

Engagement Policy

UBS Europe SE and its Branchesⁱ – Wealth Management

On 17 May 2017, the European Union adopted the second edition of what is known as the Shareholder's Directive, that had to be implemented into national law of the EU Member States. In Germany, it was implemented on 1 January 2020. In §134b of the German Stock Corporation Act (AktG) in regard to managed accounts etc. cared for by asset managers, it demands that an engagement policy be published or an explanation of why no engagement policy can be published ("comply or explain" principle).

This Engagement Policy is geared towards asset managers' own engagement in their capacity as shareholders. In the general case of individual wealth management (in Germany using the sales representative model), UBS Europe SE ("UBS") merely receives authorization for the client custody account, i.e. UBS acts as a representative that submits declarations of intent on behalf of the client. However, the client remains the owner of the equities and thus the shareholder. With this in mind, UBS is publishing the following Engagement Policy and is submitting the following declaration to implement §134b of the German AktG, that is in this regard also applicable to its branches:

1. Exercise of shareholder rights

1.1. Rights to vote

Discretionary mandates with clients provide for no explicit authorization for UBS when it comes to voting rights or expressly exclude exercising of voting rights. Therefore, UBS does not exercise any of the rights to vote derived from the holdings of equities in a portfolio.

If UBS acquires fund units, the asset management company of the fund is normally authorized to exercise the rights to vote associated with the fund assets from the holdings of equities.

During the fund selection process, UBS gives consideration to the engagement policy published by the fund management company.

1.2. Other rights associated with equities

For wealth management, UBS is normally authorized at its discretion to take all actions that seem appropriate to UBS for managing the assets.

- **Dividends** are paid in the form of cash dividends, equities or both cash dividends and equities. In the event of optional dividends, UBS considers which option is the most advantageous from an investment standpoint.
- **Subscription rights and other capital measures** such as statutory compensation and exchange offers and voluntary purchase and exchange offers: every capital measure is regarded individually, whereby UBS analyses the influence of subscription rights and other capital measures on the performance of the equity, the makeup of the portfolio as well as regulatory and tax factors.

2. Monitoring of important matters relating to portfolio companies

Individual items held in portfolios are selected based on quantitative and qualitative factors. Individual items with attractive valuations, a positive trend and a solid company structure are taken into account. To do so, equity experts from UBS use freely available documents, interviews with company management and corporate communications (investor relations) etc. and compare companies with other similar companies.

Monitoring of companies, in which UBS invested on behalf of clients directly, take place, inter alia in regard to the strategy, financial and non-financial performance, risk, the capital structure and corporate governance as well as in regard to social and ecological effects for mandates with a focus on sustainability.

This includes monitoring of e.g. the performance of balance sheet numbers, the company strategy, the business model, products and market positioning.

The above-stated factors are taken into account for each investment strategy.

3. Exchanging views with company boards and company stakeholders

There is no communication with company boards and stakeholders of individual companies.

4. Collaboration with other shareholders

There is no provision for collaboration with other shareholders.

5. Handling conflicts of interest

In regard to conflicts of interest, we refer to our "Principles for Protection of Client Interest"ⁱⁱ, that can be requested from UBS or provided by UBS at any time.

ⁱ UBS Europe SE, Luxemburg Branch, UBS Europe SE, Austria Branch, UBS Europe SE, Italy Branch, UBS Europe SE, Spain Branch

ⁱⁱ In LUX this Document is called "Conflicts of Interest Information, in Austria, "Interessenkonflikte" and is contained in the Client Information Documents", in Italy "Documento informativo sui conflitti di interesse", in Spain "Conflicto de Interes".