



THE UK
Stewardship
code Report

Ubp 2020

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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 aligns itself neatly to Union Bancaire Privée, UBP SA’s (“UBP”) fiduciary duty to provide long-term, sustainable performance to our clients as encapsulated in the following two public statements:

“We apply our steadfast vision, our entrepreneurial spirit and our investment expertise to bring significant added value and long-term performance to our clients’ wealth management activities.”¹

“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.”¹

In order to respect our fiduciary duty, UBP interlaces a traditional investment management approach i.e. asset allocation, macroeconomic research, fundamental financial analysis, portfolio theory and robust risk management, with a responsible investment approach i.e. ESG integration, active ownership, sustainability risks and climate scenarios.

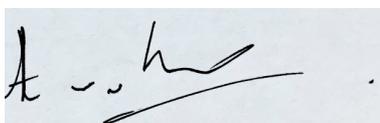
Each time we invest in a company, we are implicitly deciding that this company is deserving our clients’ capital. We strongly believe in the potential of the sustainability revolution and we are convinced that there are exceptional opportunities ahead for companies that aim to help solve the environmental and societal problems of our time.

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

Throughout the following 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 beneficiaries 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 UBP’s Executive Committee (ExCo) and signed by Nicolas Faller, co-CEO of UBP’s Asset Management division, and by Andrew Banks, Head of Compliance for UBP’s London Branch.



Andrew Banks

Head of Compliance
UBP’s London Branch



Nicolas Faller

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

¹ For further information please refer to www.ubp.com
Union Bancaire Privée, UBP SA | Asset Management | The UK Stewardship Code Report

PURPOSE AND GOVERNANCE

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.

Background to Union Bancaire Privée

Headquartered in Geneva and with over 20 offices worldwide, UBP is one of Switzerland's leading private banks, focussing on asset management for institutional clients and wealth management for private clients. UBP offers a diversified range of long-only and alternative products, encompassing both absolute and relative return strategies, which aim to grow client assets while applying a rigorous and disciplined risk management approach.

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 (Couetts) 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. UBP's strategic business development also involves partnerships and joint ventures with the objective to enrich its investment offering and distribution capabilities on the asset management side.

Culture and values

UBP's core corporate values serve as guiding principles in every area of our business. They are a true reflection of who we are, they influence how we operate, and they impact on all those who come into contact with the UBP brand.

Our corporate values are present in every aspect of our work, from our interactions internally and with our clients, to the way we act and perform on an individual basis.

We are genuinely proud to represent these values, to bring them to life.

The Group's tagline, "The Drive You Demand" is based on the values Dedication, Conviction, Agility and Responsibility which lie at the heart of our client relationships. And these values drive us to develop and refine successful strategies and high-performance investment solutions responding to the needs of our clients.

- **DRIVE:** Is our leading value. Drive expresses the determination we put into setting and working towards our goals, with strength, leadership and precision.
- **DEDICATION:** Our client-focused approach is the pillar that upholds our activity. We work tirelessly to deliver on our promises. We remain open, earnest and readily available to respond to the level of service and performance that our demanding clients expect. We respect their demanding nature, as it reflects our own.
- **CONVICTION:** We have always worked on the basis of a bold vision for the future and a firm belief in our business. Thus we have grown quickly, while earning respect and recognition. Our conviction serves our clients. It fuels our ability to deliver innovative and performance-driven investment solutions. It leads us to acquire, attract and retain the best talent in the industry.
- **AGILITY:** The structure of our organisation and our teams is designed to enable fast and informed decision making and agile operations, characteristics that we believe are fundamental to our success. Our ability to recognise and seize opportunities keeps us ahead of the game.
- **RESPONSIBILITY:** Encapsulates our long-term commitment to our clients, as well as our ambition to create a sustainable workplace for our employees, preserving our environment, and contributing to society at large. Responsible Investment is today a key priority and it is therefore increasingly embedded in our business approach. In an effort to strengthen the consistency of our commitment to a more sustainable world and in order to better manage our social and environmental footprint we have also formalised our approach to corporate social responsibility (CSR).

Asset Management at UBP

UBP's Asset Management division provides investors with answers to increasingly challenging financial markets. The focus is on creating new solutions for our clients' evolving investment needs and on offering best-in-class products that take a differentiated approach. 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; the global, European, Swiss, emerging market and US equity; convertible bonds; multi-asset strategies; overlay solutions; long-only fund of funds and alternative strategies (including fund of hedge funds, customised portfolios and selected individual hedge fund strategies, through offshore and UCITS-compliant vehicles). External portfolio managers and partnerships are selected when they show unmatched long-term qualities.

Our DNA

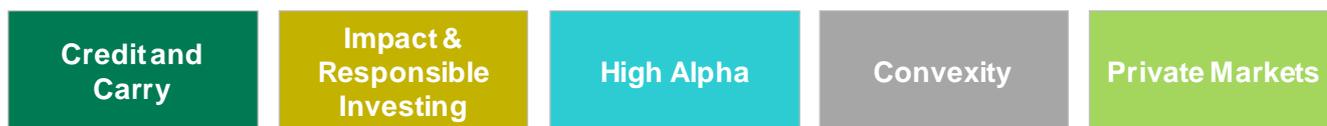
UBP Asset Management prides itself on being sensitive to our clients' evolving needs and thrives in finding valid, effective and differentiated solutions to achieve their goals. Our approach is punctuated at all steps by being bold and independent:

- **Bold:** We seek opportunities where others see boundaries and given our flat hierarchy, we are quick to act on clients' needs, market opportunities or simply in extracting the best out of our talents.
- **Independent:** Private ownership of the Bank coupled with the robustness of its balance sheet enables the resources and the long-term stability needed to achieve our targets.

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. We offer conviction-based, tailored solutions with an onus on superior service level 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 via client preferences.

To this end, UBP has identified 5 themes that encapsulate our clients' demands:



Of which Impact & Responsible Investing directly addresses our commitment to stewardship and sustainability.

We address these demands across our 5 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 boutiques 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 create long-term value for the whole spectrum of clients.

Responsible investing at UBP

Commitments

UBP's commitment to responsible investing 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. Following a period of research, development and implementation, we formalised the approach in our first Responsible Investment Policy (RI Policy) introduced in 2014, which was further enhanced in practices and in scope to its current form as of January 2018.

UBP is also committed to participating in the fight against Climate change and, in that context, to integrating the recommendations made by the Task Force on Climate-Related Financial Disclosures (TCFD).

UBP aims both to learn from and educate clients when possible and is committed to knowledge sharing with peers in the industry. With this in mind, UBP has entered into a number of partnerships and initiatives including a collaboration with the Cambridge Institute for Sustainability Leadership, and as a member of Sustainable Finance Geneva, Swiss Sustainable Finance, Pensions for Purpose, Farm Animal Investment Risk & Return (FAIRR) and Global Impact Investing Network (GIIN) as well as being a founding member of The Big Exchange.

