substantial theme in our stewardship practices and serves as the underlying element that promotes and solidifies integration and stewardship |
| **Activity** | • We describe our voting guidelines which are built on principles that constitute our corporate governance and sustainability expectations from companies which will allow us (i) to act in the best financial interests to enhance long term shareholder value, and (ii) to promote ESG practices<br>• We have outlined the steps of our voting process as well as our coverage.<br>• Our main principles for exercising voting rights are outlined in our Voting Policy; they cover topics such as: Material ESG failure, Climate accountability, Say on Pay (SoP), Say on Climate (SoC), etc. |
| **Outcomes** | • We annually report on our voting activities and have highlighted the key voting statistics in the report. For the period from January to December 2022 with a focus on climate resolutions<br>• We have listed two case studies where we voted against one resolution and in favour of the second in 2022 and explained the rationale for our votes |

### Context

Utilizing our voting rights is a fundamental duty we uphold as responsible custodians of our clients' financial interests. Voting is a substantial theme in our stewardship practices and serves as the underlying element that promotes and solidifies integration and stewardship. When we vote on behalf of our clients, we are expressing our stance on critical issues that impact both the companies we invest in and their broader effects on society and the environment. In this process, we consider a wide array of considerations, including strategy, corporate governance, management of share capital, safeguarding shareholders' rights, addressing audit concerns, enhancing transparency and disclosure, determining fair remuneration, and addressing social and environmental concerns. Equally important is assessing how companies align with the broader sustainability transition in the economy.

Our aim in using our voting rights (or engaging with companies on related matters) is to encourage changes that ultimately enhance a company's long-term performance. Consequently, our voting decisions are driven by a commitment to maximize our clients' long-term shareholder value, free from any influence of conflicts of interest. These principles underscore our belief that robust corporate governance structures and effective management of social and environmental risks provide the foundation for sustainable shareholder interest.

As a supporter of the present Code and a signatory to the UN PRI, the UBP Group is committed to being an active owner and incorporates Environmental, Social and Governance (ESG) issues into its ownership policies and practices, in line with the UN PRI Principle 2 "We will be active owners and incorporate ESG issues into our ownership policies and practices".

As stated in *Principle 2*, UBP believes that voting rights enable investors to preserve long-term economic value through the promotion of corporate governance and sustainable best practices.

## Voting Guidelines

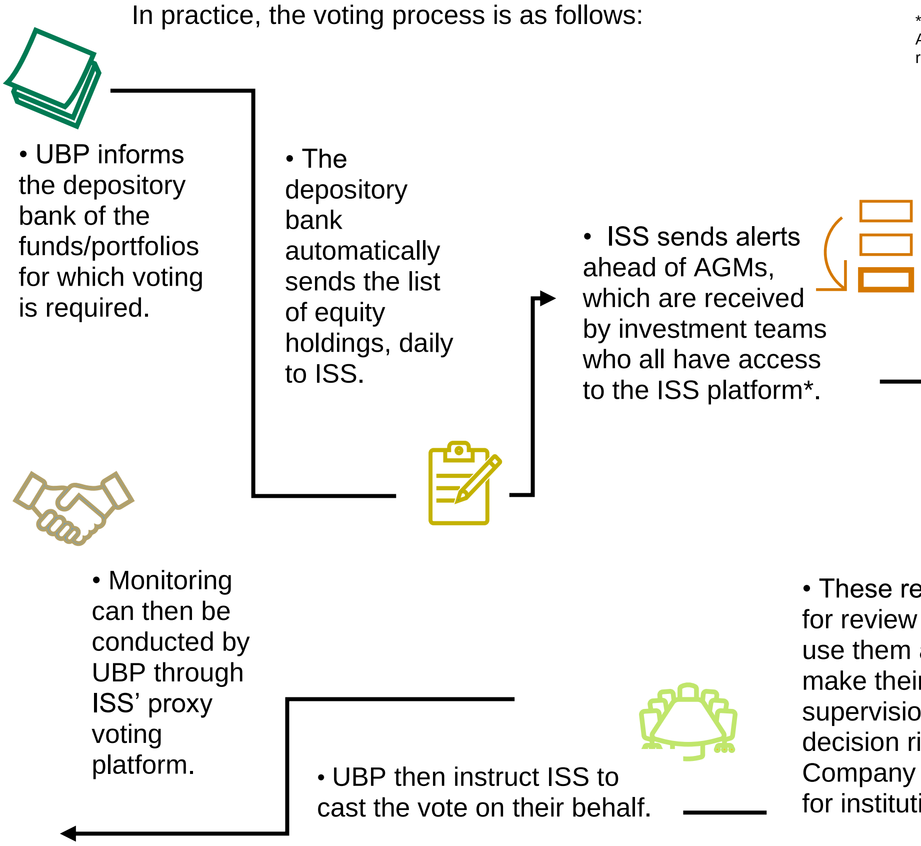
As described in our voting policy, available here, our principles constitute our corporate governance and sustainability expectations from companies, which will allow us (i) to act in the best financial interests in order to enhance long term shareholder value, and (ii) to promote ESG practices.

