

# UK Climate Statement 2022

Information pertaining to the Environmental, Social and Governance sourcebook regulations

UBS Asset Management (UK) Ltd,  
UBS Asset Management Funds Ltd  
and UBS Asset Management Life Ltd



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# About this statement

This statement has been produced in connection with the legal entity reporting requirements of the Environmental, Social and Governance (ESG) sourcebook found in the Business Standards section of the Financial Conduct Authority (FCA) Handbook ("ESG Sourcebook 2"). The ESG Sourcebook contains rules and guidance regarding the disclosure of climate related financial information consistent with the Task Force on Climate-related Financial Disclosures (the TCFD) Recommendations and Recommended Disclosures.

The disclosures are prepared on behalf of 3 legal entities of UBS Group ("UBS"), namely UBS Asset Management Funds Ltd, UBS Asset Management (UK) Ltd, UBS Asset Management Life Ltd, collectively referred as "UBS AM UK", which all form part of Asset Management ("UBS AM") division in the United Kingdom. All of these entities fall in-scope for the regulatory obligations under the ESG sourcebook.

This statement follows the structure recommended by the TCFD.

The reporting period for UK Climate Statement 2022 is 1 January 2022 to 31 December 2022 which is aligned to the financial reporting period and to the reporting period of the UBS's Sustainability Report 2022 and Climate and Nature Report 2022. All data included in the statement is therefore for this period, unless otherwise indicated.

## Explanation of dependencies on the UBS's Climate and Nature report 2022

UBS AM UK is part of the AM Division within UBS, which directly contributes to the UBS's overall sustainability and impact strategy, as well as adhering to the governance and risk management frameworks.

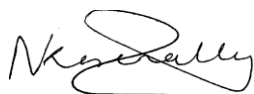
The UBS Climate Roadmap sets out how the firm is aiming to achieve net-zero greenhouse gas (GHG) emissions for scopes 1, 2 and 3 across our business by 2050. UBS AM, including UBS AM UK, has set an interim target to align 20% of total assets under management (AuM) to be managed in line with net zero by 2030 and to achieve net-zero emissions across discretionary client portfolios by 2050. Based on the above, UBS AM UK deems it appropriate to leverage the climate related disclosures made in the UBS's Climate and Nature report 2022 and consolidated information.

Please note that the Climate and Nature report 2022 is designed to support our stakeholders in locating climate- and nature-related information contained in the UBS's Sustainability Report 2022 (including its Supplementary Information document) in one document that follows the structure recommended by the TCFD.

Certain activities of UBS that pertain to the implementation of its sustainability and impact strategy are directly impacted by factors that UBS cannot influence directly or can only influence in part. These include pertinent governmental actions (e.g., when it comes to updated ESG Sourcebook); the quality and availability of (standardized) data (e.g., in such areas as emissions); the development and enhancement of required methodologies and methodological tools (e.g., on climate- and nature-related risks); the ongoing evolution of relevant definitions (e.g., sustainable finance); or the furthering of transparency (e.g., pertaining to company disclosures of data). Areas where these dependencies are of particular relevance (including in particular regarding the examples noted above) are explained in the relevant sections of the UBS's Sustainability Report 2022 and our Climate and Nature Report 2022.

## Compliance statement

We confirm that the disclosures in the UK Climate Statement 2022, including any third party or group disclosures cross-referenced in it, comply with the requirements under the ESG Sourcebook for TCFD entity reporting as at June 15<sup>th</sup> 23.




