

Principal Adverse Sustainability Impacts Statement

UBS Third Party Management Company S.A.
(LEI: 549300HNZGK9HL81DR79) **June 2023**



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1. Summary

UBS Third Party Management Company S.A. (LEI: 549300HNZGK9HL81DR79) considers principal adverse impacts of its investment decisions on sustainability factors (“PAI”). The present statement is the consolidated statement on principal adverse impacts on sustainability factors of UBS TPM.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.

UBS Third Party Management Company S.A.(hereinafter also known as “UBS TPM”) has delegated portfolio management to the following portfolio managers:

- UBS Asset Management (“**UBS-AM**”), a business division of UBS Group AG
- Third party portfolio managers as part of our White Label Solutions business (“**WLS**”)

However, the management company remains ultimately responsible for the portfolio management function, hence, the delegation is subject to supervision and monitoring from the management company. In order to achieve this, the management company has implemented a robust control framework.

The assessment of PAI is performed for all funds and discretionary portfolio management mandates managed by UBS-TPM and includes both, sustainable and non sustainable strategies. The indicators provided in section 2 are based on the latest data available. We acknowledge that this data is still evolving, and that data availability is still limited for some of the indicators. This statement relates to the first year of reporting, which means no historical comparison is available.

UBS-TPM actively considers certain PAI indicators as part of its sustainable investing strategies (SFDR Article 8 / 9). **“Article 8”** & **“Article 9”** are references to the specific levels of product level disclosure prescribed by the EU regulation on sustainability related disclosures in the financial services sector (**“SFDR”**). During the reference period, products have and will continue to be positioned into these strategies in future.

UBS-TPM will seek to improve data coverage as industry practice emerges and will assess indicators in order to have as broad coverage as possible for future consideration into the investment process.

The disclosure of this summary can be found at the links below for the following languages:

- Danish: 
- Dutch: 
- English: 
- Finnish: 
- French: 
- German: 
- Italian: 
- Spanish: 
- Swedish: 

2. Description of principal adverse impacts on sustainability factors

The below commentary relates only to sustainable investing solutions (SFDR Article 8 & 9). For the WLS business, although third party portfolio managers consider PAI indicators where relevant, according to their own methodology, it is not feasible to make meaningful narrative disclosures per indicator at the level of the management company. Disclosure per product can be found in the respective product level disclosure. The impacts of these investments themselves were calculated and contributed to the figures below.

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact [year 2022]	Impact [year 2021]	Explanation	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	83,217 tCo2	N/A for reporting year 2022	Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.
		Scope 2 GHG emissions	17,990 tCo2	N/A for reporting year 2022	
		Scope 3 GHG emissions	472,560 tCo2	N/A for reporting year 2022	
		Total GHG emissions	573,367 tCo2	N/A for reporting year 2022	
	2. Carbon footprint	Carbon footprint	310.88 t/m€	N/A for reporting year 2022	Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.
	3. GHG intensity of investee companies	GHG intensity of investee companies	1005.54 t/m€	N/A for reporting year 2022	Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	5.52%	N/A for reporting year 2022	Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	75.89%	N/A for reporting year 2022	Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.

	6.	Energy consumption in GWh per million EUR of revenue of investee companies, a total sum and per high impact climate sector	15.78 GWh/m€			Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.
		Agriculture, Forestry and Fishing (NACE A)	0.01 GWh/m€	N/A for reporting year 2022		
		Mining and Quarrying (NACE B)	2.03 GWh/m€	N/A for reporting year 2022		
		Manufacturing (NACE C)	0.65 GWh/m€	N/A for reporting year 2022		
		Electricity, Gas, Steam and Air Conditioning Supply (NACE D)	8.49 GWh/m€	N/A for reporting year 2022		
		Water Supply; Sewerage, Waste Management and Remediation Activities (NACE E)	1.10 GWh/m€	N/A for reporting year 2022		
		Construction (NACE F)	0.22 GWh/m€	N/A for reporting year 2022		
		Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles (NACE G)	0.13 GWh/m€	N/A for reporting year 2022		
		Transportation and Storage (NACE H)	2.71 GWh/m€	N/A for reporting year 2022		
		Real Estate Activities (NACE L)	0.45 GWh/m€	N/A for reporting year 2022		
Biodiversity	7. Activities negatively affecting bio-diversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.08%	N/A for reporting year 2022		Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	3.31 t/m€	N/A for reporting year 2022	<i>Given the data on indicator "1.8 Emissions to water" is currently very limited, the coverage of these indicators for the purpose of UBS-TPM PAI report dated 30 June 2023 is significantly lower in comparison to other data points.</i>	Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.
Hazardous waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0.57 t/m€	N/A for reporting year 2022	<i>Given the data on PAI indicator "1.9 Hazardous waste and radioactive waste ratio" is currently very limited, the coverage of these indicators for the purpose of UBS-TPM PAI report dated 30 June 2023 is significantly lower in comparison to other data points.</i>	Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic	Share of investments in investee companies that have been involved in violations of the	0.56 %	N/A for reporting year 2022		Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.

