

# Global Policy on Research Independence

*Category: Legal, Compliance, Governance & Ethics*

**Issuer/Owner: General Counsel**

## Why do we have this policy?

The purpose of this policy is to protect the independence and impartiality of the Research Department, and prevent analysts from being involved in activities that could conflict with their ability to produce objective research.

## Key Requirements

The Research Department must produce investment research in an independent and objective manner. Research analysts ("analysts") must not be biased or inappropriately influenced by the interests of any issuer, by other business areas or business divisions, by any client, or by the personal interests of the analyst.

## Key Principles/Controls

1. **Section 1 → Purpose**
2. **Section 2 → Scope**
3. **Section 3 → Objectivity**
4. **Section 4 → Independence**
5. **Section 5 → Conflicts of Interest**
6. **Section 6 → Prohibition on Promises Regarding Research or Coverage**
7. **Section 7 → Communication Regarding Pending Research**
8. **Section 8 → Means and Timing of Distribution of Research**
9. **Section 9 → Disclosures**
10. **Section 10 → Research Involvement in Capital Markets Transactions**
11. **Section 11 → Administrative Matters**

**Infringements of this policy may result in disciplinary action, including dismissal.**



## Who does this policy apply to?

| Location |
|----------|
| Global   |

| Business Division |
|-------------------|
| IB                |

| Client Group              |
|---------------------------|
| Investor Client Services: |

|   |
|---|
| – Equities (includes Research and Prime Services) |
| – FX  |
| – Rates   |
| – Credit  |

|                             |
|-----------------------------|
| Corporate Client Solutions: |
|-----------------------------|

|                   |
|-------------------|
| – Advisory        |
| – Capital Markets |
| – Financing       |

| Business Division |
|-------------------|
| Corporate Center  |

|  |
|--|
| <b>Control and Logistics Functions (supporting UBS-IB)</b> |
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|                      |
|----------------------|
| – Legal & Compliance |
|----------------------|

# Policy

## 1. Purpose

The purpose of this policy is to protect the independence and impartiality of the Research Department, and prevent analysts from being involved in activities that could conflict with their ability to produce objective research.

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## 2. Scope

This policy applies to all investment research (“research”) prepared by the Securities Research Department of UBS-IB (the “Research Department”). All Corporate Client Solutions<sup>1</sup> (“CCS”), Investor Client Services<sup>1</sup> (“ICS”) and Research Department<sup>1</sup> staff are required to abide by this policy, as well as any additional or more stringent requirements imposed by local law or regulation including the [Global Procedures for Securities Research \(excluding US Equity Research\) Interaction with IBD and Companies](#) and the [US Procedures for Equity Research Interaction with IBD and Companies](#).

**The production of research in individual jurisdictions may be subject to additional local requirements, policies and procedures. In particular the requirements in the US, Japan, Korea and Switzerland impose additional restrictions on the activities of analysts.**

Research is produced for the benefit of UBS-IB’s investing clients. The primary objectives of each analyst in the Research Department are:

- to analyse the companies, securities, commodities, financial instruments, industries, markets and countries they cover and forecast their financial and economic performance;
- as a result, to form opinions on the value and future behaviour of the securities, commodities, financial instruments and markets discussed in their analysis; and
- to convey that information to UBS-IB’s investing clients.

No other employee may produce, independently of the Research Department, anything that could reasonably be regarded by clients as research.

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## 3. Objectivity

Research must have a reasonable basis and be balanced and objective. Analysts should not become involved in activities other than the preparation of research where such involvement is inconsistent with the maintenance of the analyst’s objectivity.

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## 4. Independence

The Research Department produces research independently of other business areas and business divisions. No analyst may permit him/herself to be biased or inappropriately influenced by the interests of any issuer, by any client, or by the personal interests of the analyst. Research must not be used by UBS-IB to advance its own interests over those of its clients, or to advance analysts’ own interests.

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<sup>1</sup> As defined in this Policy

Accordingly:

- i. CCS and sales and trading staff may not supervise or be involved directly with determining the compensation of any member of the Research Department. Additionally no member of the Research Department may have a direct reporting line to CCS or sales and trading staff.
- ii. No member of CCS may participate in the review process, objective setting, promotion decisions, the annual global ranking survey or any other evaluations relating to any analysts' compensation.
- iii. No Research Department staff can be remunerated based on their involvement in a specific investment banking transaction, nor should they have any specific objectives related to investment banking activity. Incentive compensation awards will be granted at the discretion of Research Management in consultation with ICS Management as appropriate. Examples of some of the factors that may be taken into account include an analyst's individual performance, the correlation between an analyst's recommendations and actual performance, overall ratings received from distribution, trading and peers, overall ratings received from clients and from independent rating services, the market for hiring and retention of analysts.
- iv. The budget for the Research Department may not be influenced by CCS or by specific revenue or results derived from CCS, though revenues and results from UBS-IB as a whole may be considered in determining the Research Department budget and allocation of Research Department expenses.
- v. CCS and analysts must be physically separated. Additionally the Research Department must be physically located to support the principle that pending research is confidential to the Research Department until publication.
- vi. UBS-IB makes use of Information Barriers to protect the independence of its Research Department and to ensure confidentiality of information provided to UBS-IB by corporate and investing clients. For details to the extent that UBS-IB relies on Information Barriers, see the Information Barriers policy ([5-P-001298](#)).
- vii. Analysts' attendance at CCS pitches is prohibited.