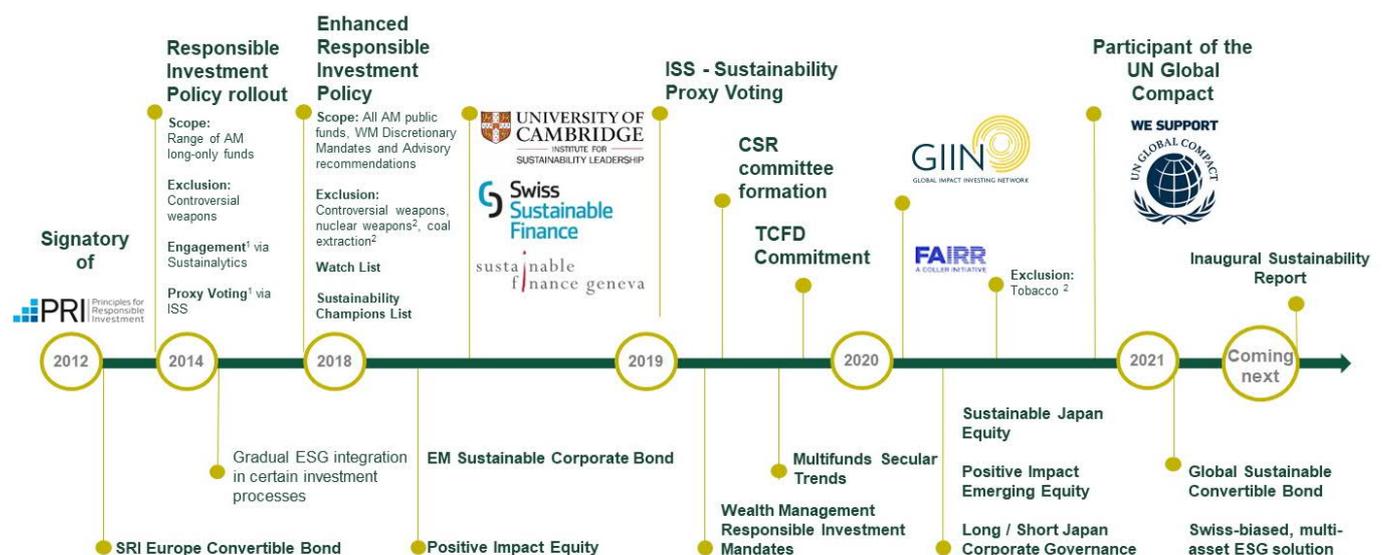
Principles

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.² UBP believes that investable 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 and thus ESG analysis and considerations, including active ownership, are assessed and incorporated throughout our investment processes.

To substantiate our belief and as a signatory to UN PRI, we support the UN six Principles for Responsible Investment detailed below:

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

Key milestones of a long-term commitment



¹For UBP funds. Client holdings upon request. ²Revenue threshold apply.

Effectiveness of serving the best interests of our clients

UBP's mission is to add value and long-term performance to our clients' asset management activities and UBP firmly believes 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 to assess the effectiveness of serving the best interests of our clients is to be measured on whether we achieve this mission. Two indicators that we believe illustrate UBP's continual deliverance are via industry recognition and evolution of assets under management.

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.

For example, UBP's CEO, Guy de Picciotto, was awarded "Best Leader in Private Banking" at the Professional Wealth Management's 2018 Global Private Banking Awards held in London in November 2018.

Focusing on 2020, our Asset Management division was recognised and laureated, including for example:

- Investment Week Sustainable & ESG Investment Awards 2020: Finalist Best Impact Fund: UBAM - Positive Impact Equity
- Refinitiv Lipper Fund Awards UK Winner 2020 of Bond USD High Yield: UBAM - US High Yield Solution

In addition several of our funds have been awarded labels, or sit on dedicated platforms, for the integration of sustainability and ESG into the heart of the investment process, including:

- French ISR Label
- Febelfin "Towards Sustainability" Label
- 3D Investing
- The Big Exchange

Financial strength and evolution of assets under management

Over the last 10 years UBP's total assets under management have grown continuously from approximately CHF 65 billion as at the end of 2010 to almost CHF 150 billion by December 2020.

Over the same period UBP Asset Management division's assets have doubled from CHF 21.5 billion to over CHF 43 billion.

We believe that this growth of client's assets is a strong endorsement of their satisfaction.

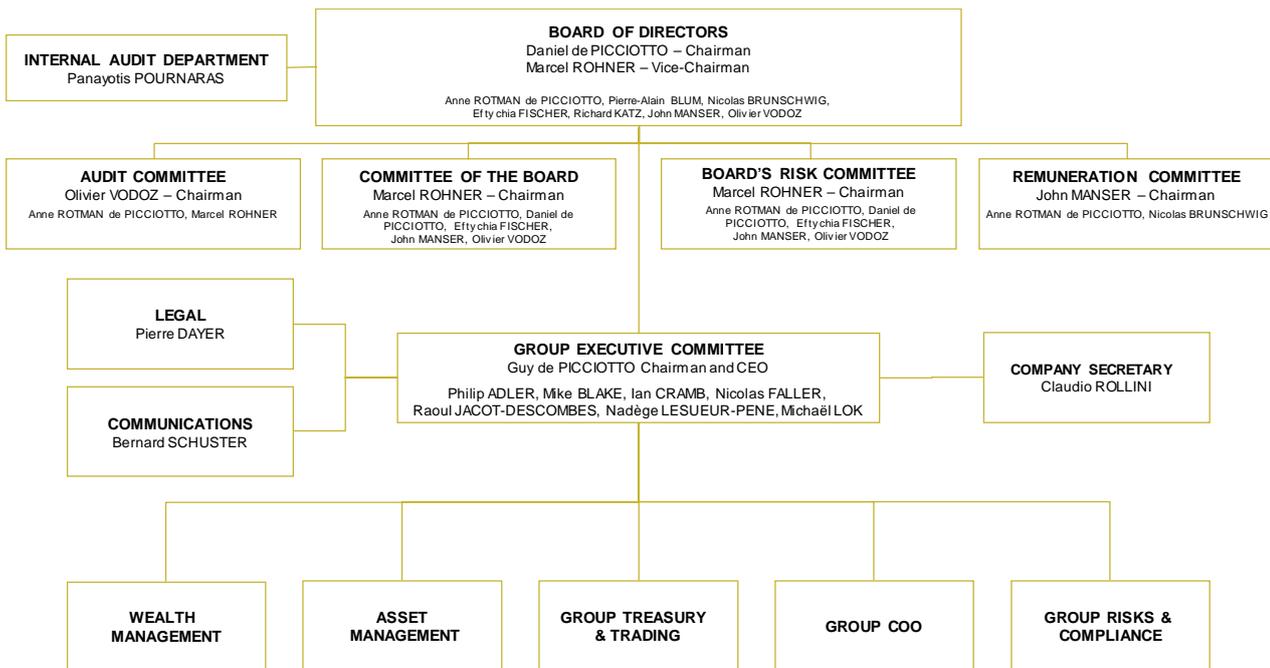
Principle 2: Signatories' governance, resources and incentives support stewardship.