	Cooperation and Development (OECD) Guidelines for Multinational Enterprises	UNGC principles or OECD Guidelines for Multinational Enterprises				
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	35.71%	N/A for reporting year 2022		Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	13.03%	N/A for reporting year 2022	<i>Given the data on PAI indicator "1.12 Unadjusted Gender Pay gap" is currently very limited, the coverage of these indicators for the purpose of UBS-TPM PAI report dated 30 June 2023 is significantly lower in comparison to other data points.</i>	Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	32.65%	N/A for reporting year 2022		Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00%	N/A for reporting year 2022		Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.
Indicators applicable to investments in sovereigns and supranationals						
Environmental	15. GHG Intensity	GHG intensity of investee countries	644.28 t/m€	N/A for reporting year 2022		Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law.	0 (0%)	N/A for reporting year 2022	<i>Due to the lack of look-through data at an industry level relating to funds, we are not able to deduplicate social violations across fund investments, resulting in double counting of the aggregated entity score relating to PAI indicator "16. Investee countries subject to social violations". We therefore report here the social</i>	Where relevant for certain Article 8 / 9 products, the portfolio manager is going to continue to consider this indicator in the investment process.

					violations relating only to the direct investments in our entity positions, for which this calculation is possible. UBS is working with vendors to capture this look-through data to provide a deduplicated figure across all investments for this metric in future reporting cycles.	
Indicators applicable to investments in real estate assets						
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0.00%	N/A for reporting year 2022		During the reporting period, neither exposure to fossil fuels through real estate assets, or exposure to energy-inefficient real estate assets were considered as part of the investment process as TPM had no investments in real estate assets.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	0.00%	N/A for reporting year 2022		

Other indicators for principal adverse impacts on sustainability factors

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric
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Indicators applicable to investments in investee companies

Emissions 4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	25.15%
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INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric
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Indicators applicable to investments in investee companies

Anti-corruption and anti-bribery 15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention	3.68%
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3. Description of policies to identify and prioritize principal adverse impacts on sustainability factors

3.1 Calculation of principal adverse impacts

For the purpose of regulatory reporting on Principal Adverse Impacts on sustainability factors, UBS has decided to build an inhouse capability to produce an annual report in line with SFDR requirements.

PAI calculations for the purpose of UBS Third Party Management Company S. A report dated 30th June 2023 (as updated on 11th July)¹ are based on the latest available information on PAI dated 5th May 2023.

3.1.1 Policies governing the annual PAI reporting requirement under SFDR

The description of procedures governing the production of this report, including methodologies to select additional indicators, explanation of any associated margin of error and details of data sources used, is provided in a dedicated, internal document approved on 30th June 2023.

The above policy is subject to annual review to capture all future regulatory developments that might affect the established PAI framework.

The construction of the annual PAI report relies on a number of key processes. Some of these are supported by automation built for the purpose of data sourcing and calculation, while others will require intervention from individuals to ensure the report itself is constructed and published annually.

The following are the key components of the annual PAI process, including their respective allocation within UBS:

Component	Description
Market data sourcing	UBS sources PAI related market data from vendors into our internal state of the art Cloud-based ESG data platform, providing a data service which is managed by our Data Operations team.
Position data sourcing	UBS sources position data relevant for each quarter end from UBS-AM and fund admin accounting systems in order to calculate the four quarter end results as required by the reporting regime.
Calculations	UBS has built an internal capability to calculate PAI data which provides a consistent, repeatable methodology for calculation of our quarterly results. Annual results are created using a simple averaging of the four quarterly calculations. The methodology of the calculations is reviewed and supported by our internal ESG Specialist, within the UBS Chief Sustainability Office.
Report Construction	Construction of the report narrative and commentary is a joint effort between UBS-TPM & UBS-AM.