Nasreen Kasenally

UBS Asset Management (UK) Ltd



Adam Aziz

UBS Asset Management Funds Ltd



Ruth Beechey

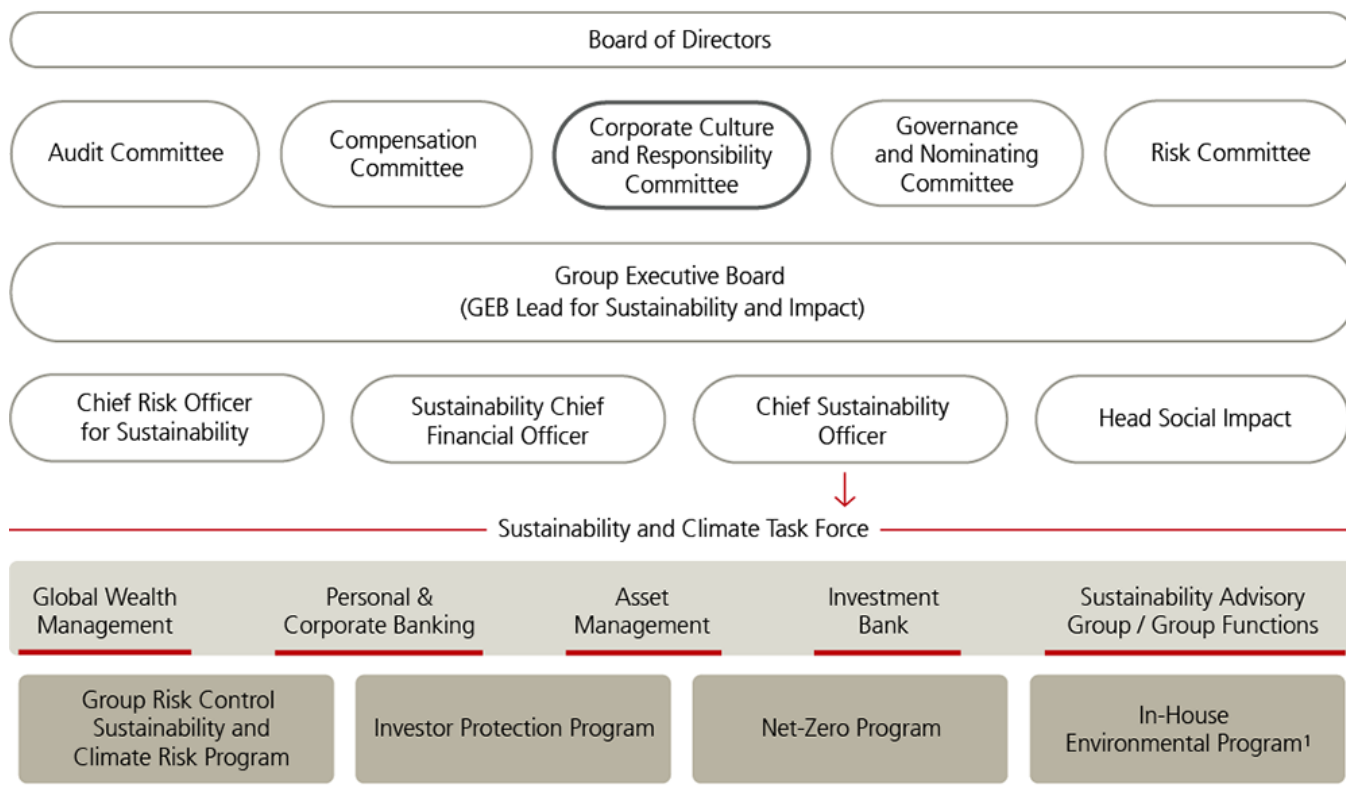
UBS Asset Management Life Ltd

# Governance

## Our sustainability governance

UBS

### UBS sustainability governance



<sup>1</sup> Also represents the Responsible Supply Chain Program

UBS's sustainability and corporate culture activities are grounded in our Principles and Behaviors and overseen at the highest level of the organization. These principles are laid down in our Code of Conduct and Ethics. UBS Group Board of Directors has ultimate responsibility for the strategy and the success of the Group and for delivering sustainable shareholder value. It oversees the overall direction, supervision and control of the Group and its management. It also supervises compliance with applicable laws, rules and regulations.

