



# SUSTAINABILITY-RELATED DISCLOSURES

## UBAM – Global Fintech Equity

Date: December 31, 2022



# SUSTAINABILITY-RELATED DISCLOSURE

## UBAM – GLOBAL FINTECH EQUITY – ARTICLE 8

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### Summary

This Sub-Fund invests its net assets primarily in worldwide equities and other similar transferable securities of companies specializing in financial technology (Fintech).

It promotes environmental characteristics but does not have as its objective sustainable investment.

The environmental characteristic promoted is to maintain a lower weighted average carbon intensity than the MSCI AC World NR, paying attention to issuers' activities, greenhouse gas (GHG) emissions and climate strategy. The index is a standard reference representing the Sub-Fund's universe but is not aligned with the environmental and social characteristics promoted by this Sub-Fund.

The Investment Manager takes into consideration and seeks to minimize the following potential principal adverse impacts of its investments: 1) GHG Intensity of Investee Companies, 2) Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and 3) Exposure to Controversial Weapons.

The ESG approach is embedded in the investment process as ESG considerations can be an important driver for risks associated with an investment and for maintaining or improving the Cash Flow Returns on Investment (CFROI®. Source: Credit Suisse Holt) of a company. The Investment Manager first performs a negative screening and a norms-based screening to filter the investment universe. ESG-related information is then directly integrated into the proprietary Discounted Cash Flow (DCF) models of companies. The portfolio construction will consider the overall ESG score as well as the contribution to risk that arises from ESG exposures. Company specific and portfolio factors including ESG developments are considered when monitoring the portfolio and deciding to exit positions.

The ESG analysis, conducted internally or externally, covers 100% of the portfolio's equity holdings.

This Sub-Fund intends to have a minimum of 90% of its assets aligned with the environmental or social characteristics promoted.

The binding criteria used to attain each of the environmental and/or social characteristics promoted by the Sub-Fund are integrated in control systems, to ensure pre- and post-trade checks. Compliance is monitored by the Risk department on an ongoing basis.

The Investment Manager may use data reported directly by issuers or sourced from third-party data providers such as MSCI ESG Research or Sustainalytics. The service and data quality provided by third-party ESG data providers are reviewed regularly.

Depending on the metric considered, some data may be estimated by data providers. Although the Investment Manager applies a thorough selection process of third-party providers, their processes and proprietary ESG methodology may be flawed. As a result, there is a risk of incorrectly assessing an issuer, resulting in an inappropriate capture of ESG risks and potential incorrect inclusion or exclusion in the product. This is expected to have limited impact on the overall environmental and/or social characteristics promoted by the product.

The investment due diligence process ensures that the investment decisions comply with the objectives and the investment strategy of the Sub-Fund. The consideration of sustainability-related risks is integrated into the investment decision-making process to ensure better-informed investment decisions as well as awareness of the risk exposure. The first level of due diligence is conducted by the Investment Manager, while the second level is conducted by the Risk department.

Engagement with investee companies may occur. It can be conducted collaboratively as well as, on an ad-hoc basis, directly by the investment team.

The Investment Manager exercises its voting rights, in line with the voting policy which follows sustainability principles.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Sub-Fund.

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### No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

Some mandatory principal adverse impacts from Table 1 of Annex 1 are taken into account primarily through the investment research, the application of the exclusion list and of the norms-based screening. These are also taken into account via the Sub-Fund's objective of maintaining a weighted average carbon intensity lower than that of the investment universe.

This Sub-Fund does not invest in companies flagged as being in breach with UN Global Compact according to the respective analyses by both external providers MSCI ESG Manager and Sustainalytics. For issuers not covered by external data providers the Investment Manager undertakes and documents its own analysis based on company filings and other sources.

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### Environmental or social characteristics of the financial product

This Sub-Fund promotes environmental characteristics by targeting a lower carbon footprint than its benchmark, the MSCI AC World NR, paying attention to issuers' activities, greenhouse gas (GHG) emissions and climate strategy in order to maintain the Sub-Fund's weighted average carbon intensity below that of its benchmark.

The benchmark is a standard reference representing the Sub-Fund's universe but is not aligned with the environmental and social characteristics promoted by this Sub-Fund.

The sustainability indicator used for carbon footprint measurement is the weighted average carbon intensity, in tons of CO<sub>2</sub> per million of USD revenues.