The following instruments do not directly contribute to the PAI scores as they are not linked to investments in underlying companies: Cash, FX, Commodities, interest rate and all instruments solely based on cash, FX, Commodities and interest rate for example: structured products on gold, FX Futures, FX Options, Commodities, interest rate swaps, commodity funds, precious metal funds. All other products are considered in scope for PAI reporting.

In order to identify investments made in sovereigns and supranationals, UBS follows third party data provider's classification for the purpose of this report.

¹ Note that this report was re-published on 11th July 2023 to include a detailed breakdown of indicator 1.6 into the specific high impact climate sectors A-H + L.

The PAI calculator has been built to accept position data from any date and calculate against any PAI reference date. The calculations relevant for the annual report are based on an average of holdings collected for the last business day at the end of each quarter in all discretionary and fund management accounts on a “per entity” basis. Note that for reporting year 2022, Q1 data is missing and the impacts are an average over Q2, Q3 & Q4 this still giving a fair representation of the impacts over the whole reporting period.

3.1.2 Methodology to select additional indicators as set out in Table 2 and 3 of Annex I SFDR RTS

The following additional indicators were selected for the 2022 reference period:

Climate and other environment-related indicator:

- PAI indicator 2.4 Investments in companies without carbon emission reduction initiatives.

Social and employee matters, respect for human rights, anti-corruption and anti-bribery matters indicator:

- PAI Indicator 3.15 Lack of anti-corruption and anti-bribery policies.

The key consideration for the selection of the two additional indicators for 2022 was data coverage. Specifically, the indicators selected are among those with the highest data coverage.

UBS may reassess the selection of the additional indicators on an annual basis depending on data availability and the changing business strategy over time.

3.1.3 Probability of occurrence and severity of PAI

At this stage, UBS-TPM does not take into account the probability of occurrence and the severity of principal adverse impacts as part of the existing internal methodology.

3.1.4 Treatment of short positions and derivatives

There is limited data coverage relating to complex derivatives, and consequently structured products and a few hedge funds at a market level. As a result, the PAI contributions of these products cannot be included in the entity level PAI calculation results. They are, however, included in our definition of “current value of all investments” in the denominator of our calculations.

3.1.5 Data sources

- UBS regards the availability of good data, analytics and technology capabilities as essential enablers for achieving a more sustainable future. UBS carefully selects ESG data vendors to support the PAI calculations based on: data quality, update frequency (to ensure we are always utilizing the latest available data) and coverage.
- The calculation of PAI metrics requires the combination of internal position weightings with one or more external PAI indicator values for relevant instruments, for 2022 primarily sourced from MSCI, <https://www.msci.com/notice-and-disclaimer-for-reporting-licenses>. As UBS invests in both funds and direct investments, we source data at both levels for reporting purposes as follows:
 - 1) Issuer level data, sourced through vendors, based on corporate disclosures of the underlying companies, combined with vendor research. Throughout 2022, we have maintained oversight as to the coverage of issuer level data and are confident that the coverage on an issuer level is remarkably high. We do however see coverage on an indicator-by-indicator basis fluctuate and, in particular for water emissions, hazardous waste and gender pay gap, the disclosures by corporates remains exceptionally low leading to significant data gaps in these areas. UBS is committed to continually improving the PAI data coverage for these indicators through a multi-vendor strategy going forward.
 - 2) Fund level data, sourced through vendors and internally:
 - Where funds are manufactured by 3rd party management companies, we rely on vendor PAI calculations to capture the PAI data attributable to positions in 3rd party target funds.

Note: where vendors are unable to provide PAI data for key funds, UBS is able to capture PAI data from 3rd party manufacturers, where they are able to provide this to us.

3.1.6 The “all reasonable means” principle

Under the principle of “all reasonable means”, we have an obligation to do our best to capture as much data as possible in order to fulfill the obligation of calculating the PAI metrics and constructing the PAI report. We have addressed this in the following ways:

1. UBS has maintained oversight on the level of coverage of positions in direct investments (equities, fixed income) and we have challenged our data vendor to continually improve their coverage. We are further building expanded cross-reference service to enhance this mapping capability to a wider set of market data sources.

3.1.7 Margin of error

The two most prolific data related issues are coverage (where companies have not reported their PAI data) and methodology (as pre-aggregated numbers either from vendors or from EET manufacturers will differ from provider to provider due to their internal aggregation methodologies). UBS has put several measures in place to ensure we are confident in our calculation results.