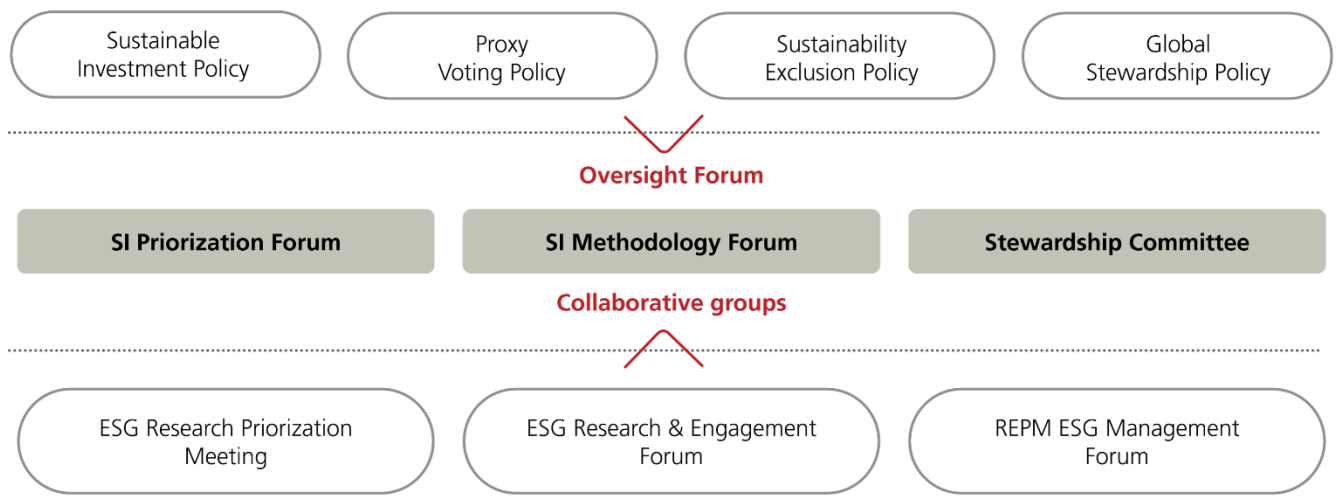
### UBS AM Sustainability Governance

Over the past years, UBS AM has strongly contributed to the UBS Group-wide strategy and expanded its collaboration with the UBS Group-wide sustainability resources. Suni Harford, President of UBS AM, is the UBS Group Executive Board Sponsor for Sustainability and Impact supported by the Chief Sustainability Office.

Within UBS AM, effective 1 January 2022, the new AM Head of Sustainable Investing was appointed with responsibility to continue to deliver AM's sustainability and impact strategy.

Within UBS AM, there are a number of governance forums that support and oversee implementation of respective UBS AM sustainability related policies and the Sustainable Investing ("SI") strategic program across the business division, including UBS AM UK.

## UBS AM sustainability governance



### Key responsibilities of the forums:

- The SI Priorization Forum provides oversight of the SI strategic program, setting key priorities and strategic direction; makes key decisions of commercial relevance and ensures regulatory compliance and a successful delivery of the SI Program.
- The SI Methodology Forum provides oversight of SI policies and guidelines, data and methodologies as well as investment process criteria applied in the Sustainable Investing framework (including exclusions, ESG integration, sustainable focused and impact offering) across investment areas.
- The Stewardship Committee oversees the proxy voting standards, process, and corporate governance practices as well as engagement program activities (including exclusion decisions). It also oversees the research process on UNGC Global Compact credible corrective action and Sustainability and Climate Risk (SCR) Watchlist cases. The Stewardship Committee is the representative body for approving membership of industry organizations related to stewardship

### UBS AM UK

UBS Asset Management Funds Ltd Board, UBS Asset Management (UK) Ltd Board and UBS Asset Management Life Ltd Board are ultimately responsible for the oversight of climate-related risks as part of the overall responsibility for adequate risk management. The Board is able to delegate general day to day business conduct and also risk management and monitoring (including sustainability risk) to a number of committees. At the monthly UK Management and Risk Committee, investment teams in addition to an independent risk control function are reporting on sustainability related matters across key asset classes as part of the regular risk reporting.

The Boards meet quarterly and any matters of appropriate significance across all principle risks (including, but not limited to sustainability risk related issues and any other relevant risks as the firm may be subject to in the conduct of its on-going operations and business activities) are escalated to the relevant global forum or function.