UBP corporate governance structure - general

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, its committees and the Executive Committee 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, the Committee of the Board, the Board's Risk Committee and the Executive Committee. From an organisational structure, the Firm is organised into the divisions Asset Management, Wealth Management (with regional coverage), Group Treasury & Trading, Group COO and Group Risks & Compliance.

Organisational structure



Source: UBP, as at 31.12.2020

Responsible investment governance & responsibilities

Zooming in on UBP's Responsible Investment practices, UBP's RI Policy clearly defines those responsibilities associated with its implementation and empowers its governance.

UBP's Executive Committee (ExCo) is charged with designing and driving our Responsible Investment Policy and Corporate Social Responsibility practices. To that end, the ExCo has defined a series of 10 Sustainability KPIs, which are regularly monitored.

Implementation of our sustainability policies is carried out by two committees, which report to the ExCo: the Responsible Investing Committee (RICO) and the Corporate and Social Responsibility Committee (CSRCO).

Responsible Investing Committee (RICO)

The Executive Committee is supported in its responsibilities by the Responsible Investing Committee.

The RICO is chaired by the Heads of Responsible Investment for Asset Management and Wealth Management. It is composed of representatives from UBP's investment teams, institutional sales, UBP Asset Management (Europe) S.A. (the Management Company of UBP's Luxembourg-domiciled Funds), Wealth Management dedicated investment services and Risks & Compliance.

The RICO's responsibilities are to:

- Maintain and monitor the Exclusion List, Watch List and curation of Sustainability Champions List;
- Support investment and sales teams on all matters linked to Responsible Investment (designing investment process, new products, client requirements...);
- Drive the implementation of UBP's climate strategy in portfolios' investments;
- Filter new developments in ESG and disseminate to investment teams;

- Review and coordinate engagement activities;
- Support new product development;
- Make proposals to the ExCo on strategic development.

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

Corporate and Social Responsibility Committee (CSRCO)

The CSRCO supports the ExCo with the definition, implementation and monitoring of UBP's Corporate Social Responsibility approach.

- Definition and implementation of UBP Corporate Sustainability's governance and roadmap, in particular when it comes to:
 - ▶ 1) Environmental footprint;
 - ▶ 2) Recruitment and working conditions;
 - ▶ 3) Social & community engagement;
- Regularly assess situation, identify improvement areas, propose initiatives and manage their implementation;
- Ensure a high level of staff engagement: collect initiatives / ideas received from staff, select them and manage their implementation;
- Monitor progress of initiatives;
- Report and communicate to key stakeholders and staff (internally and externally);
- Assess and secure the appropriate level of resources (incl. financial) to execute the action plan.

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 is able to develop its own sustainability approach, which best fits their asset class, ranging from research to portfolio construction or direct engagement.

In particular, with regards to listed companies in the European Union (EU), the European Economic Area (EEA) and the UK, and in light of the EU Shareholder Rights Directive 2 (SRD2), equity investment teams consider issuers' ESG credentials as an integral part of their decision process alongside more traditional financial metrics, and engage where necessary with investee companies.

Each investment team has nominated an RI point-person. The point-person is responsible for circulating information from the RICO to their investment team, while also informing the RICO of engagement with companies, proxy voting decisions if contrary to the recommendations (see below) and the justification of any investment in holdings that appear on the Watch List.

Incentives

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

To ensure that these risks and opportunities are taken into account by all our business lines, UBP's Executive Committee has set a series of sustainability KPIs, 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 KPIs.

Similarly, the remuneration of all members of UBP's Responsible Investing Committee and Corporate Social Responsibility Committee 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 the respect of UBP's Responsible Investment 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 taken into account annually in the determination of this staff's variable remuneration.

Training

All investment staff are aware of the UBP 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, as well as short videos elucidating upon UBP’s commitment to responsible investment, internal presentations and a Q&A and Talking Points document has been disseminated across the Bank. Webinars and presentations occur throughout the year. The intranet also contains a page dedicated to educating employees about ESG and Responsible Investment with links to third-party training modules. In order to raise internal awareness and skillset on sustainability, in 2021 UBP will launch a training programme for all its staff, Sustainability@UBP.

UBP’s employees are able to request external training including on ESG investing. For example in 2020 about 15 senior employees undertook the IMD Lausanne “Winning Sustainability Strategies” programme to become driving forces in leading UBP’s change towards more sustainability, while others took the CESGA exam of EFFAS (ESG certificate of the European Federation of Financial Analyst Societies).

As active managers, our investment professionals take ESG factors into account during their analysis. In order to facilitate their work, our service provider platforms have been presented to our investment professionals and other staff related to Responsible Investments. This has been done via in-house meetings at UBP as well as through WebEx. There is an on-going exchange between our investment professionals and MSCI ESG Research LLC / Sustainalytics regarding specific questions on research and / or their methodology.

Service providers

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

- **MSCI ESG Research LLC** is 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.
- UBP has also partnered with **Sustainalytics**, a leading global engagement service provider, to maximise the influence of its engagement activities via a collaborative approach. This partnership is essential in facilitating the implementation of our RI Policy and achieving sustainable change in the chosen companies, while also offering our investment professionals an additional platform to identify and research ESG controversies.
- Voting rights are exercised through **Institutional Shareholder Services (ISS)**, an industry-leading, third-party voting service provider. ISS offers global coverage of the securities markets and provides accurate information regarding investee companies, including agendas of meetings and all the research material needed to assess the items to be voted upon. ISS offers a central hub for managing all the votes and providing operational, record-keeping and reporting services.
- **ISS** has also been retained since June 2020 to support the gradual integration of climate change considerations and scenarios in UBP’s investment processes and reporting.
- **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.

Effectiveness

We believe that the testament to our governance, resource and incentives for supporting stewardship are provided by achieving the highest rating of A+ in the Strategy & Governance in our UN PRI Assessment Report 2020. Below is our Summary Scorecard:

Summary Scorecard



Source: UN PRI Assessment Report 2020

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

Conflict of interests - General UBP

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. The Bank 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. We have in place policies and procedures in order to safeguard our clients' interests. 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 it annually to the Executive Committee;
- Carrying out checks.

Updates to the conflicts of interest map for Asset Management activities is presented to the Bank's Executive Committee for its approval on an annual basis.

Conflicts of interest applied to stewardship

UBP's engagement and voting activities are designed to promote and protect the interests of our clients as investors. We are aware that real and potential conflicts of interest may arise in connection with these engagement and voting activities. We have adopted policies and procedures to identify, prevent and manage such conflicts. Among them, the voting policy and the directive for handling conflicts of interest.

UBP's conflict of interest policy is accessible [here](#).

Case Study: Voting

UBP has decided to exercise voting rights through an industry leading third-party voting service provider, ISS and we generally align our voting with our provider's "Sustainability" package which places added emphasis on ESG when analysing these practices.

