

# Stewardship Annual Report

Summary of activity  
2023 Review and 2024 Outlook  
UBS Asset Management



**UBS**

# Year in review

2023 was an exceptional year in our firm's history with the acquisition of the Credit Suisse Group. We have made good progress in aligning our sustainability frameworks for the combined firm and will continue to do so in 2024. Throughout the year we also advanced our active ownership with outcomes we believe are beneficial for portfolios, people and planet.

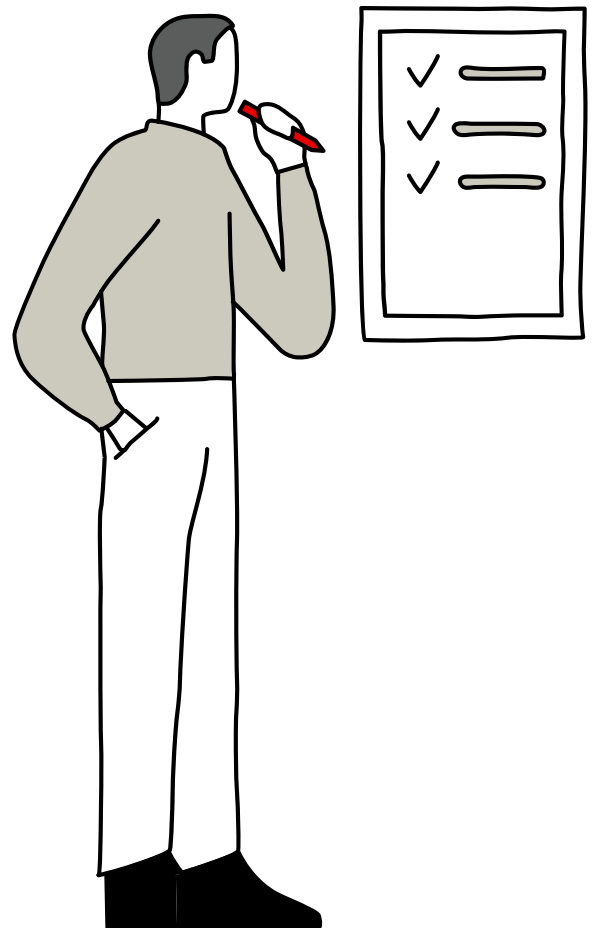
2023 again saw increased disclosure requirements, including the European Union Corporate Sustainability Reporting Directive (CSRD) and the Deforestation Regulation (EUDR). The year also presented the challenges of market volatility and rising geopolitical tensions.

We continued to advance active ownership as a core part of our investment process. We believe the combined asset base through integration brings a more influential 'seat at the table' for our engagement activities.

Our approach is focused, investment-led and outcomes-driven with the aim to realize positive change for companies, their investors and other stakeholders.

We collaborate with our peers and clients, contribute to industry initiatives and provide input to policymakers, standard setters and regulators.

Our goal with this report is to provide transparency on our activities and outcomes in 2023 and to share, through more detailed case studies, some of the successes we have had across our major engagement themes – people and planet. The 2023 UBS Sustainability Report provides more information on our progress against our strategy in sustainable investing for Asset Management.



# What's new

1

We achieved positive progress on 64%<sup>1</sup> of corporate engagements against preset objectives at 320<sup>1</sup> companies

2

Expanded our five-year Climate Engagement Program to cover seven sectors and increase focus from 45 to 75 companies

3

Launched our Natural Capital Engagement Program and joined Nature Action 100 collaborative initiative

4

Convened investee companies from across the shipping industry for value chain engagement on decarbonization

5

Co-filed resolutions at two shareholder meetings on board diversity and deforestation

6

Made 35 net zero aligned portfolio offerings available to clients

7

Contributed thought leadership through [Panorama: The SI Edition](#)

<sup>1</sup> Statistics in this summary report are for UBS-AM only

# Active ownership

Active ownership covers all asset classes, although the mechanisms of driving change, timeframes and level of influence can differ, depending on the unique characteristics of each asset class. Responding to the active ownership needs of our clients is important to us as we strive to continuously improve our approach.