As general principles, and independent of funds, sectors or geographies, 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 (responsibility, accountability, etc.). 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 environmental, social or corporate governance issues, in line with the UN PRI principles.

We have pinpointed these themes as the central foundations for evaluating businesses and advocating for responsibility and enhancements when required. Therefore, by referring to industry best practices, this approach allows us to use proxy voting services. To exercise voting rights, UBP has decided to use Institutional Shareholder Services (ISS), an industry leading third-party voting service provider. UBP has adopted ISS "Sustainability" voting guidelines which place added emphasis on ESG and increasingly on climate when analysing management and shareholders' propositions. ISS updates its guidelines on an annual basis to consider emerging issues and trends on environmental, social and corporate governance topics, as well as the evolution of market standards, regulatory changes and client feedback.

In practice, the voting process is as follows:




* This platform contains all needed information on the AGM/votes/shareholders resolutions to come, as well as ISS voting recommendations in line with their Sustainability Voting Guidelines.

## Voting Coverage

Proxy voting, following UBP's voting policy, is applicable across all equity funds with assets under management above EUR 15mln[5] and, upon request from institutional clients to their segregated mandates. UBP follows the ISS Sustainability Voting Guidelines, as well as the possible overrides proposed by PMs (and accepted by top management).

Note that UBP does not partake in stock lending for its public funds.

## Key Voting Principles

The main principles for exercising voting rights are outlined in our Voting Policy. Below we highlight some of those, which are directly related to stewardship and ESG issues.

| | |
|---|---|
| **Material ESG failure** | Vote against or withhold from directors individually, on a committee, or potentially the entire board due to:<br>- Material failures of governance, stewardship, risk oversight, include climate change, or fiduciary responsibilities at the company, including failure to adequately manage or mitigate environmental, social and governance (ESG) risks;<br>- A lack of sustainability reporting in the company's public documents and/or website in conjunction with a failure to adequately manage or mitigate ESG risks. |
| **Climate accountability** | For significant GHG emitters, through operations or value chain, generally vote against the Chairman, or the responsible incumbent director(s) in cases where the company is not taking the minimum steps needed to understand, assess and mitigate climate-related risks.<br>Minimum combined steps required:<br>- Detailed disclosure of climate-related risks according to the TCFD framework;<br>- Appropriate GHG emissions reduction targets. |
| **Say on Pay (SoP)** | Vote case-by-case on management proposals for an advisory shareholder vote on executive compensation.<br>Vote against in cases where boards have failed to demonstrate good stewardship of investors' interests regarding executive compensation practices. |
| **Social and environmental Shareholder proposals – Overall approach** | Generally, it supports standard-based ESG shareholder proposals that enhance long-term shareholder and stakeholder value while aligning the interests of the company with those of society at large. In particular, the policy focuses on resolutions seeking greater transparency and/or adherence to internationally recognized standards and principles. |
| **Climate change Shareholder proposals** | Vote for shareholder proposals seeking information on the financial, physical, or regulatory risks it faces related to climate change - on its operations and investments, or on how the company identifies, measures, and manages such risks.<br>Vote for shareholder proposals calling for the reduction of GHG emissions.<br>Vote for shareholder proposals seeking reports on responses to regulatory and public pressures surrounding climate change, and for disclosure of research that aided in setting company policies around climate change.<br>Vote for shareholder proposals requesting a report/disclosure of goals on GHG emissions from company operations and/or products. |
| **Say on Climate (SoC)** | Management proposals:<br>- Vote case-by-case on the approval of the company's climate transition plan, taking into account the completeness and rigor of the plan (alignment with TCFD, commitment to net-zero, third party approval, etc.)<br>Shareholder proposals:<br>- Vote case-by-case on proposals that request the company to disclose its upcoming/approved climate transition action plan and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan. Factors considered include, but are not limited to, completeness and rigor of the actual climate-related disclosures, actual GHG emissions and controversies related to GHG emissions. |

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

Additional information and voting principles can be found in our voting policy. Also, market-specific guidelines may apply.