Nevertheless, UBP can instruct the provider to vote on behalf of the funds or clients (for mandates) as per the provider's recommendations giving rise to a potential conflict of interest. In order to mitigate the risk in such a situation, UBP has put in place a control procedure where for our funds, the Management Company is fully responsible for the voting and for any decision to override ISS Sustainability voting recommendations. This means that, if and when an investment manager disagrees with an ISS recommendation, he / she has to send an explanatory email to the Fund Management Company officers, with a detailed rationale to support the override. If the Management Company agrees with the override, they will instruct ISS accordingly and keep an audit trail of all overriding decisions.

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

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 Bank, 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.

Market risk

As an asset manager, we place a strong emphasis on managing and controlling risk. Within individual strategies and asset classes diversification has a major role to play 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 the portfolio. Certain Investment teams may set relative limits for securities, countries, sectors and tracking error ranges while others manage their strategies only benchmark-aware or even fully independent from any benchmark.

Management of the 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. That approach is supplemented by stress scenario simulations and risk-adjusted performance measurement (RAPM) including VaR backtesting. Specific and daily reports are produced to allow detailed management of these risks.

Systemic risk

UBP is acutely aware and concerned of the systemic risks posed by climate change and / or the failure of a business or businesses. As such, in order to mitigate our clients' exposure to these risks, UBP became a signatory of the UN PRI in 2012 and formalised its responsible investment process that includes the identifying and managing of our clients exposure to systemic risks.

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. This framework is available [here](#).

Industry initiatives

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

- Task Force on Climate-related Financial Disclosures (TCFD)
- Cambridge Institute for Sustainability Leadership's (CISL) Investment Leaders Group
- Global Impact Investing Network (GIIN)
- Farm Animal Investment Risk & Return (FAIRR)
- Investment Consultants Sustainability Working Group
- Swiss Sustainable Finance (SSF)
- Sustainable Finance Geneva (SGF)

Below we provide some case studies of the roles we have played in relevant industry initiatives:

Case Study: Cambridge Institute for Sustainability Leadership's Investment Leaders Group

Of these initiatives, UBP would like to underline in particular our involvement with CISL's Investment Leaders Group. As part of our clients' and our own evolution in this complex and fast-changing space, we are proud to collaborate, since February 2018, with the CISL. This partnership sees UBP join the exclusive Investment Leaders Group ILG, a select network of pension funds, insurers and asset managers committed to advancing the practice of responsible investment.

As such, UBP has been a contributor to the publication "In search of impact: Measuring the full value of capital. Update: The Cambridge Impact Framework", in particular UBP's fund UBAM - Positive Impact Equity was used as a test example.

Case study: Business for Nature

In 2020, UBP has signed the Business for Nature Call to Action, calling for:

- Healthy societies, resilient economies and thriving businesses rely on nature.
- Governments must adopt policies now to reverse nature loss in this decade.
- Together let's protect, restore and sustainably use our natural resources.

By signing, the company added its voice alongside many other leading businesses and financial institutions in a call for collective action, urging governments around the world to adopt policies now to reverse nature loss in the decade to 2030. In particular the intention was to push for a Paris agreement-equivalent for biodiversity, in 2021.

Case study: Impact Advisory Board

Finally, an attribute relatively unique to UBP is the establishment of the **Impact Advisory Board**. The Board is chaired by Anne Rotman de Picciotto, a member of UBP's Board of Directors, its role is to take thought leadership drawn from external experts in fields outside of investment management such as biodiversity, impact investing and sustainable development, and embed it into the Bank's impact platform. The Board meets every six months to review the impact case behind companies held in UBP's impact investment solutions.

Although the remit of the Board is concentrated on UBP's Impact Platform, given the Board is chaired by Anne Rotman de Picciotto and other guest attendees to the Board include UBP's Impact Investing team and a member of UBP's Responsible Investing Committee, insights gleaned from the Board meetings permeate throughout UBP's investment practices.

Alignment of investment practices

UBP's overarching Responsible Investment Policy aims to mitigate systemic / sustainability risks across all our funds. It combines minimum exclusion criteria (controversial weapons / nuclear weapons / coal extraction / tobacco producers / tobacco - other companies* - *revenue thresholds apply), monitoring of companies in breach of UN Global Compact and other International Norms, voting according to ISS sustainability voting policy for all our equity funds as well as systematic engagement via Sustainalytics for companies held in our portfolios and in (effective or potential) breach of international norms. (Our responsible investment and voting policies are available on www.ubp.com).

UBP has also developed a range of sustainable and impact strategies with stricter exclusions, integration of ESG / Impact criteria in holdings selection and portfolio construction, and with specific sustainability objectives. Some of these sustainability objectives may be specific to the strategies, and one of the most common objective is a reduction of the carbon footprint of the fund vis à vis its investment universe, to participate in the fight against climate change. Each investment team may design its own ESG integration process, within a common framework, including a set of exclusions applicable to all sustainable / impact strategies, which is stricter than exclusions applicable to more traditional funds. UBP has also set up an impact platform, with an independent impact advisory board and an in-house impact investment process, the IMAP system, which aims to score each company's potential impact according to four criteria: Intentionality, Materiality, Additionality and Potential.

Case study: Task Force on Climate-related Financial Disclosures (TCFD)

UBP is a supporter of the Task Force on Climate-Related Financial Disclosures (TCFD) (<https://www.fsb-tcf.org/tcf-supporters/>) and is committed to integrating the recommendations. Aligned with the recommendations, UBP's approach encapsulates:

- **Governance:** Climate-related issues are under the supervision of UBP's Executive Committee, and addressed at the ExCo, RICO and CSR Committee levels;
- **Strategy:**
 - ▶ Completely offset UBP's carbon footprint in 2021, and reduce our footprint by 25% by 2022;
 - ▶ Aim to reduce the carbon footprint of investment portfolios and develop lower carbon product offering.
- **Metrics & Targets:** Reporting on weighted average carbon intensity is already in place for our Sustainable and Impact product offerings. Reporting of weighted average carbon intensity across all funds is to be rolled out gradually.
- **Risk Management:** The use of climate scenarios and climate risk management is planned.

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

General

Manuals and directives at UBP are in place and are updated regularly. For this, UBP's Compliance department supports and advises the management in implementing and monitoring regulatory measures by providing an appropriate regulatory framework on fundamental subjects. In jurisdictions where the local regulator has requirements above and beyond those policies in Switzerland, these regulations will accordingly also be implemented.

In order to assure and assess the processes, 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 lines 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.).
 - ▶ Compliance anticipates and manages regulatory risks in the interests of the Bank and the Group. Compliance covers permanent controls of regulatory restrictions or requirement such as best execution, best selection, monitoring of conflicts of interest, personal account dealings, cross-border activities, etc.
- 3rd level: Internal and external audit.

Internal Audit determines whether the Bank and Group's governance, processes, systems and control environments are effectively in place.

Stewardship policies

UBP has put in place an array of stewardship-related policies, including but not limited to:

- Responsible Investment Policy: An overarching policy that codifies UBP's commitments to responsible investment and details the scope, governance and practices. Available [here](#).
- Implementing Shareholders Rights Directive II: This policy describes how UBP:
 - ▶ Monitors European companies including strategy, financial and non-financial performance as well as risk, capital structure, social and environmental impact and corporate governance;
 - ▶ Dialogue with the investees companies and collaborative engagement;
 - ▶ Exercises Voting Rights;
 - ▶ Manages actual or potential conflicts of interest in relation to their commitment.