- > Refer to the ["Governance"](#) section of the UBS Climate and Nature 2022 report for additional information on our sustainability governance
- > Refer to the ["Climate and Nature 2022 report"](#) for the full details

# Strategy

## Our sustainability and impact strategy

### UBS

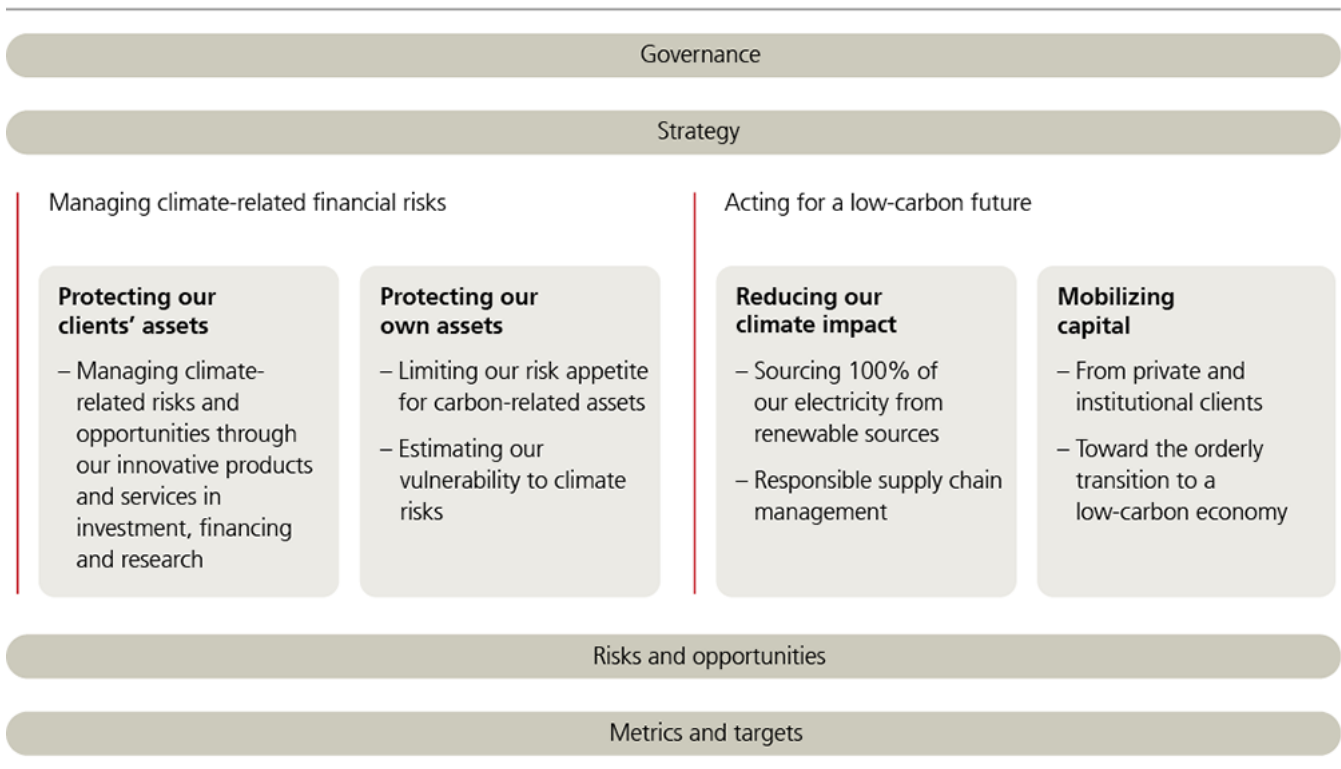
#### Ambition

UBS wants to be the financial provider of choice for clients that wish to mobilize capital towards the achievement of the United Nations' 17 Sustainable Development Goals (the SDGs) and the orderly transition to a low-carbon economy.<sup>1</sup> UBS focuses on three key areas to drive that transition: Planet, People and Partnerships.