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### Investment strategy

This Sub-Fund invests its net assets primarily in worldwide equities and other similar transferable securities of companies specializing in financial technology (Fintech). In addition thereto, on an ancillary basis, it may invest in warrants on transferable securities, convertible bonds or bonds with warrants on transferable securities, bonds and other debt securities, money market instruments, issued by technology companies worldwide (including Emerging countries).

This Sub-Fund is selecting financial technology or financial technology-related stocks world-wide, primarily companies which are offering innovative financial products/services and companies offering Fintech technology/infrastructure, including services, software and hardware as a significant part of their business.

The investment strategy is focused on companies with strong and sustainable future growth, as well as high/stable or rising levels of Cash flow return on investment (CFROI®). (Source: CFROI® Credit Suisse HOLT).

The ESG approach is embedded in the investment process of the Sub-Fund and the selection of stocks includes ESG criteria. ESG considerations can be an important driver for risks associated with an investment and for maintaining or improving Cash Flow Returns on Investment (CFROI®) of a company.

ESG criteria have always formed an integral and necessary part of the investment process. The Investment Manager performs a negative screening and a norms-based screening to filter the investment universe. ESG related information is entering the proprietary Discounted Cash Flow models of companies. The portfolio construction will consider the overall ESG score as well as the contribution to risk that arises from ESG exposures. Company specific and portfolio factors including ESG developments are considered when monitoring the portfolio and deciding to exit positions. Through direct engagement with companies, and proxy voting according to the Voting Rights Policy, the Investment Manager ensures obligations as responsible shareholders are fulfilled.

The binding element of the investment strategy used to select the investments to attain the environmental characteristics promoted by this Sub-Fund is the objective of maintaining a weighted average carbon intensity lower than the benchmark

at all time by paying attention to issuers' greenhouse gas (GHG) emissions and climate strategy while selecting investments. In practice, the Investment Manager avoids or excludes stranded assets which intrinsically represent value destructive economic growth and pose systemic risks and liabilities e.g. coal and other hydrocarbon resources. Certain industry segments are also partially excluded given their high carbon intensity:

- conventional oil & gas ;
- unconventional oil and gas extraction and other unconventional oil and gas activities;
- thermal coal extraction or power generation derived from coal, nuclear sources or oil & gas.

Moreover, the potential CO<sub>2</sub> emission compensation cost increase is taken into account in the Investment Manager's proprietary forecasts of companies' cash flows that drives investment decisions.

There are other exclusions that are also binding. Namely, selected stock issuers should:

- not be in breach international standards of UN Global Compact
- not be involved in controversial weapons, nuclear weapons, tobacco production or adult entertainment production;
- have limited exposure to other weapons, other tobacco revenues and other adult entertainment revenues (revenue thresholds apply).

Finally, the ESG analysis should cover 100% of the Sub-Fund's portfolio equity holdings. For companies not covered by MSCI ESG Research or other data providers, the analysis is conducted by the Investment Manager.

Good governance practices are a prerequisite for companies' performance and in order to ensure the promotion of environmental and social characteristics and are an integral part of the Investment Manager's selection criteria. The Investment Manager assesses good governance practices through its fundamental research sourced from company meetings and publications, which is supplemented and cross-checked by ESG data from third-party service providers. Particular attention is paid to sound management structures, employee relations, remuneration of management and staff and tax compliance, notably as part of the proxy voting decisions. Moreover, the norms-based screening ensures that global norms are respected and enables to assess the responsible conduct of businesses and potential human rights violations. Engagement is also an integral part of the investment process and encompasses ESG aspects including governance practices.

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### Proportion of investments

This Sub-Fund intends to have a minimum of 90% of its assets aligned with the environmental and social characteristics promoted.

On an ancillary basis, this Sub-Fund may include investments not aligned with the environmental and social characteristics promoted, such as cash and derivatives used for share class hedging. These are not expected to have an impact on environmental and social characteristics of this Sub-Fund.

There are no minimum environmental or social safeguards on the cash portion.

The others investments are cash held in the Sub-Fund's portfolio for flows management purposes. There are no minimum environmental and social safeguards on the cash bucket.

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### Monitoring of environmental or social characteristics

The selection criteria used to attain each of the environmental and/or social characteristics promoted by the financial product have been implemented in our control systems. The Risk department (second level of control, fully independent) is in charge of the controls and of the coding of the defined elements within our control systems.

Blocking pre-alerts are automatically generated if a trade is initiated for an asset that is not authorised due to the binding elements of the financial product (e.g. exclusion rules).