1. UBS calculates coverage internally on a per metric basis. This allows us to understand the level of accuracy of the metric produced, based on how much data was available for the underlying investments. This will also allow us to isolate key metrics where the vendor data is insufficient which, in turn, prompts further investigation into alternative vendors for future reporting.
2. Due to industry-wide and well known data gaps, calculations may lack the required input data to ensure complete and accurate results.
3. Due to above mentioned limitations on data coverage and known data issues, an insignificant population of assets couldn't be included in the calculation of PAI disclosed in this report. UBS-AM is expecting to lower this threshold in future reports as more data will be published and available going forward.

3.2 Our policies relevant for the assessment of PAI in the decision making process

UBS TPM has delegated the portfolio management function to either UBS-AM or third-party portfolio managers. Only one fund in scope of this TPM report is currently managed by UBS, but it is classified as SFDR Article. 6 product and therefore no UBS-AM policies governing the consideration of principal adverse impacts are relevant here.

Regarding the identification and prioritization of principal adverse impacts on sustainability factors, we refer to the policies of the delegated portfolio managers of our funds, which can be found on their respective websites.

3.3 How we identify and prioritize principal adverse impacts in the decision making process

All Article 8 / 9 funds under UBS TPM are sponsored by UBS external parties, who have their own approaches as to how they identify and prioritize principle adverse impacts. While UBS TPM is legally responsible for the portfolio management, this function has also been systematically delegated to parties external to UBS TPM and typically also external to UBS Group.

4. Engagement policies

4.1 Corporate engagement

As UBS-TPM has delegated portfolio management to UBS-AM or third party portfolio managers, UBS-TPM puts reliance on the engagement policies developed by the delegated portfolio managers. Their engagement policies explain how the portfolio managers:

- Monitor investee companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance,
- Conduct dialogues with investee companies,
- Manage actual and potential conflicts of interests in relation to their engagement;

Information on the engagement policies of these portfolio managers can be found on their respective websites.

Consideration of adverse impacts as part of the UBS-AM stewardship policy

As part of the UBS-AM stewardship policy, third party research is used to identify companies that may be in breach of international standards, as outlined in the United Nations Global Compact Principles. Where appropriate, UBS-AM engages with companies to close and remedy the identified breaches and address any management failures so as to avoid repeating the mismanagement or mistake in the future. Through our stewardship research process we will also seek to identify companies where material ESG and sustainability risks may present a future negative impact, and will utilize engagement and proxy voting to minimize adverse impacts where appropriate. Where UBS-AM has direct ownership of a physical asset, it aligns its partners to prescribed standards and KPIs which are monitored so that remedy actions can be taken if performance and standards fall short.

4.2 Proxy voting

UBS Asset Management AG; the corresponding reporting based on the UBS Global Stewardship Policy is available under the following link:

<http://www.ubs.com/global/en/asset-management/investment-capabilities/sustainability.html>

As part of UBS AM's stewardship policy, UBS AM uses third party research to identify companies that may be in breach of international standards, as outlined in the United Nations Global Compact Principles. Where appropriate, UBS AM engages with companies to close and remedy the identified breaches and address any management failures so as to avoid repeating the mismanagement or mistake in the future. Through our stewardship research process we will also seek to identify companies where material ESG and sustainability risks may present a future negative impact, and will use proxy voting to minimize adverse impacts where appropriate. Where UBS AM has direct ownership of a physical asset, it aligns its partners to prescribed standards and KPIs which are monitored so that remedy actions can be taken if performance and standards fall short.

4.3 Adaption of the policies

Engagement policies and processes are reviewed on an ongoing basis, enhanced, monitored and adapted when insufficient progress is identified, and also in order to incorporate additional PAI indicators and to ensure the key environmental, social and governance topics are taken into consideration.

5. Reference to international standards

UBS-TPM has not committed to any international standard individually. However it is a significant entity of UBS Group AG (UBS), therefore all the below disclosures are given on behalf of UBS Group AG.

Over the years UBS has committed to various business conduct codes, international standards for due diligence and reporting initiatives in order to meet the expectations of our stakeholders. At the end of 2022, UBS was engaged in more than 60 sustainability-and impact-related memberships and commitments, either at Group level or at the level of the business divisions or Group Functions or the Group Entities. They are listed in the document Sustainability Report Supplementary Information:

[UBS Sustainability Report](#)

On a global level, UBS supports the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (the TCFD), where it was a founding member in 2015 and continues to support the TCFD's development, with formal representation in the Task Force since 2016.