The policy is available [here](#).

- Voting Rights Policy: Policy details how UBP Asset Management (Europe) S.A. exercises voting rights actively, independently and exclusively in the interest of investors, including the integration of ESG into decisions. The policy is available [here](#).
- Remuneration Policy: Lays out how the concept of Sustainability is integrated into UBP staff's remuneration. Available [here](#).

We believe that the governance structure as laid out under principle 2, with the Responsible Investing Committee reporting to the ExCo, supported by the Compliance department including Regulatory Watch, means the UBP's stewardship policies remain effective and address developments in clients' preferences, industry practices and regulations.

Case study: UBP's Responsible Investment Policy

UBP's RI Policy is the mainframe for our responsible investment and stewardship approach. First implemented in 2014, the RI Policy went through a significant update in 2018 to reflect our ambition, extending the scope of the policy as well as enhancing the practices. Nevertheless, since 2018 the industry's and our clients' understanding of, and needs for, responsible investment, ESG, sustainability and stewardship have continued to evolve and as such UBP, led by the RICO and supported by the Compliance department, have made incremental changes to ensure best-practice. For example:

- Strengthening UBP's Sustainability Governance including the creation of a CSR Committee to ensure alignment of practices between entity and investments;
- Deepening of the Exclusion Criteria for UBP's Sustainable and Impact Range;
- Adding Tobacco to its Exclusion List.

Assurance

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:

- 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 and reviewed and signed-off by the ExCo.
- Internal Audit: In 2019, UBP's Responsible Investment process underwent an internal audit of RI Policy implementation. The outcome was satisfactory.
- As part of the evaluation process in order to obtain the French ISR Label, some of our funds are annually audited with regards to their responsible investment by Ernst & Young.
- In 2020, UBP teamed up with PWC to analyse the impact of the EU Action Plan on Sustainable Finance on UBP. Although not a formal audit, the approach undertook a gap-analysis of UBP's current positioning with regards to sustainable finance including our ESG practices.

INVESTMENT APPROACH

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

Client base

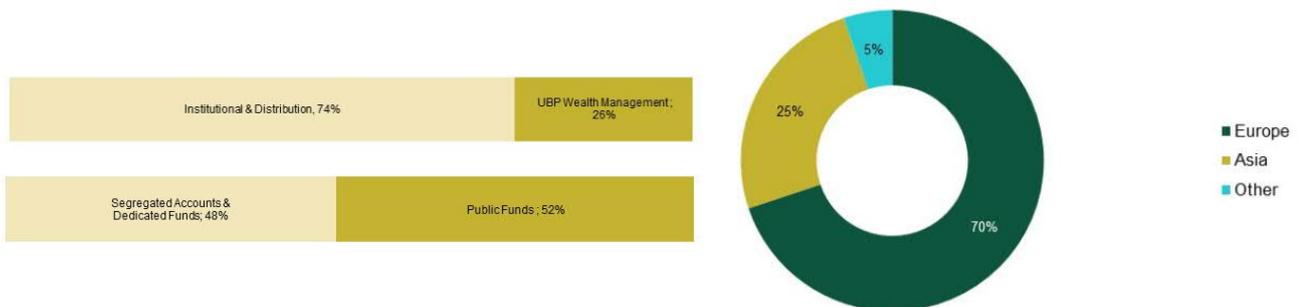
UBP strives to serve the whole spectrum of both local and global institutional clients and we distinguish between such investing for their own balance sheet and such who act as distributors. We have a good equilibrium between corporates, pension funds, insurance companies, banks, central banks and family offices. We apply a dedicated approach for 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 of 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 who directly follow their field consultants.

As of 31.12.2020, UBP had total assets under management of CHF 147.4 billion, of which the Asset Management division was responsible for managing CHF 43.2 billion.

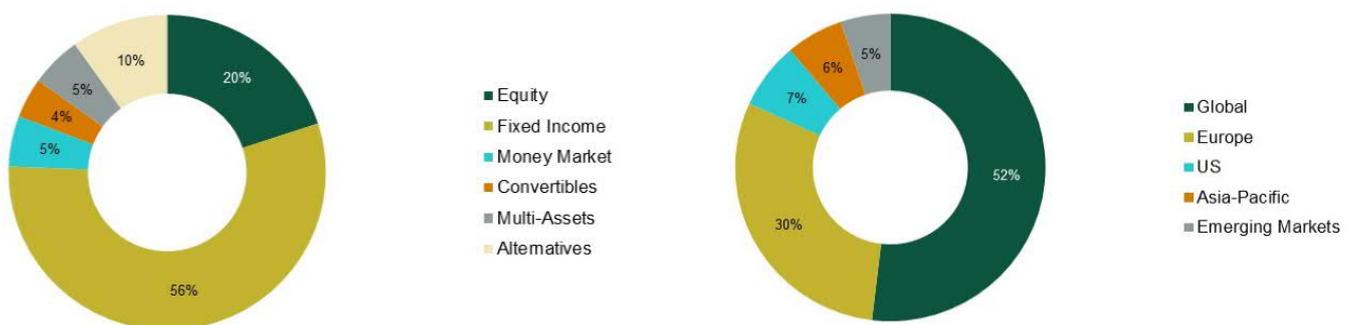
Asset Management division's AUM split

Client type and product



Source: UBP Asset Management, 31.12.2020

Asset class



Source: UBP Asset Management, 31.12.2020.

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 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 in order 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.

Case study: Winning a UK Pension mandate 2020: 10 - 20 year time horizon

In 2020, via our Impact Platform, UBP participated and won a prestigious £75 - 100 million UK Pension mandate to manage an equity portfolio of companies showing a net positive contribution to the UN SDGs with a focus on business models expected to survive and prosper on a genuinely long term (10-20 year) time horizon. Our Impact Platform demonstrated that we had the investment process to identify both UN SDGs contributors and mitigate ESG risk along with fundamental financial analysis, and in addition critically the active ownership practices, in particular via engagement, to deliver towards such a horizon.

Client coverage

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 exceptional client service related to asset management.

We believe our clients are best served by locally based relationship management teams. To this end, we dispose of 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. The client relationship manager is responsible for acquisition and business development as well as providing high-level client service. He or she maintains a dialogue with his clients as well as delivers regular updates on market developments, research, products and other areas of interest. Our client-focused approach in combination with a local coverage creates strong relationships.

We put high emphasis on understanding our clients' needs in a changing environment (regulatory framework, markets) and to coordinate these needs while liaising with the requisite investment team as well as other experts in their respective fields. As such, the client relationship manager can draw on the support of dedicated staff embedded in the Asset Management division.

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), that of the investor (e.g. professional or qualified investor, retail investor, etc.), on the suitability of the fund for the investor, etc. The Compliance department organises second-level spot checks on compliance with the above-mentioned rules.