The full ISS Sustainability Proxy Voting Guidelines can be found at: https://www.issgovernance.com/policy-gateway/voting-policies/

## 2022 Voting Activity

UBP is committed to annually report on its voting activity. Our 2022 annual voting report is available here and our 2022 detailed voting record here.

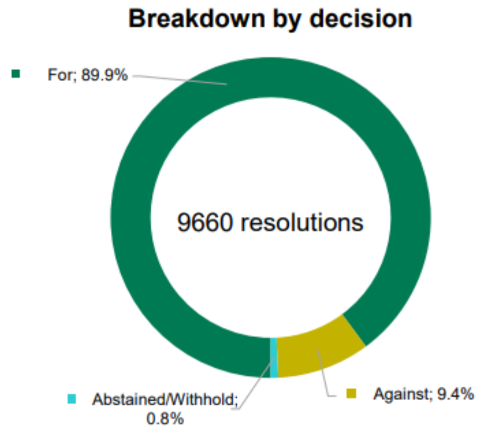
The voting record provides voting rationales for votes deemed significant. This includes:

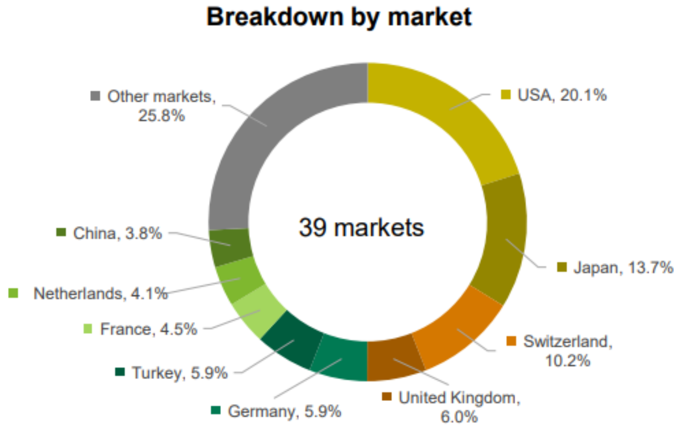
- Votes against management
- Votes on shareholder proposals
- Votes against UBP's voting policy
- Votes withheld
- Votes abstained

Key voting statistics for 2022 are described below.

For the period from January to December 2022, UBP Asset Management division's voting highlights include:

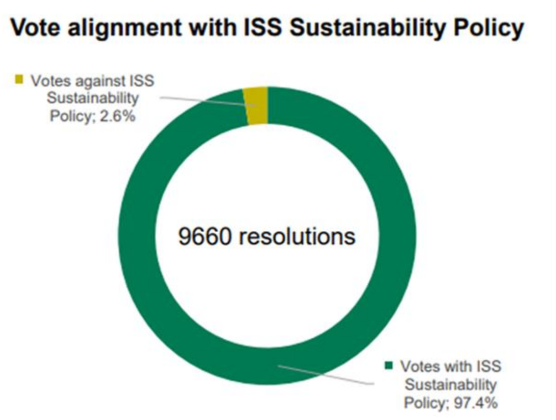
**713 annual general meetings voted, representing 9660 resolutions across 39 different markets:**

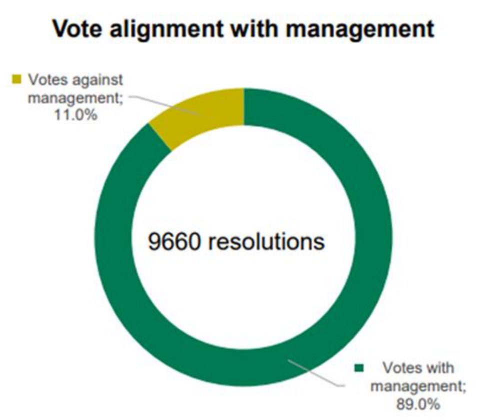



Source: UBP, ISS – 31.12.2022.