UBS also supports the Taskforce on Nature-related Financial Disclosures (TNFD). It is contributing to helping address these challenges through our efforts in the TNFD. It is also exploring collaboration with peers on critical topics, such as nature scenarios, and is supporting new initiatives, such as the establishing of a TNFD national consultative group in Switzerland, hosted by Swiss Sustainable Finance and the UN Global Compact's Swiss network. Through industry collaboration, UBS applied the UNEP FI-developed ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool to assess potential concentrations of sensitive exposures.

In 2022, UBS endorsed the initiative of the IFRS Foundation International Sustainability Standards Board (ISSB) to establish international sustainability disclosure standards. In Switzerland, where headquarters are located, UBS expressed support to many governmental disclosure initiatives. On a regional basis, UBS contributes to various fora in order to engage with policymakers regarding the European Commission's Sustainable Finance Action Plan, as well as with policymakers in our key Asia Pacific jurisdictions and the Americas.

5.1 The Paris agreement

UBS is committed to standing with its clients to help them achieve their net-zero goals and to support the work governments around the world are doing to move the real economy to align with the Paris Agreement 1.5°C commitment. In this sense, UBS supports the goals of the Paris Agreement which includes aligning our own operations and business activities with the pathway of a five-step net-zero plan to:

- (i) measure carbon emissions;
- (ii) define a roadmap and set targets;
- (iii) reduce climate impact;
- (iv) finance climate action and support the transition of our clients; and
- (v) communicate and engage.

UBS has established a suite of metrics and targets to drive execution of our net-zero transition plan and monitor the progress of results in the near, medium and long term.

Conscious of the potential adverse financial, liability and reputational risks that can arise from sustainability and climate risks, in 2021 UBS published its ambition to align our financing portfolio with the objectives of the Paris Agreement. In its analysis, UBS prioritized sectors that have the highest carbon impact, as per the guidelines of the Net-Zero Banking Alliance (the NZBA), and also applied additional considerations in its prioritization.

UBS believes that material sustainability issues matter for financial performance and know that clients have an interest in many of these topics. The Chief Investment Office (CIO) remains convinced that the net-zero transition will prove to

be one of the most consequential investment trends in subsequent decades. UBS offers advice and solutions that help guide and implement this view to the extent possible and where relevant in line with its fiduciary duties.

UBS uses scenario-based approaches to assess our exposure to physical and transition risks stemming from climate change. However, in the portfolio management services, UBS is not currently considering climate scenario in its investment decision-making processes. The main PAI taken into account in this alignment with the objectives of Paris Agreement is greenhouse gas emissions.

5.2 Our commitment to industry initiatives and best practice

UBS actively engages in regular discussions about corporate responsibility and sustainability issues with specialists in peer banks, and more widely through trade bodies and associations. Sharing experiences and assessments of corporate responsibility and sustainability issues helps UBS to compare and improve its strategy, approach and tools.

The structure of its transition plan to Net Zero follows the recommendations of the Glasgow Financial Alliance for Net Zero (GFANZ) outlined in the “Financial Institutions Net-zero Transition Plans” guidelines. This forms part of UBS’ engagement with our peers in the financial services industry in order to determine how best to support and finance clients’ transition to a low carbon economy. Contributing to such frameworks, including also by the NZBA, in turn forms an important basis for developing our own approach to transition finance. Some of additional key commitments include:

1992 – one of the first financial institutions to sign up to the UN Environment Programme bank declaration (the UNEP FI);

2000 – one of the first companies to endorse the UN Global Compact and, in the same year, our firm was a founding member of the Wolfsberg Group of Banks, which was originally set up to promote good practice in combating money laundering;

2002 – Carbon Disclosure Project founding signatory;

2014 – UBS endorsed the “Soft Commodities” Compact from the Banking Environment Initiative and the Consumer Goods Forum, which reaffirms its commitment to developing and implementing responsible business standards;

2019 – UBS became a founding signatory of the UN Principles for Responsible Banking (the PRB). The PRB constitutes a comprehensive framework for the integration of sustainability across banks.

UBS is a founding signatory of the Net Zero Asset Managers initiative since 2020 and the Net-Zero Banking Alliance (since 2021). And it is a founding member of the Wolfsberg Group, an association of global banks that aims to develop financial services industry standards regarding anti-money laundering, know-your-client and counter-terrorist financing policies. With all these initiatives, UBS is indirectly addressing a number of PAI in its investment decision processes (such as greenhouse gas emissions, biodiversity, social and employee matters).