Our staff includes experts which cover marketing-related aspects (providing comprehensive written material on our products and markets), investment specialists with responsibility for asset classes, a central RFP team which handles requests for proposal and due diligences 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.

With regards to responsible investment, stewardship and sustainability UBP engages with our clients to determine their needs and to educate them about our approach. UBP's RI Policy is applicable by default to all new segregated mandates and as such ensures a conversation with clients about responsible investing.

We believe that education is core 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 aligned with our enhanced offering, UBP is increasingly participating in roadshows dedicated to ESG. UBP's experts also regularly appear in the press and on the television. In addition, initiatives such as Swiss Sustainable Finance, of which UBP is a partner, have as a mission to strengthen the position of Switzerland in the global market place for sustainable finance by informing, educating and catalysing growth.

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

Case study: Investor education

UBP firmly believes that in order to achieve long-term value leading to sustainable benefits for the economy, the environment and society, the conversation between clients and investment managers needs to be two way. Not only do we have to understand the requirements of our clients, but given our professional background and fiduciary duty, we have an obligation to educate our clients of potential risks, including those related to responsible investment. As such, UBP undertook in 2020 several educational seminars including a Pension Life and Savings Association webinar on "From ESG to Impact" shared with 800 UK pensions, investor roundtables organised by Pensions for Purpose and Camradata and UBP was part of the Mishcon Academy "Investing for Purpose" digital session. We also undertook some proprietary investor training both online and in person.

Investment Risk Management

In order to ensure that assets are managed in alignment with clients' stewardship and investment policies, UBP has implemented an extensive risk management framework. Risk management takes place at different levels:

- At the front-office level, i.e. within the portfolio management team;
- Independently on a UBP Group level by UBP Group Risk Management.

The responsibility of the investment teams is during the portfolio construction phase and this is fully integrated into the investment process. We aim to optimise all of our portfolios' risk-return profiles. As well as seeking out the investments with the best return prospects, this also involves carefully monitoring and managing risk. Each investment team's process involves disciplined risk management. Portfolio hard guidelines are encoded into the front office portfolio management tool to ensure investment compliance.

Independent risk management is ensured by UBP's Group Risk Management team which is incorporated into the Group Risks & Compliance division of the Bank. The team closely interacts on risk issues with other control functions of the Bank such as Legal Affairs, Compliance, Financial Controlling, Credit department as well as Internal Audit.

Reporting

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 accordingly by the relevant regulation. This obligatory reporting is complemented by additional reporting, which is made available to our investors, for example:

- Monthly financial reports (per share class of each Fund / sub-fund) that include portfolio characteristics, performance statistics and other quantitative measures (varying across asset classes). Specific ESG data may be included for our impact and sustainable strategies;
- Monthly institutional fact sheet (for the main institutional share class of each Fund / sub-fund). Specific ESG data may be included for our impact and sustainable strategies;
- Quarterly report with a qualitative focus, including a market comment, performance review, portfolio activity and outlook. Specific ESG data may be included for our impact and sustainable strategies;
- Regular performance attributions / contributions;
- Voting records and engagement activity are publicly available [here](#);
- Annual Impact report.

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

UBP's Annual Report has a section dedicated to "Responsibility" that focuses on both UBP's Responsible Investment and CSR achievements across the year. UBP plans to publish its first Sustainability Report in 2021 (reporting on 2020).

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 notes – all made available to our investors.

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

Integrating stewardship and investment

At UBP, we are active managers seeking to exploit all of the most rewarding sources of return in each asset class or market in which we invest – whether that be for our fixed income and equity portfolios through a pure bottom-up, a bias towards top-down, or a blend of bottom-up and top-down, for our multi-asset portfolios through strategic and tactical decisions, or for fund of funds through manager selection and asset allocation.

Our investment teams all rely on their own research and models to make their investment decisions and their approach is specific to each asset class. While the teams share data and inputs and views, a team does not select securities based on the research created by another team. Similar for macro-economic research, all teams can benefit from the research as provided by UBP's Economic & Thematic Research while they rely on their own macro views.

Investment processes are specific to the different teams, their asset classes and their strategies. Even if, for instance, two different equity teams apply a top-down approach, they may be driven by a different purpose, e.g. the objective to implement thematic ideas versus understanding the impact of a top-down overlay on the risk orientation of a portfolio.

Moreover, and as a signatory to UN PRI, 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 and thus ESG analysis and considerations, including active ownership, are assessed and incorporated throughout all our investment processes, with different degrees of integration. We have accordingly put in place a Responsible Investment Policy across our different investment areas that evokes the following practices:

- Encourages the **incorporation of ESG research and analysis** throughout our investment processes. As such, UBP's investment teams are encouraged to assess ESG factors as part of their research and security selection processes as well as an ongoing systematic assessment of portfolio holdings and candidates for investment. Their decisions and recommendations are based on analytical work which includes ESG issues where appropriate, in the sense that such issues may be detrimental to a company's, or indeed a sector's or a country's, growth prospects, or detrimental to the environment and the society as a whole. For those ESG issues, our teams rely on the information they collect 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 third-party specialist research providers such as, to cite a few: MSCI ESG Research LLC, Sustainalytics, RepRisk or ISS.

With regards to listed companies in the European Union (EU), the European Economic Area (EEA) and the UK, and in light of the EU Shareholder Rights Directive II (SRD II), Equity investment teams consider issuers' ESG credentials as an integral part of their decision process alongside more traditional financial metrics, and engage where necessary with investee companies.

- **Negative screening** via an:
 - ▶ **Exclusion List:** Companies involved in controversial weapons; generate 5% or more their revenues from nuclear weapons; generate 20% or more of their revenues from thermal coal extraction; produce tobacco and companies deriving 10% or more of their revenues from tobacco; securities under sanctions or in FATF High Risk Countries.
 - ▶ **Watch List:** Companies "red-flagged" by MSCI's ESG Research LLC alert as embroiled in controversies such as not adhering to international norms and principles including the UN Global Compact and ILO Core Conventions. This is not an exclusion list, but investments into said companies must be justified.
- **Sustainability Champions List** that promotes companies that, either through their processes or end products, make a positive contribution to society and / or the environment.
- **Engagement** with companies on an ongoing basis, with particular focus on those deemed to be failing in ESG factors. By sharing with them the rationale behind our considerations, UBP is encouraging those companies to address those considerations.
- Finally, to act in the best financial interests of our clients in the long term, UBP exercises the **voting rights** attached to investments whenever possible. UBP adopts a principle of voting to promote business practices mindful of environmental, social or corporate governance issues, in line with the UN PRI principles.

In addition, stricter ESG criteria are applied in our sustainable and impact strategies. Most of them for instance target a lower carbon footprint than their investment universe, exclude companies in breach of UN Global Compact and other international norms, while some focus on positive impact activities that contribute to the financing of the UN Sustainable Development Goals. These strategies would typically have an extended business involvement exclusion list, comprising for instance unconventional oil & gas, coal-powered electricity, weapons or adult entertainment. Many also directly engage with companies on an ongoing basis, with particular focus on those deemed to be failing in ESG factors. By sharing with them the rationale behind our considerations, UBP is encouraging those companies to address these issues.