### **Derivatives Research**

In addition to the above, analysts who publish research on Derivatives (as defined in this Policy) on behalf of UBS-IB entities that are registered with the Commodity Futures Trading Commission as futures commission merchants, introducing brokers, swap dealers or major swap participants ("UBS-IB Registered Entities")<sup>2</sup> or their affiliates are subject to the following requirements:

- i. A Derivative analyst may not be subject to the supervision or control of any employee of the [Derivatives Sales and Trading Unit](#) or Derivatives Clearing Unit of the UBS-IB Registered Entity, and no employee of the Derivatives Sales and Trading Unit or Derivatives Clearing Unit may have any influence or control over the evaluation or compensation of a Derivative analyst.
- ii. Except for communicating client or customer feedback, ratings and other indicators of analysts' performance to Research Department management, no employee of the Derivatives Sales and Trading Unit or Derivatives Clearing Unit may influence the review or approval of a Derivative analyst's compensation. The analysts' contribution to the UBS-IB Registered Entity's Derivatives Sales and Trading Unit or Derivatives Clearing Unit may not be considered in reviewing or approving compensation. For further details see the CFTC Derivatives Research Conflicts of Interest Procedures ([5-S-004361](#))
- iii. Non-research personnel must not direct an analyst's decision to publish a Derivatives Research Report, and non-research personnel must not direct the views and opinions expressed in a Derivatives Research Report.

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<sup>2</sup> A list of UBS-IB Registered Entities can be obtained from Compliance

Subject to the policies and procedures listed in the Standard Information section, analysts may be permitted to interact with CCS and other business areas of UBS-IB and, at the discretion of Research Management, UBS-IB may use an analyst's knowledge and information to provide ideas to trading or sales staff and to provide information and advice to UBS-IB's investment clients.

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## 5. Conflicts of Interest

UBS is committed to identifying and managing conflicts of interest appropriately to ensure fair treatment of its clients, whilst recognizing that conflicts of interest are inherent to our business and cannot always be avoided at all costs. UBS recognises that a variety of means may be used to manage actual or potential conflicts of interest. These include, but are not limited to, disclosure of actual or potential conflicts of interest to clients, measures to achieve separation and independence of potentially conflicting business or, in some circumstances, UBS declining to act or restricting its own activities (see [Group Policy on Conflicts of Interest](#)).

UBS has a [Group Policy on Personal Investment](#), the purpose of which is to:

- Enable UBS and its employees to avoid the appearance of impropriety;
- Identify and avoid employee-related conflicts of interest
- Protect UBS's reputation;
- Prohibit misuse of unpublished price sensitive information; and
- Satisfy regulatory obligations requiring the disclosure of personal accounts and investment information

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## 6. Prohibition on Promises Regarding Research or Coverage

The Research Department provides research independent of the other business areas and groups of UBS-IB. Accordingly, no one in UBS-IB, including but not limited to CCS, may directly or indirectly promise or otherwise offer favourable research by the Research Department, a specific rating or price target or threaten to withdraw coverage, change research, a rating or a price target as a means of obtaining business or compensation from an issuer or a client. In addition, no one in UBS-IB may retaliate against or threaten to retaliate against an analyst as a result of an adverse, negative or otherwise unfavourable research report or public appearance made by the analyst that may adversely affect the present or prospective relationship with the issuer or client.

Analysts and other staff involved in the production of research must not accept any inducement offered to them to provide biased research coverage or to offer a specific rating or price target on any security. If any such inducement is offered, Research Management and Compliance must be informed immediately.

Decisions regarding companies on which the Research Department will provide research coverage, including decisions regarding termination of coverage, reside solely with Research Management.

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## 7. Communication Regarding Pending Research

CCS and Research Department staff are prohibited from all communications regarding pending research reports (other than investor education related reports governed by the [Global Procedures for Investor Education Research outside of the US](#), or agreed coverage initiation plans) except in exceptional circumstances and then only at the discretion of Research Management and subject to information barrier crossings if applicable. If permitted by Research Management and local regulations, an analyst may provide a draft research report to the company and/or CCS for it to be checked for factual accuracy only. Such draft

report must not include the research summary, recommendation, rating or price target.

Non-research personnel may not review or approve a Derivatives Research Report prior to publication except as necessary only to verify the factual accuracy of information in the Derivatives Research Report, to provide for non-substantive editing, to format the layout or style of the Derivatives Research Report, or to identify any potential conflicts of interest, provided that any such review must be done through the Legal and Compliance Department. For further details see the CFTC Derivatives Research Conflicts of Interest Procedures ([5-S-004361](#)).