### Voting with ISS Sustainability Policy 97.4% of time and with management 89.0% of time

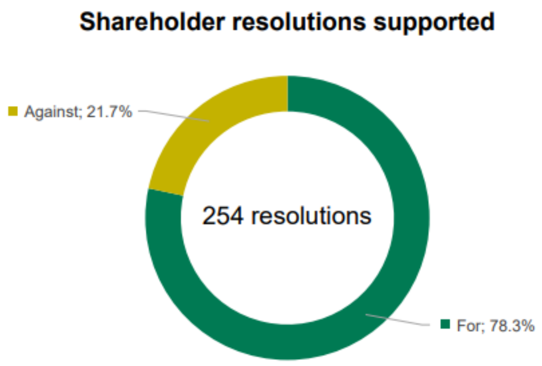


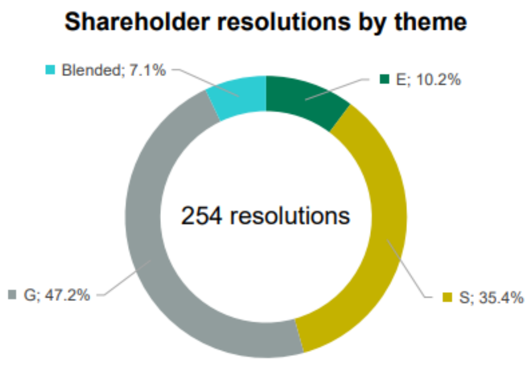




Source: UBP SA, ISS – 31.12.2022.

As shown above, in 2022 UBP only voted 2.6% against ISS' Sustainability voting guidelines. This was particularly the case for resolutions related to compensation as our Impact team requires remuneration policies to include sustainability-linked KPIs, which is not the case with ISS' sustainability voting guidelines.

### Shareholder resolutions:




Source: UBP SA, ISS – 31.12.2022.

## Climate Resolutions

In 2022, there has been an acceleration in discussions around climate related issues, which is being pronounced through assertive strategies among investors. One notable trend we've observed is the increasing frequency with which companies introduce proposals related to climate issues, such as "say-on-climate" initiatives. Investors, therefore, are voicing more of their concerns about sustainability through engagements with the companies. Support to climate related issues is also being seen through proxy voting. This is pushing more company management to implement transition plans into their general assemblies. UBP's voting on climate resolutions is increasing with the increase of climate related resolutions; in 2022, we have voted in favour of 20 climate resolutions out of 26, deposited by both management and shareholders. However, and while we are generally encouraging of environmental resolutions, especially climate, we are also comfortable with holding management accountable for lack of adequate climate action plans or the presence of unrealistic targets. Examples of this are added in the table below.

| Companies | Rationale for voting "Against" |
| --- | --- |
| UBS Group AG | Gaps in the company's climate reporting and lack of science-based target setting. While UBS Group has committed to a net-zero by 2050 ambition, the company has not disclosed a clear, forward-looking climate strategy, only disclosing some of the short, medium, and long-term targets, to substantiate how it will deliver on this ambition. |
| Rio Tinto Plc | Gaps in the company's climate reporting and lack of science-based target setting. While Rio Tinto has provided disclosure of its scope 1 and 2 targets, there is an absence of quantifiable Scope 3 targets at this time. |

## Exercising rights in fixed income

While voting rights may appear to be the most influential means of encouraging companies to embrace more sustainable business practices, UBP firmly believes that bondholders should also exercise their rights and engage with sovereign or corporate issuers.

Furthermore, we emphasize the importance of asset managers like ourselves comprehending bond prospectuses, including covenants or the use of proceeds where defined. When necessary, we may challenge issuers and lead managers, ensuring that bond terms do not impede upon the rights of our clients. This holds particularly true for high-yield bonds, as the terms on investment-grade instruments tend to be more standardized.

During 2022, the sanctions imposed on Russian companies following the invasion of Ukraine were another market-wide event that led to intense engagement with issuers and their intermediaries as they became unable to make payments of interest or principal on their debt. In a few cases, we were able to find legal ways to sell our securities back to the issuers when they offered to repurchase their own bonds with funds that were approved for this purpose. While this led to a reduction in value for our clients, we believed that we acted in their best interest by accepting this offer to tender our bonds rather than holding on to debts that were unlikely to be serviceable while sanctions remained in place.

# Case Studies

Case study #18 provides an example of voting to heighten awareness regarding the importance of non-financial KPIs in top management remuneration policies for impact investors. This topic is highlighted also in *Principle 9* in the Impact Engagement Framework section.