Service providers

When partnering with service providers for facilitating our stewardship practices, UBP ensures that the service providers' policies and processes are aligned with our requirements.

ESG integration examples

Case study: Developed Equity

In 2020, a Dutch semi-conductor supplier has been added to several of our Global Equity strategies. The company was initially screened for its MSCI ESG rating of AAA combined with a history of high and stable Cash Flow Return on Investment (CFROI⁶³). The qualitative ESG analysis gathered via research and meetings with the company, showed strong Human capital development and governance, and the financial modelling featured attractive growth rates driven by an expected strong need for semiconductor equipment in order to facilitate trends in green tech and energy efficiency. High levels of R&D spend are supporting the above average CFROI profile.

Case study: Impact Developed Equity

A US online education provider has a strong impact case as it helps lower income students get better access to college education and be better supported whilst they are there, for a relatively low cost. However, the company does not score well from an ESG perspective as it does not provide adequate disclosure on data protection or how it handles potential issues of plagiarism. After engaging with the company, we are reassured that procedures are in place, and reporting will improve (the company is working on a new set of ESG disclosures). However, until this is the case, it has put a limit on the size of position we are comfortable owning.

Case study: Impact Emerging Market Equity

Companies based in the Emerging Markets are generally behind Europe in terms of ESG standards and thus this needs to be factored in when managing Emerging Market portfolios. As such, in many cases we choose to invest in companies if we see a readiness to engage and willingness to move towards better ESG disclosure and practices. In cases where companies have low standards and are not ready to engage, this would act as a signal to not invest. For example, in 2020 UBP's Impact Investment team had identified an electric vehicle and battery supply chain company as a potential investment candidate. Given the use of cobalt in the supply chain, and no controversies surrounding the mining of the material, the fact that the company did not have an international audit of their suppliers, nor good practices in disposal of hazardous waste and lack of focus on recycling, all acted as flags against the company's ESG practices and we decided against holding the company.

Case study: Developed Fixed Income

Within the European utilities sector UBP's Global and Absolute Return Fixed Income team have tilted portfolio allocation throughout 2020 towards leaders in renewable energy as measured by the share of renewables in their power generation fleet. The team believes specific names are the main enablers of the decarbonisation of economies and are best positioned to be winners in a low carbon world. From a credit perspective, growth in renewables improves the quality of revenue, as solar and wind power prices are typically fixed by Power Purchase Agreements (PPAs) or government subsidies. Furthermore, due to significant demand from infrastructure investors, these assets can be attractively monetised to fund capex and support the balance sheet as needed.

³ Source: CFROI[®] Credit Suisse HOLT

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

General

UBP works with an array of service providers, who can range from, for example:

- Custodians, administrators, auditors and consultants
- Portfolio management system, trading and middle-office tools
- IT and security architecture
- Research providers
- Other i.e. Proxy voting and engagement service providers

In all cases, UBP has policies for procurement and supplier management in place. The process for selecting suppliers is based on due diligence that covers different areas such as financial and security assessment, and clearly defines roles and responsibilities for review and management oversight over supplier and outsourcing relationships.

UBP monitors, on an ongoing basis, the performance of the service providers on a risk-based approach. KPIs and SLAs are put in place and the activities of the service provider are monitored and evaluated on an ongoing basis.

Below we take a closer look at “Research Providers” and “Other i.e. Proxy voting and engagement service providers”.

Research providers

As active managers, research is paramount to executing our investment edge. Our investment teams use 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.

The advantage of this approach is that our investment teams can cross check information from several sources in order to verify for consistency. Discrepancy leads to further research and engagement.

Case study: Swiss Company

A Swiss Company had been red-flagged by a Service Provider for its involvement in controversies related to Human Rights, Governance and Customers impacts. The Company faced concerns related to Bribery & Fraud, Anticompetitive Practices, and Product Safety & Quality. UBP’s Swiss & Global Investment team held the position based on their knowledge of the company and their current practices acquired through engagement with the management and other sources. Further in 2020, the company improved their communication relating to ESG and controversies. As such, UBP believed there was a mismatch of information and entered into engagement with the Service Provider. In November 2020 the Service Provider removed the red-flag.

Other i.e. proxy voting and engagement service providers

In order to best execute our stewardship practices, UBP:

- Has partnered with **Sustainalytics**, a leading global engagement service provider, to maximise the influence of its engagement activities via a collaborative approach. This partnership is essential in facilitating the implementation of our RI Policy and achieving sustainable change in the chosen companies, while also offering our investment professionals an additional platform to identify and research ESG controversies.
- Exercises its voting rights through Institutional Shareholder Services (**ISS**), an industry-leading, third-party voting service provider. ISS offers global coverage of the securities markets and provides information regarding investee companies, including agendas of meetings and all the research material needed to assess the items to be voted upon. ISS offers a central hub for managing all the votes and providing operational, record-keeping and reporting services. To exercise its voting rights, UBP has adopted ISS’ Sustainability voting policy,

Our investment professionals have access to our service provider platforms, with the option of communicating with, or in the case of voting, overwriting under the supervision (involving a veto and a final decision right) of the relevant Management Company for funds, or according to client requirements in the case of mandates.

ENGAGEMENT

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

Being an active investor, engagement is part of UBP's fundamental approach to the investment process. UBP believes that combining forces with other investors when engaging with companies will increase its impact in influencing behaviour or increasing disclosure of such companies. Moreover, UBP sees engagement as a tool for a long-term active ownership process based on the assumption that changes in business drive positive changes in corporate value.

Engagement is undertaken at UBP via three channels: Internal, Engagement Partner, Collaborative (described in Principle 10 below).

Internal

Company engagement by internal staff is initiated when deemed appropriate as a result of an investment team's research process. Such engagement typically focuses on understanding a company's approach to ESG, while specific issues such as disclosure may also be addressed. For certain products and investment teams engagement is a key component of the strategy. Our investment teams are independent from one another with each having a specific process and style tailored to their asset class and investment purposes.

Case study: Impact Engagement Framework

As part of our Impact Platform's investment process, a full Impact Engagement Framework has been conducted on our Positive Impact Equity strategy. The 100% response rate gives a valuable snapshot of the state of future fitness among companies we believe to be positive impact fixers. The responses were heat mapped. The colours, grouped into themes, are not intended to be punitive; we do not expect twelve green rectangles. No company is the perfect impact name, some of our portfolio companies have been in business for over 100 years and we recognise that it takes time to evolve. The path of travel is more instructive than a snapshot along the journey.



Source: UBP Impact Report 2019

Engagement partner

To maximise the influence of its engagement activities, UBP has teamed up with a third-party engagement service provider, Sustainalytics⁴. Sustainalytics is a leading global engagement service provider specialising in collaborative engagement. This partnership is essential in facilitating the implementation of our RI Policy and achieving durable change in the selected companies.

When an investee company is flagged by Sustainalytics' 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 of said investment. Engagement cases are selected on the basis of the results of the 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.