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## 8. Means and Timing of Distribution of Research

Research is distributed simultaneously to the Research website (which is available to clients), by email to clients who have requested this means of communication and to UBS-IB departments other than Research, followed shortly afterwards by distribution via third party information vendors.

New opinions, forecasts or ratings produced by the Research Department are confidential, and will remain confidential to that department until published. Proposed material changes to opinions, forecasts or ratings must not be discussed outside the Research Department in advance of general distribution.

In certain circumstances regulatory requirements, market practice and/or the involvement of another part of UBS-IB in a corporate transaction may mean that publication of research on a certain security may be restricted or limited, for example by the use of blackout periods.

For further information in regard to the distribution of research, see the policies and procedures listed in the Standard Information section.

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## 9. Disclosures

UBS-IB research contains certain disclosures as required by various regulatory requirements. These disclosures include, but are not limited to, a definition of the UBS-IB rating system, significant holdings (if any) of UBS-IB, holdings of the analyst or connected persons in the securities, commodities or other financial instruments which are the subject of the research, whether UBS-IB is acting or has acted in investment banking and capital markets activities for the issuer of the securities which are the subject of the research and any other material conflicts.

Additionally, UBS has record retention procedures designed to meet global regulatory requirements as well as procedures for submission of copies of research reports to various regulatory entities as required.

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## 10. Research Department Involvement in Capital Markets Transactions

Provided always that such communications are consistent with conversations analysts might have with UBS-IB's investor clients and subject to the policies and procedures listed in the Standard Information section, analysts may (i) communicate to CCS their views regarding market/industry trends, conditions or developments, or the impact of a particular company event (such as an earnings release), and (ii) discuss with CCS their current published views about a specific company.

Analysts must not attend CCS pitches or be used to solicit CCS business. Analysts are generally prohibited from the preparation of or participation in pitches and deal-related roadshows except on an exceptional basis and only as permitted by local regulations and practice, in which case Research Management must take steps

to ensure that analyst independence is maintained. Analysts may however attend or listen to widely attended company roadshows on a “listen only” basis provided that they are not actively participating in and/or involved in the planning of the roadshow.

If authorised by Research Management, analysts may conduct vetting visits and due diligence on a company independently of CCS. When on a vetting visit, the analyst may discuss his/her credentials, his/her views on the company’s industry or sector, his/her published views on other companies in that sector and how the analyst would position the subject company in that sector. Neither the analyst nor any CCS staff may discuss or promise specific ratings, price targets or estimates. An analyst may provide feedback on his/her views on the company following such visits. Analysts may also produce new issue research and undertake investor education (subject to local regulations).

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## **11. Administrative matters**

This global policy is supported by detailed policies and procedures and, as noted, these may be more restrictive in some jurisdictions. This policy will be updated as appropriate for changes in organisational structure and regulatory requirements. Amendments to supplemental documents associated with this policy on POLO should be approved by the relevant Global Head of Research (or delegate) or appropriate management committee.

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## Standard Information

### 1. Definitions/Glossary

**“Derivative”** means any commodity or securities future, any swap including certain broad-based security index swaps, and any retail commodity or FX agreement. It does not include options on a security or security index subject to U.S. securities regulation and swaps on a single stock or narrow based security index (i.e. less than 10 referenced securities).

**“Derivatives Clearing Unit”** This term has the meaning set out in the Global Policy on Clearing Unit Independence 5-P- 004426.

**“Derivatives Research Report”** means any written or electronic communication that (i) includes an analysis of the price or market for any Derivative; and (ii) provides information reasonably sufficient upon which to base a decision to enter into a Derivatives transaction; and(iii) is distributed to 15 or more persons.

**“Derivatives Sales and Trading Unit”** This term has the meaning set out in the Global Policy on Clearing Unit Independence 5-P-004426.

**Corporate Client Solutions (“CCS”).** For the purposes of this Policy CCS includes client coverage and advisory (“IBD”), Equity Capital Markets (“ECM”), Debt Capital Markets (“DCM”), Leveraged Capital Markets (“LCM”), Special Situations Group (“SSG”), Corporate Lending and any other private-side CCS business that primarily engages in investment banking activities.

**“Research Department”** includes the Equity and Fixed Income Research Department, Macro Research Department, including credit analysts with both issuer specific and sector coverage, equity strategists, fixed income strategists, currency strategists, economists, technical/quantitative equity analysts and Research Management.

**Investor Client Services (“ICS”).** For purposes of this Policy “ICS” includes all Equity and FX (including Precious Metals) / Rates and Credit departments, excluding Securities Research.

**“UBS-IB”** refers to UBS Investment Bank.

**“UBS-IB Registered Entities”** has the meaning given to it in section 4 of this Policy.

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### 2. Waivers/Exceptions

Research Management, in consultation with Legal and/or Compliance, may grant exceptions to this policy on a case-by-case basis for local legal and/or regulatory requirements and/or local market practices.

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