UBS-AM is currently a member of, or supporting, the following global groups and initiatives:

- Asian Corporate Governance Association (ACGA)
- Global Real Estate Sustainability Benchmarks (GRESB)
- EFAMA Stewardship, Market Integrity AND ESG Investment Standing Committee
- International Corporate Governance Network (ICGN)
- Institutional Investor Group on Climate Change (IIGCC)
- National Association of Real Estate Investment Managers (NAREIM)– Sustainability and Investment Management Working Group
- Principles for Responsible Investment (PRI)
- Sustainable Accounting Standard Board (SASB)

- UK Investor Forum
- US Green Building Council
- US Sustainable Investment Forum (USSIF)
- Workforce Disclosure Initiative (WDI)
- Financial Stability Board's Taskforce on Climate-related Financial Disclosure (TCFD)
- Transition Pathway Initiative (TPI)
- Farm Animal Investment Risk & Return (FAIRR)

5.3 UN Global Compact, OECD Guidelines and UN Guiding Principles on Business and Human Rights

UBS is committed to respecting human rights, as set out in the UNGPs, in our business activities. UBS believes this is a responsible approach underlining its desire to reduce, as far as possible, potentially negative impacts on society. The commitment in this important area is long standing. In 2000, UBS was among the first companies that pledged to adhere to the UN Global Compact Principles, including on human rights. The principles of the Global Compact today the largest corporate responsibility initiative globally, stem from the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the UN Convention Against Corruption.

In 2011 UBS came together with other banks and formed the Thun Group of Banks to jointly consider these developments and to share experiences regarding the implementation of the UNGPs. To this end, the Thun Group of Banks has published two discussion papers on the financial sector's implementation of the UNGPs. The second paper, for example, focused on the proactive agenda of the Organisation for Economic Co-operation and Development (the OECD) on Responsible Business Conduct and in particular the OECD's 2019 publication titled Due Diligence for Responsible Business Conduct in General Corporate Lending and Securities Underwriting. UBS is a member of the Advisory Group to the OECD.

Recognizing our commitment to promoting human rights, we:

- established a UBS Position on human rights in 2006, and have been regularly updating the UBS Human Rights Statement;
- will not engage in commercial activities that make use of child labour and forced labour, or that infringe the rights of indigenous peoples; and
- will continue our work internally and externally with the Thun Group of Banks and the OECD, to understand how best to implement the UNGPs across our operations.

The PAI indicators 1.10 and 1.11 are relevant for this section.

5.4 Biodiversity

UBS' approach to managing the risks and opportunities related to natural capital and biodiversity across our activities is in line with its commitment to mobilize capital toward the achievement of the United Nations' (UN) 17 Sustainable Development Goals (the SDGs) and its participation in the TNFD. UBS recognizes the challenges of transitioning toward a society that can meet both human needs while living within natural constraints. And it looks forward to the setting of global policy objectives and goals through the Convention on Biological Diversity, having seen how powerful this has been for climate in the UN Framework Convention on Climate Change.

UBS strives to play an active role in creating new global standards that enable clients, companies and the financial sector to manage nature-related risks and opportunities, as well as addressing potential adverse impacts and generating positive impacts.

Given the release of the TNFD beta framework draft guidance for financial institutions in November 2022, UBS is piloting the TNFD disclosure recommendations and financial-sector-specific guidance. This not only enables UBS to further advance on its journey toward less nature-adverse and more nature-positive outcomes, but also drives forward standardization in disclosure practices. UBS has continued the development of its approach toward managing nature-related risks and opportunities is set out below, following the TNFD draft disclosure recommendations.

Additionally, UBS participates in various work streams of the Natural Capital Finance Alliance (the NCFA), which aims to provide the knowledge and tools that help the financial sector align portfolios with global biodiversity goals. Most notably UBS participated in the advisory committee for the second stage of the NCFA's ENCORE project tool. In 2022, it also supported the development of a new methodology by the WWF to measure nature risk in investment portfolios.

UBS seeks to promote nature-related drivers, including biodiversity, focusing on key stakeholder groups (clients, vendors, employees and society at large).

The PAI indicator 1.07 is particularly relevant to this section.

6. Historical comparison

The earliest historical comparison will be provided in June 2024.