



# SUSTAINABILITY-RELATED DISCLOSURES

## UBAM – Multifunds Allocation Responsible Income

Date: December 31, 2022



# SUSTAINABILITY-RELATED DISCLOSURE

## UBAM – MULTIFUNDS ALLOCATION

### RESPONSIBLE INCOME – ARTICLE 8

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#### Summary

The principal objective of this Sub-Fund is to responsibly capture investment opportunities by investing its assets in a diversified portfolio of funds having a sustainability component in order to provide investors with regular return, stability of the value while respecting the principle of diversifying investment risks.

It promotes environmental (E) and social (S) characteristics but does not have as its objective sustainable investment. However, it will have a minimum proportion of 10% of sustainable investments.

To promote these characteristics, the Sub-Fund will invest at least two thirds of its assets in funds classified as Article 8 and 9 products under the EU Sustainable Finance Disclosure Regulation (SFDR). It monitors the underlying funds to make sure they promote E/S characteristics, have sustainability indicators to measure the attainment of those E/S characteristics and respect their own principles towards E and S.

This Sub-Fund invests part of its assets in sustainable investments whose objectives may include

- environmental objectives such as climate change mitigation through resource efficiency: for example, through investments in funds with revenues from products or services that help reduce the consumption of energy, raw materials, and other resources
- social objectives such as major disease treatment: for example, through investments in funds with revenues from products or services for the treatment or diagnosis of major diseases of the world.

As part of its due diligence selection process, the investment manager seeks to select funds which have set up a proper process to ensure that the sustainable investments they invest in do no significant harm. In addition, the Investment Manager will monitor that the aggregate Sub-Fund and the selected underlying funds comply with the EU's "Do No Significant Harm" principle applicable to sustainable investments.

It is part of the process to select funds which take into account the possible adverse impacts on sustainability factors when selecting sustainable investments. In addition, the Investment Manager will monitor the indicators chosen by the relevant selected funds.

It is part of the process to select funds which include norm-based screening in their investment process. In addition, the Investment Manager will monitor the exclusion policy - including norm-based exclusion - chosen by the relevant selected funds.

Funds are selected in a multi-level review process based on both positive and negative criteria (exclusion). Sustainability research relies on the Investment Manager's proprietary ESG analysis which focuses on a thorough understanding of how responsible the selected funds and their asset managers are.

At least two thirds of the Sub-Fund's exposure to underlying funds will be made of funds classified as Article 8 and 9 products under the EU Sustainable Finance Disclosure Regulation (SFDR), including a minimum of 10% in environmentally and/or socially sustainable investments.

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 uses data from different sources, including information reported directly by fund providers or gathered through indirect engagement or third-party data providers such as, but not limited to, MSCI ESG Research, Morningstar/Sustainalytics or Bloomberg Finance L.P.

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.

As the Sub-Fund is a fund of funds, the Investment Manager does not directly engage with issuers. However, it engages with fund providers when it identifies that a holding may be conflicting with UBAM's Responsible Investment policy.

Moreover, the Investment Manager also monitors the engagement activities of the investee funds.

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 financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

However, it will have a minimum proportion of 10% of sustainable investments

The objectives of the sustainable investments that this Sub-Fund partially intends to make may include but are not limited to:

- environmental such as climate change mitigation through resource efficiency: for example, through investments in funds with revenues from products or services that help reduce the consumption of energy, raw materials, and other resources
- social such as major disease treatment: for example, through investments in funds with revenues from products or services for the treatment or diagnosis of major diseases of the world.

As part of its due diligence selection process, the investment manager seeks to select funds which have set up a proper process to ensure that the sustainable investments they invest in do no significant harm. In addition, the Investment Manager will monitor that the aggregate Sub-Fund and the selected underlying funds comply with the EU's "Do No Significant Harm" principle applicable to sustainable investments.

It is part of the process to select funds which take into account the possible adverse impacts on sustainability factors when selecting sustainable investments. In addition, the Investment Manager will monitor the indicators chosen by the relevant selected funds.

It is part of the process to select funds which include norm-based screening in their investment process. In addition, the Investment Manager will monitor the exclusion policy - including norm-based exclusion - chosen by the relevant selected funds.

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### **Environmental or social characteristics of the financial product**

The principal objective of this actively managed Sub-Fund is to responsibly capture investment opportunities by investing its assets in a diversified portfolio of funds having a sustainability component.

Through its selection process, this Sub-Fund is committed to investing primarily in funds compliant with Regulation (EU) 2019/2088 Article 8, which promote environmental and/or social characteristics, or Article 9, which have sustainable investments as their objectives.

The Investment Manager has a fund of funds approach. As such, the measure is done through the monitoring of the underlying funds (amongst the article 8/9) to make sure they promote E/S characteristics, have sustainability indicators to measure the attainment of those E/S characteristics and respect their own principles towards E and S.

At least two third of the Sub-Fund's exposure to underlying funds will be made of funds classified as Article 8 and 9 products under the EU Sustainable Finance Disclosure Regulation (SFDR).

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### **Investment strategy**

The principal objective of this Sub-Fund is to responsibly capture investment opportunities by investing its assets in a diversified portfolio of funds having a sustainability component in order to provide investors with regular return, stability of the value while respecting the principle of diversifying investment risks.