During the year, we introduced the top requests we received from clients in 2022 including:

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Conducting thematic engagement in collaboration with clients



Further expanding our market and policy engagement activities



Increasing our focus on deforestation and land use change with the launch of our dedicated natural capital engagement program

# Engagement

We believe that engagement can contribute to value creation and protection at the company specific and systemic levels by addressing risks and identifying and leveraging opportunities. We seek to build relationships with company management and boards to foster constructive dialogue and to enhance performance on a variety of business strategy and sustainability-related issues, such as capital structure, culture, corporate governance, remuneration, environmental management and human capital.

Engaged with

320

companies

We conducted

471

engagement  
meetings

Our engagement  
interactions  
achieved

64%

progress against  
pre-defined  
objectives

In 2023, UBS Asset Management achieved 64% positive progress in our engagement interactions against preset objectives. We conducted 471 company engagements. In 2022 UBS Asset Management held 461 engagements and recorded 62% progress. Further information is provided in the 'Our engagement activities' section, with outcomes highlighted through case studies.

Positive examples of outcomes at companies with which we engaged include:

- Set and disclosed GHG emissions reduction and gender diversity targets
- Board refreshment, increased diversity and independence
- Strengthened and aligned executive pay to long-term performance
- Enhanced sustainability policies and disclosures
- Increased transparency of communications around corporate action

We also strengthened our engagement process by:

- Evolving the research and oversight process for companies where we identify a breach of global norms or where a controversy occurs that impacts the ESG profile of a company
- Improving our process for setting and tracking engagement objectives to enable better measurement and reporting of engagement outcomes
- Extending the range of escalation options we may consider using when we are not seeing progress against engagement objectives

This year we facilitated value chain engagement by convening investee companies and non listed companies from across the shipping industry to address the challenges and opportunities of decarbonizing this carbon-intensive sector. (See [Unlocking green shipping](#)). By fostering dialogue and aligning interests among diverse industry players within a value chain, we aim to contribute towards tackling the roadblocks currently hindering the adoption of climate positive technology and practices.

We have strengthened our engagements on climate change, expanding our company profile analysis with physical climate risk assessment and increasing the program's focus from 45 to 75 companies.

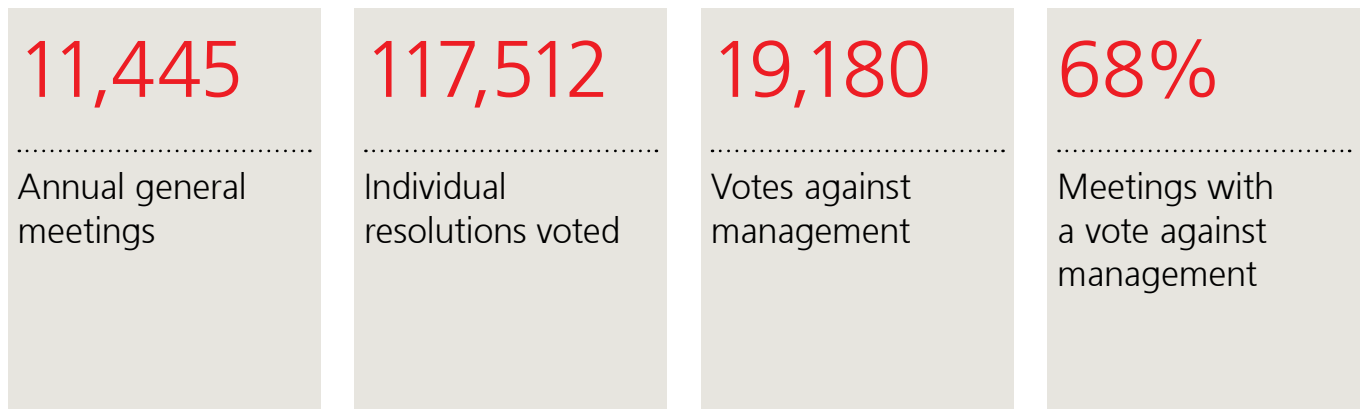
We progressed our social engagement program launched in 2022, covering human capital, human rights and nutrition themes.

# Voting

UBS Asset Management voted at 11,445 shareholder meetings, covering 117,512 individual resolutions. Of the votes cast, 19,180 were against the recommendation of company management, with 68% of meetings having at least one vote against management.

In 2023, we voted on 1,611 resolutions globally which were related to ESG topics. 1,188 were proposed by shareholders. Of these shareholder proposals, 198 were related to environmental topics including 129 related to climate. We supported 68% of shareholder climate proposals.