Post-trade alerts are generated for excesses, and portfolio managers are notified the day after the breach.

In case of excess, rules are in place to ensure a return to compliance at the earliest possible moment and in the best interest of shareholders.

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### Methodologies

#### WACI

To assess the carbon emission intensity of the fund the Investment Manager uses the Weighted Average Carbon Intensity (WACI) scope 1 and 2, expressed in tons CO<sub>2</sub>e/USD million sales.

The carbon emission data is provided by an external provider and is classified per the Greenhouse Gas Protocol (GGP). This external provider collects the carbon emission data from all of the companies within their universe on a yearly basis. The data is sourced directly from company reports, such as annual reports or sustainability reports, CDP or government databases. If the data is not disclosed the external provider uses its internal methodology to estimate Scope 1, Scope 2 emissions

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### Data sources and processing

- (a) the data sources used to attain each of the environmental or social characteristics promoted by the financial product

The Investment Manager may use data from different sources, including information reported directly by issuers or third-party

data providers such as MSCI ESG Research and Sustainalytics.

- (b) The measures taken to ensure data quality

The Investment Manager reviews regularly the service provided by third-party ESG data providers and engages with them when needed to address potential issues, get a better understanding of the methodologies used or to increase data coverage. This is under the joint responsibility of the Responsible Investment team and the Market data team.

Data providers are requested to provide audited reviews of their processes on an annual basis.

- c) how data are processed

The Investment Manager relies on the information they collect from the issuers they analyse (including due diligence reports, management meetings, annual and sustainability reports), as well as from brokers and rating agencies supplemented by external ESG service providers.

Where possible, data feeds are required from data providers and are automatically integrated within our portfolio management system. Where necessary, additional ad-hoc data may also be used.

- d) the proportion of data that are estimated

Since the extent of corporate disclosure might vary by region and currently still lacks content and completion, the Investment Manager relies among other things on data from external third-party providers which may be estimated.

The level of estimation per indicator varies significantly depending on the extent of direct disclosure by issuers.

The proportion of estimated data is expected to decrease over time as greater data disclosure regulations come into force.

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### Limitations to methodologies and data

Although the Investment Manager applies a thorough selection process of third-party providers, their processes and proprietary ESG methodology may be flawed. As a result, there is a risk of incorrectly assessing an issuer, resulting in an inappropriate capture of ESG risks and potential incorrect inclusion or exclusion in the product.

This is expected to have limited impact on the overall environmental and/or social characteristics promoted by the product.

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### Due diligence

The investment due diligence process ensures that the investment decisions comply with the objectives and the investment strategy of the Sub-Fund. The consideration of sustainability-related risks is integrated into the investment decision-making process to ensure better-informed investment decisions as well as awareness of the risk exposure.

The exclusion policy acts as a first screening in the due diligence process and for funds with sustainable investment objectives, the indicators of the principles of adverse impact are used to ensure that the sustainable investments "do not significantly harm" any environmental or social objectives. The first level of due diligence is conducted by the Investment Manager. The second level of due diligence is conducted by the Risk department, which ensures on-going monitoring.

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### Engagement policies

Engagement with investee companies may occur. It can be conducted collaboratively as well as, on an ad-hoc basis, directly by the investment team.

#### Respect of International norms

The Investment Manager has teamed up with an external engagement partner to engage collaboratively in case a company held in its funds is identified as violating international norms, including the UN Global Compact.

Upon identifying potential violation(s) by invested companies of international norms, the external partner 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
- Provides updates on performance and next steps in real time on a continuous basis

As a reminder, according to the investment manager's Responsible Investment Policy, no investment in an issuer violating the UN Global Compact is allowed for SFDR art. 8 financial products.

### Climate Change

The Investment manager participates in collaborative engagement to promote climate disclosures and ambitious climate strategies, notably via the CDP.

### Direct engagement

Direct engagement with companies is part of the investment Manager's fundamental approach to the investment process as an active investor and takes place on an ongoing basis with the majority of core holdings. Direct company meetings are the preferred way of engagement, either on a one-to-one basis or in conjunction with other investors. Portfolio managers may also engage with data providers.

### Proxy Voting

The Investment Manager exercises its voting rights, in line with the Management Company's voting policy which follows sustainability principles.

More details on our voting policy and voting activity are available [here](#).

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### Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by this Sub-Fund.

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