## CASE STUDY #18

Industry: Health Care - Region: Europe - Asset Class: Listed Equities - Theme: Remuneration

### Background

The company is a pharmaceutical manufacturer. It had its AGM on 12th of April 2022. Three agenda items were related to Board Members' remuneration. Our proxy voting service provider proposed to vote in line with the management on these items as there were no known concerns and the remuneration did not appear excessive.
However, as an Impact Investor, we decided to vote against management due to the lack of sustainability-focused non-financial KPIs in the communicated remuneration policy.

### Objectives of engagement

To inform the company about the reasons for our voting decisions and increase their awareness about the importance of non-financial KPIs in top management remuneration policies for impact investors.

### Action

On March 22, 2022, we sent an email explaining our decision to vote against different agenda items, including those related to remuneration. The company responded the following day providing additional information, particularly concerning non-remuneration items.
We sent a follow-up email on March 23 requesting further details about the non-financial KPIs in the remuneration policy. The company responded on March 28, indicating that while these KPIs were not detailed in the remuneration policy, they did consider some ESG-related non-financial KPIs. We replied expressing our appreciation for the company's positive step regarding the remuneration policy. However, we emphasized our expectation for a detailed and publicly disclosed list of the non-financial KPIs used in the policy.

### Approach chosen

Due to location issues, we first offered a teleconference to discuss this issue more in detail. Following a comprehensive email from the company about this issue, we preferred e-mail exchanges to explain ourselves more on this topic.

### Outcome

We voted Against on remuneration related topics during the AGM, which was different than the management and the ISS Sustainability Research proposals.

Resolution of the AGM No. 9/2022. 04. 12.
The AGM approved that the Remuneration Policy applicable from 2021
Voted in favour of the draft of the resolution: 55,709,735
The proportion of the "yes" votes compared with all the votes cast: 60.23%

Resolution of the AGM No. 10/2022. 04. 12.
The AGM approved the Company's remuneration report on the year 2021.
Voted in favour of the draft of the resolution: 55,710,590
The proportion of the "yes" votes compared with all the votes cast: 60.23%

Resolution of the AGM No. 13/2022. 04. 12.
The AGM approved the amendment of the Section 11.6 of the Statutes in relation to the lapse of the requirement to publish the statement on remuneration, according to the proposals for the AGM, as well as the consolidated version of the Company's Statutes including such modification.
Voted in favour of the draft of the resolution: 91,885,031
The proportion of the "yes" votes compared with all the votes cast: 99.34%

## CASE STUDY #19

Industry: Financial Institution - Region: Europe - Asset Class: Listed Equities - Theme: Climate Strategy

### Background

In addition to the climate strategy in the Company's Climate-related Disclosures Report, the resolution also includes a commitment to publish a climate transition plan for the Company to support alignment with the Paris Agreement. The Company intends to publish annual updates on progress in following years. The Company's climate ambition includes alignment with the Paris Agreement and the following targets.

**Short Term**
- Provide GBP 100 billion of climate and sustainable funding and financing by the end 2025.

**Medium Term**
- To at least halve the climate impact of its financing activity by 2030.
- Full phase out of coal by 1 January 2030.
- 50% of the Company's UK mortgage customers' homes at or above EPC C rating by 2030.

**Long Term**
- Net zero by 2050 (across the Company's "operational value chain, financed emissions and assets under management").

### Objectives of engagement

We voted "FOR" this item, in line with the management despite ISS Sustainability's recommendation to vote against it. ISS believed that the company did not provide a detailed plan further after 2030 up to 2050, absence of a full net zero by 2050. After discussion within the Impact team, we decided to support the Climate Strategy for three reasons:
**1.** The company is taking a leading role in subjecting its climate strategy to a shareholder vote, a step that is still lacking among other banks in engaging shareholders to shape their climate strategy.
**2.** It is a founding member of the Net Zero Banking Alliance, a global initiative in which banks commit to achieving net-zero greenhouse gas emissions within their portfolios by 2050. Importantly, the Alliance commits to revising targets every five years, giving us confidence that the roadmap beyond 2030 will become clearer over time.
**3.** We have been in discussions with the Head of Climate Change of the company to ensure that their commitment to climate aligns well with our Impact team investment philosophy.

### Outcome

Resolution of the AGM No. 28 – 28.04.2022
The AGM approved the climate strategy
Voted in favour of the draft of the resolution: 33'666'256'300 (92.58%)
Voted against the draft of the resolution: 2'698'582'140 (7.42%)

### Follow-up Action

The Impact team has climate conversations annually with the company as part of our active engagement approach with portfolio companies. These conversations aim to help us understand the new targets, progress, and provide feedback to their climate strategy as an Impact investor.