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

- UBP's public funds (and mandates on request) and positions are uploaded onto the Sustainalytics' secured web platform on a quarterly basis.
- Upon identifying potential violation of UN Global Compact principles in relation to invested companies, the engagement manager notifies UBP and places the company under observation.
- A detailed analysis is undertaken to prepare an engagement plan.
- Ongoing shareholder engagement is entered into.
- Actions, possibly including divestment are determined.

Investment teams as well as other UBP staff related to Responsible Investing have access to Sustainalytics' secured web platform. There is an ongoing exchange between our investment professionals and Sustainalytics regarding specific questions on research provided by Sustainalytics and / or their methodology. In addition Sustainalytics provides quarterly reports on progress on each opened engagement case.

Case study: Sustainalytics engagements 2020 on UBP holdings

In 2020, Sustainalytics engaged with 48 companies held in UBP portfolios on 57 issues of which 7 were resolved. 26 milestones were achieved where a company committed to addressing the issue, developed a strategy to address the issue or was in an advance stage of implementing the strategy.

As of 31 December 2020, Sustainalytics has 39 ongoing cases involving 36 companies held in UBP portfolios. Of these, approximately 30% are on Governance, 15% on the Environment and 55% on Social factors (human rights and labour rights).

The engagement report is publicly available [here](#).

⁴ <https://stewardship.sustainalytics.com/>. UBP originally used Global Engagement Services which was acquired by Sustainalytics in January 2019.
Union Bancaire Privée, UBP SA | Asset Management | The UK Stewardship Code Report

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

At UBP, we agree with the UN PRI statement that stewardship suffers from a collective action problem and as such we undertake collaborative engagement, seeing such engagement as a way to build knowledge, increase efficiency and enhance power and legitimacy.

Engagement partner

As mentioned under principle 9, UBP has partnered with Sustainalytics to engage with companies being 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.

Please refer to principle 9 for examples.

Collaborative

UBP undertakes collaborative engagement via the UN PRI platform, or other platforms such as GIIN, FAIR, CISL, at the initiative of the RICO or investment teams, with companies or policy makers.

Case study: UN PRI Palm Oil Working Group

UBP is a member of the UN PRI Palm Oil Working Group. As such, the Working Group started to actively engage with ASEAN Banks who finance palm oil activities since the end of 2019 and to engage with ASEAN companies that buy palm oil from producers. In general the Working Group is trying to find creative ways to encourage companies to change their policies by engaging with different stakeholders, i.e. governments and traders. The Working Group is also growing with 7 more signatories this year bringing it to a total of 64. In 2020, two producing companies have now started to engage with us, bringing it to a total of 17 companies. We have in general more recurrent dialogues with companies with both producers and ASEAN Banks.

Case study: Nature is Everyone's Business Call to Action

As a collaborator of the Leaders' Pledge for Nature adopted by more than 75 Heads of State during the UN General Assembly, UBP sent the President of Brazil a letter in November 2020 encouraging Brazil to sign the Pledge and provide a strong signal to business of the willingness and co-operation that exists to facilitate the transition towards a more sustainable, circular economy that respects the limits of the planet.

Case study: Investor letters to meat processors in Brazil

Coordinated by the PRI-Ceres Investor Initiative for Sustainable Forests, UBP was a signatory to several letters to Brazilian companies regarding their management of deforestation and traceability within their cattle supply chains. Of note, shortly after the letter was sent, one company made new commitments regarding deforestation. They committed to investing R\$ 500 million into sustainability by 2030, as well as to achieving full traceability in the Amazon by 2025 and the Cerrado by 2030, thus aiming to have a deforestation free supply chain by 2030.

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

Internal

The majority of our internal engagement undertaken by our investment teams are focused on obtaining a holistic understanding of a company's strategy and ESG practices.

When UBP does engage with a company in order to influence its practices, this is often with regards to disclosure and often with small to mid-cap sized companies. In such cases we see engagement as a long-term collaborative effort with listed companies, involving investigation and guidance both ways, although escalation can result in actions such as collaborate with other investors, reduce weight or full divestment.

Finally, a few of our strategies have dedicated engagement policies with specific sectors identified for engagement and escalation strategies.

Case study: Sustainable and Impact product range

Funds in UBP's Sustainable and Impact product range have a dedicated engagement policy which addresses, among others, the conventional Oil & Gas and Electricity Generation sectors. There is systematic engagement from the commencement of a position (within 90 days of initial investment). The first interaction clearly states our goals, intentions and escalation strategy in the case of unsuccessful engagement. The engagement takes the form of both a current-state assessment and an analysis of the strategies deployed by the company to transition to a lower-carbon economy. The objective is to get greater disclosure on financial impacts about portfolio resilience and 2°C transition planning. When engaging with companies on these issues, we follow the recommendations set out by the Financial Stability Board – Task Force on Climate-related Financial Disclosures (TCFD).

Engagement can be deemed unsuccessful if the KPIs are not reached. Tools used by the team in such cases include reducing the weight, seeking collaboration with other investors or divesting.

Case study: Engagement tracker

In order to better track, share and measure our engagements, in 2020 UBP has teamed up with an external B-Corp to develop an engagement tracker. This engagement tracker, which should be deployed in 2021, will allow investment teams to log engagements, set escalation alerts, share engagement interactions across UBP's investment professionals and provide data points for reporting purposes.

Engagement partner

Our engagement partner, Sustainalytics, defines engagement goals, or change objectives, which help direct the engagement and make it possible to measure progress, in milestones, along the way. Milestones are defined as steps taken towards achieving the engagement goal. The engagement objectives therefore have to be both actionable and measurable. When the engagement goal is achieved, the case is resolved.

EXERCISING RIGHTS AND RESPONSIBILITIES

Principle 12: Signatories actively exercise their rights and responsibilities.

UBP believes that voting rights enable investors to preserve long-term economic value through the promotion of corporate governance and sustainable best practices. Proxy voting is applicable across our equity funds⁵ and - upon request from clients - to their dedicated mandates. Our voting policy aims to achieve two primary objectives:

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

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

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

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

- Support and empower effective boards of directors that:
 - ▶ Feature the skills and understanding to review and challenge management performance,
 - ▶ Are of adequate size,
 - ▶ Demonstrate an appropriate degree of independence and commitment.
- Support appropriate governance by management bodies (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.

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

UBP's voting policy is accessible at <https://www.ubp.com/en/our-offices/ubp-asset-management-europe-sa>

UBP is also committed to report on its voting activity.

For the period from January to December 2020, UBP Asset Management (Europe) S.A.'s, UBP's Luxembourg Management Company, voting highlights include:

- Voting in 97.5% of the voteable meetings related to its holdings.
- Considering all the votes cast, voting 99% of times in line with ISS Sustainability Policy and 10% against management.
- Looking more specifically at Shareholders' proposals on Environmental and Social issues, UBP voted 81% against management, in line with ISS Sustainability Policy.

Our voting activity records are published annually [here](#).

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

⁵ For practical reasons, funds under EUR15 million in assets are excluded from scope.
Union Bancaire Privée, UBP SA | Asset Management | The UK Stewardship Code Report

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