

Engagement Policy

UBS AG, London Branch – Wealth Management

Introduction

On 17 May 2017, the European Union (EU) adopted the second edition of what is known as the Shareholder's Rights Directive (SRD II). SRD II is one of a series of actions launched by the European Commission to promote long term investment strategies by asset managers, better shareholder engagement in investee companies and enhanced information flows across the investment community. To achieve these aims, SRD II requires asset managers to make disclosures about their engagement with the companies they invest in. The Financial Conduct Authority (FCA) implemented the engagement policy element of SRD II into its Conduct of Business rules, effective 10 June 2019. The FCA stated at the time of implementation the rules contribute to their objectives of market integrity, consumer protection and effective competition.

In line with FCA requirements this Engagement Policy outlines how UBS Wealth Management discretionary portfolio managers engage with and oversee companies invested in on behalf of its discretionary portfolio management clients. This policy applies to equity investments and covers all equities in UBS Wealth Management discretionary managed portfolios, except where stated as applying only to shares in scope of SRD II (i.e. EU companies whose shares are traded on an exchange within the EU).

1. Integration of shareholder engagement into the investment strategy

The engagement policy contemplated in SRD II is geared towards asset managers' own engagement as shareholders. However, in the UBS Wealth Management discretionary portfolio management arrangement, UBS Wealth Management acts on behalf of its clients when investing and holds assets as mere custodian. The client remains the ultimate owner of the shares invested in the discretionary managed portfolio and therefore this arrangement does not provide for UBS Wealth Management to exert influence as a shareholder, as further described below.

2. Exercise of shareholder rights

2.1. Rights to vote

Shares invested in UBS Wealth Management discretionary managed portfolios are held for the benefit of clients. They are client assets rather than UBS proprietary assets. As a consequence, clients are considered the ultimate owners including where shares are registered in a UBS nominee vehicle name.

In line with our General Terms and Conditions, UBS Wealth Management is not obliged to and does not exercise the right to vote at shareholder meetings, derived from shares invested in discretionary managed portfolios. This means, UBS Wealth Management will not, for example, vote at investee companies' annual general meetings.

However, where discretionary portfolio managers invest in shares subject to SRD II, shareholding clients are offered the ability to vote themselves at the company's general meeting. Clients who wish to exercise voting rights attached to their shares in scope of SRD II may request access to the voting platform of a third party provider engaged by

UBS Wealth Management to provide this service. Shares in scope of SRD II, therefore, provide the opportunity for clients to influence a company as a voting shareholder.

For all other shares outside of the scope of SRDII, UBS Wealth Management does not have the opportunity to exert influence over companies as a voting shareholder as UBS Wealth Management does not exercise the right to vote at shareholder meetings. **UBS Wealth Management can however exert influence through its engagement with investee companies during the investment decision making processes, as further described below.**

2.2. Other rights associated with shares

The client agreement authorises UBS Wealth Management discretionary portfolio managers to enter into arrangements on clients' behalf without recourse to the client. In line with this authority, UBS Wealth Management exercises at its own discretion other rights associated with shares in connection with corporate actions, for example, dividends, subscription rights and other capital measures.

When exercising such rights UBS Wealth Management will consider which choice is the most advantageous from an investment point of view, for example by analysing the value of taking up the rights offered or electing other courses of action.

3. **Selection criteria and monitoring of investee companies held in discretionary portfolios**

UBS Wealth Management selects companies for investment in discretionary managed portfolios based on quantitative and qualitative factors, including liquidity and risk factors, attractive valuations, positive momentum and sound company structure. As part of this due diligence, UBS Wealth Management discretionary portfolio managers consult public disclosures made by the company, interviews with company management and investor relations communications.

Once invested, UBS Wealth Management discretionary portfolio managers continue to monitor companies on important matters such as company strategy and business model, financial and non-financial performance and risk, market positioning, capital structure, and corporate governance. These factors are considered for each discretionary investment strategy. Where UBS Wealth Management promotes a discretionary portfolio as a sustainable investing (SI) portfolio, investee companies in SI portfolios are also monitored against UBS's SI rating delivered by our Chief Investment Officer (CIO). For monitoring purposes, secondary market research (both UBS and third party) and publicly available information is consulted.

4. **Exchanging views with company boards and company stakeholders**

As mentioned above, UBS Wealth Management discretionary portfolio managers consult public disclosures (results, annual reports, other announcements) and attend calls and meetings with management, boards and investor relations teams of companies invested in or that may be invested in on behalf of clients. These meetings are a key element of UBS Wealth Management stewardship oversight of the companies' whose shares are held in discretionary managed portfolios. From time to time, UBS Wealth Management discretionary portfolio managers also engage with employees, customers and competitors for their views.

5. Collaboration with other shareholders

For the reasons set out above under section 1. and 2., namely that the client remains the ultimate owner of shares invested in UBS Wealth Management discretionary managed portfolios and that UBS Wealth Management does not exercise voting rights at shareholder meetings, UBS Wealth Management does not collaborate with other shareholders to exert influence over investee companies.

6. Handling conflicts of interest

UBS Wealth Management manages the potential and actual conflicts of interest in relation to our engagement as a Wealth Management discretionary portfolio manager. For information on how we do this, please refer to the section titled 'Conflicts of Interest' in our General Terms and Conditions.