# APPENDIX I

## Case Study Overview

| Case Study # | Industry/ Initiative | Region | Theme | Asset Classes | FRC Principle Main (Secondary) |
|---|---|---|---|---|---|
| 1 | Consumer Staples | Europe | ESG Integration | Fixed Income | 7 |
| 2 | Health Care Equipment & Supplies | North America | ESG Integration | Listed Equities | 7 |
| 3 | Semiconductors | Europe | ESG Integration | Convertible Bonds | 7 |
| 4 | Pharmaceuticals | North America | ESG disclosures and Product involvement | Fixed Income | 7 |
| 5 | Energy | Latin America | Corporate behaviour and biodiversity | Emerging Fixed Income | 7 |
| 6 | Electronic Equipment | Europe | Carbon Emissions Data | Listed Equities | 8 |
| 7 | Electronicical Equipment | Europe | EU Taxonomy Data | Listed Equities | 8 |
| 8 | Electronic Equipment | Europe | GHG Emission Disclosure | Listed Equities | 9 (10) |
| 9 | Consumer Discretionary | Asia | Governance | Listed Equities | 9 |
| 10 | Pharmaceuticals | Middle East | Palm Oil Production | Fixed Income | 10 |
| 11 | Biodiversity Workshop | Global | Impact of food value chain | Impact Equities | 10 |
| 12 | CDP Non-Disclosure Campaign | Global | Sustainability Disclosure (Climate, Water, Forests) | - | 10 |
| 13 | FAIRR | Global | Sustainable Aquaculture | Impact Equities | 10 |
| 14 | UN PRI Sustainable Commodities Practitioners Group | Global | Deforestation | Impact Equities | 10 |
| 15 | FIR | France | Written Questions to CAC40 companies – Climate strategy | - | 10 |
| 16 | Consumer Staples | Asia | Palm Oil Production | Listed Equities | 11 |

| | | | | | |
|---|---|---|---|---|---|
| 17 | Higher Education | Asia (HK listed) | GHG emission disclosure | Listed Equities | 11 |
| 18 | Health Care | Europe | Remuneration | Listed Equities | 12 |
| 19 | Financial Institution | Europe | Climate Strategy | Listed Equities | 12 |

# APPENDIX II

## Impact Advisory Board Meeting Notes

**March Board Meeting**

| Company's country / Theme | Points raised | Outcome |
|---|---|---|
| US, Planet-Compatible Diets | Transparency on sustainability agenda; not resting on laurels of alternative protein | Further engagement on agricultural practices and supply chain |
| UK, Healthy Ecosystems | High-category pollution issues; nature-based solutions; biodiversity metrics | Further engagement on pollution control and biodiversity metrics |
| China, Inclusive & Fair Economies | How does the company ultimately better the livelihoods of rural farmers | Further engagement on improving the livelihoods of rural farmers |
| China, Basic Needs | Integration of sustainability into the syllabus | Adjustments to IMAP score; further engagement on impact transparency |

**June Board Meeting**

| Company's country / Theme | Points raised | Outcome |
|---|---|---|
| UK, Inclusive & Fair Economies | Key role of financial companies in promoting positive impact; Net Zero movement in finance | Further engagement on providing evidence, identifying KPIs |
| US, Basic Needs | leader or follower? Review overall materiality of the company's impact | Adjustments to IMAP score; further engagement on implications of automation |
| Brazil, Basic Needs | Future of hydro; risk of stranded assets; biodiversity impact | Adjustments to IMAP score; further engagement on biodiversity impact |

**November Board Meeting**

| Company's country / Theme | Points raised | Outcome |
|---|---|---|
| US, Healthy Ecosystems) | Potential vulnerabilities to invasive species; wood pellet business; local community relations | Further engagement on impact on local communities, $CO_2$ sequestration and biodiversity |
| Portugal, Healthy Ecosystems | Strong impact case, which company could enhance with improved biodiversity reporting | Further engagement on number of independent directors |
| China, Health and Wellbeing | Plastic-recycling aspect of the business strong but water management aspects could be improved | Further engagement on executive compensation; proportion of recycled plastics |
| US, Planet-Compatible Utilities | Integration of sustainability into the syllabus | Adjustments to IMAP score; further engagement on impact transparency |
| Taiwan, Inclusive & Fair Economies | Importance of not confusing joining initiatives with delivering outcomes; importance of concentrating on delivering insurance to underserved communities | Adjustments to IMAP score; further engagement on biodiversity impact |

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