## 2023 Voting activity



# Private Markets

In our Real Estate and Private Markets investment teams, we continue to evolve our asset class specific engagement strategy:

- In 2023, a focus was to build out and harmonize the active ownership approach, including the provision of a green lease best practice guidance

- Extending sustainability-oriented goals in employee annual objectives
- Conducted a [study](#) of New York and London office property markets finding strong evidence for a 'green premium'

# Macro Stewardship

We believe a bottom-up company and asset level stewardship approach should be complemented with a macro stewardship approach to address issues that exist across assets, such as consistent disclosure of financially material factors, and systemic risks to portfolios, including climate and nature. We wrote about this in more detail in [The future of stewardship](#).

When considering how to address such issues and risks we consider our ability and efficacy to contribute to action on particular issues, individually or in collaboration, both at the policy and company level.

In 2023, we were again actively involved in industry initiatives and collaborations with our peers and clients. For example, since 2018 we have been an active signatory of Climate Action 100+, an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. We are co-leads on six companies and we participate in over 20 coalitions. We are members of the Asset Management Association Switzerland (AMAS) and participants in key working groups on sustainable finance, including the Swiss Stewardship Code.

We provide our expertise and input to policy development and standard setting processes, benefitting from the resources and expertise we have across the wider UBS group. A full list of our contributions is published in our [Sustainability Report](#). Examples of our collaborative and policy engagement activities in 2023 include:

UBS chaired the TNFD Financial Institutions working group. TNFD released its recommendations in 2023 which provide a framework to enhance transparency on nature and biodiversity data.

- We were a contributor to the revision of the self-regulation in Switzerland to take account of the Federal Council position on greenwashing, leveraging our roles in Swiss Banking (SBA), Asset Management Association Switzerland (AMAS), and Swiss Sustainable Finance (SSF) associations.
- We worked closely with peers and the Swiss Asset Management Association to draft and implement the Swiss Stewardship Code, the first such code for the market.
- Other policy initiatives we have worked on include the Corporate Social Responsibility and Disclosure (CSRD), in particular the European Sustainability Reporting Standards (ESRS) and related guidance, encouraging a focus on material issues, and the UK Financial Conduct Authority's (FCA) Sustainability Disclosure Requirements and Investment Labels (SDR), supporting a retail friendly regime appropriate for the UK marketplace.

# Outlook

Policymakers and regulators increasingly require investors and companies to consider ESG in decision-making, operations and value chains with a particular emphasis on disclosure. While we welcome this move toward greater transparency and reliability of information, we continue to seek greater alignment across existing and emerging disclosure requirements in order to facilitate comparable, consistent and reliable information for investors. We remain supportive of the International Financial Reporting Standards (IFRS) International Sustainability Standards Board (ISSB) standards issued in 2023 as a global baseline for sustainability-related disclosures to enable companies to communicate to investors about sustainability-related risks and opportunities.

Climate remains the most dominant topic of focus for our clients, and as the transition path plays out, and we will evolve our climate engagement program to include new data sources, as well as research on technological innovation and the quality of progress in climate ambitions.

We expect the theme of natural capital will gain momentum in 2024 and we will further expand our research and engagement on biodiversity and nature.

Through our integration with Credit Suisse Asset Management, we expect to continue our membership of ChemSec, a collaborative engagement for chemicals companies. Investors can address portfolio transition risk in high-emissions sectors, such as cement, steel and shipping, by advocating a risk-based approach to assessing hazardous substances used in chemicals and innovation in finding nature-based alternatives.

We actively contribute to in market initiatives where participation supports protecting or enhancing value for our client portfolios, for example, by providing access to data and research, or the opportunity to input into the evolution of best practice standards fostering an environment that facilitates sustainability transitions.

Looking ahead we anticipate ongoing evolution in the sustainable investing landscape. Our focus on aligning our efforts with the areas that matter most to our clients remains unchanged. As stewards for our clients assets we are committed to active ownership as a key pillar of our sustainable investing strategy.



**For investor educational purposes only: not an investment recommendation.**

Source for all data (if not indicated otherwise): UBS Asset Management.

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UBS Group AG has agreed to acquire Credit Suisse Group AG.

For professional / qualified / institutional clients and investors.



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