Sustainable considerations are part of the fund selection and the Investment Manager's overall investment process. Funds are selected in a multi-level review process based on both positive and negative criteria (exclusion). Sustainability research relies on the Investment Manager's proprietary ESG analysis which focuses on a thorough understanding of how responsible selected funds are but also the asset management firms managing those funds. Results are confronted with third party ESG ratings. All intentionality indicators provided in regulatory filing such as the prospectus will be assessed during the qualitative due diligence as well as other requirements at company and fund levels. Based on relevant information provided by the third-party fund managers and on Investment Management's proprietary due diligence process, which covers the assessment of funds' Sustainability, its intentionality and materiality, integration of Sustainability considerations is done at 3 levels:

Level 1: Exclusion criteria (negative screening)

The exclusion of controversial activities/sectors is determined by the Investment Manager's Responsible Investment policy which is regularly adapted to reflect the changing market environment. More information about said Responsible Investment policy is available on <https://www.ubp.com/en/investment-expertise/responsible-investment>

Level 2: Inclusion approach (positive screening)

The Investment Manager's investment process is based on qualitative assessment of all underlying funds. This Sub-Fund aims to responsibly capture sustainable opportunities by favoring strategies classified as Article 8 and 9 products under the EU Sustainable Finance Disclosure Regulation (SFDR).

Level 3: Portfolio construction

At least two third of the Sub-Fund's exposure to underlying funds will be made of funds classified as Article 8 and 9 products under the EU Sustainable Finance Disclosure Regulation (SFDR).

The Investment Manager actively engages with all funds in order to promote responsible investing and invite them to converge toward industry's highest standard in sustainable investing.

Through the due diligence of the selected fund, the Investment Manager assesses the good governance practice of the

selected fund with the possibility to engage at the asset management level.

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## Proportion of investments

At least two third of the Sub-Fund's exposure to underlying funds will be made of funds classified as Article 8 and 9 products under the EU Sustainable Finance Disclosure Regulation (SFDR), including a minimum of 10% in environmentally and/or socially sustainable investments.

Others Investments are cash and derivatives for share class hedging. There is no minimum environmental or social safeguards.

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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

### Sustainable Investments

UBP has developed an in-house methodology based on the latest developments of the EU Regulation in terms of sustainable investments:

#### 1) Eligibility

UBP considers eligible:

- Companies with an IMAP score (internal impact score) above or equal to 12/20. UBP's proprietary IMAP system (Intentionality, Materiality, Additionality and Potential) enables to gauge a company's social or environmental impact intensity in an impartial manner.

- Companies with an identified portion of their revenues that contribute to a social or environmental objective:

- Social investments cover matters such as nutrition, major disease treatments, education, sanitation, affordable real estate, SME financing or connectivity.
- Environmental investments include taxonomy-aligned investments as well as "other environmentally sustainable investments", which

cover other objectives not yet captured by the taxonomy.

- Use of proceeds and sustainability-linked bonds (SLB)

- Funds with a commitment to sustainable investments

#### 2) DNSH (Do No Significant Harm)

- For corporate issuers (equities, plain vanilla, use of proceeds bonds and SLBs)

We check that these companies do no harm, looking at:

- Principal Adverse Impacts: Companies assessed as having some significant adverse impact will not be considered sustainable.
- Misalignment with socially- or environmentally related SDGs: Revenues from companies assessed as strongly misaligned with such SDGs will not be considered sustainable.

- For sovereign issuers of use-of-proceeds bonds or SLB: countries subject to social violations (PAI 15) are not considered sustainable

- For municipalities, provinces and other sub-national issuers of use-of-proceeds bonds or SLB: issuers whose country is subject to social violations (PAI 15) are not considered sustainable

- For supranational issuers: all use-of-proceeds bonds and SLBs are considered not to do harm.

#### 3) Minimum safeguards (MS) and good governance for corporate issuers

Finally, we check that minimum safeguards and good governance apply by looking at controversies (breaches of international norms), governance quality, as well as avoiding some harmful activities.

#### 4) Accounting at issuer and portfolio level

- Equities, Corporate plain vanilla bonds

Provided that a company has a significant contribution and complies with DNSH and Minimum Safeguards, UBP considers "sustainable" only the share of revenues that contribute to a social or environmental objective, except for companies with an IMAP  $\geq 12$  for which we consider all revenues as sustainable (since our IMAP scoring system constitutes a thorough analysis of a company's environmental or social impact).

- Use-of proceeds bonds or SLBs

Provided that they pass all DNSH/MS tests, such instruments are accounted for 100% as sustainable investments

- Funds with a commitment to sustainable investments

These instruments are considered as sustainable in line with their commitment to sustainable investments

The weighted average proportion of socially and environmentally sustainable investments is reported at portfolio level.

This methodology relies primarily on quantitative screenings, based on third-party data. Overrides may occur on an ad-hoc basis. They must be fully documented and approved by UBP's Head of Sustainability and/or UBP's Head of Responsible Investment (AM).

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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 uses data from different sources, including information reported directly by fund providers or gathered through indirect engagement or third-party data providers such as, but not limited to, MSCI ESG Research, Morningstar/Sustainalytics or Bloomberg Finance L.P.

- (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

As the Sub-Fund is a fund of funds, the Investment Manager does not directly engage with issuers. However, it engages with fund providers when it identifies that a holding may be conflicting with UBP's Responsible Investment policy.

Moreover, the Investment Manager also monitors the engagement activities of the investee funds.

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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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