#### Climate strategy

UBS Group's climate strategy is a reflection of our focus areas and covers two main areas: managing climate-related financial risks, and taking action on a net-zero future, via four strategic pillars:

#### Climate strategy



<sup>1</sup> The low-carbon economy is defined as economic activities that deliver goods and services that generate significantly lower emissions of greenhouse gases; predominantly carbon dioxide.

#### UBS AM and UBS AM UK

As part of the Group, UBS AM and UBS AM UK are actively executing on the climate strategy by managing climate related financial risks and taking action on a net-zero future:

#### Managing climate-related financial risks

UBS AM helps our clients assess, manage and protect their assets from climate related risks by offering innovative products and services in investment, financing and research. Please refer to the UK Climate-related products section for some of UBS AM UK specific examples that demonstrate our progress at providing customized investment solutions for institutional investors in 2022.

UBS works collaboratively across our industry and with our clients, ensuring they have access to best practice, robust science-based approaches, standardized methodologies and quality data for measuring and mitigating climate risks. As an example, UBS AM division engaged with companies on climate change through a dedicated program for the fourth year running. During this time, UBS AM have raised our expectations for companies significantly, including enhanced disclosure of climate risks, and a greater focus on decarbonization ambitions and actions companies are taking towards a net-zero future. We continue to use collaborative

engagement as a lever to scale our impact, in addition to our direct engagement, through our membership of Climate Action 100+. As of end of 2022, via Climate Action 100+, we co-led on five company engagements and participated in 20 company engagements. During 2022, UBS AM also voted upon climate-related resolutions at 160 companies.

### UK Climate-related products

At UBS AM, we have carried out and continue to conduct in-depth research and analysis on efficient implementation of ESG factors in rules-based strategies, with specific focus on climate change-related factors. In early 2017, following our extensive quantitative and sustainability research, we launched a Climate Aware rules-based fund in the UK that utilises our proprietary quantitative model incorporating a range of qualitative and quantitative climate-related metrics. The Climate Aware rules-based strategy applies positive and negative 'tilts' related to climate change aspects, while aiming to deliver returns broadly in line with the underlying market cap weighted global equity index.

Building on the success of our Climate Aware strategy, we have continued to work with clients and prospects on aligning index equity portfolios with net-zero emission frameworks. In 2021-2022, we worked with a UK client to develop the UBS Global Equity Climate Transition Fund benchmarked against MSCI World Index. The key differentiating feature of the strategy is that it considers the social impacts of the climate transition by applying tilts towards companies that align with five of the social and environmental UN Sustainable Development Goals (SDGs). The strategy also commits to aligning with the latest net-zero pathways by applying both a relative decarbonisation versus the benchmark, as well as a year-on-year self-decarbonisation inspired by the EU CTB rules. The Global Equity Climate Transition strategy was launched in February 2022 in a UK-domiciled OEIC fund.

In 2022, we worked with UK pension fund client to launch the UBS Life Global Equity Sustainable Transition Fund, which applies a similar investment strategy to the UBS Global Equity Climate Transition Fund but is benchmarked against the FTSE Developed Index. This fund is also net zero aligned and has a typical ex ante tracking error of 0.5% to 1% (max. 1.5%) versus the benchmark. The fund was launched in August 2022.

In the 2022 GRESB Real Estate Assessment, UBS Triton Property Fund ("Triton") has continued to demonstrate its excellence in sustainability, leading its peer group of 93 UK core, diversified strategies for the 6th consecutive year.

Triton also improved its star rating this year, achieving GRESB's 5-star rating (compared to 4 stars in 2021) and in doing so, becoming the only 5-star fund in its peer group. The Fund also improved its credentials in Europe, ranking 9th amongst 216 European diversified strategies (top 4%), up from the 12th position (top 6%) it scored in 2021.

Most notably, an improved result in "Building Certifications" reflects the continued progress achieved with securing building certifications this year. Improved scoring across "Energy", "Greenhouse Gas Emissions", "Waste" and "Water" also contributed to Triton's higher score. Looking ahead, we have several exciting asset management and investment projects for Triton, which will be supported by the Fund's recent capital raise and present an important opportunity to further develop and integrate our established ESG program across the portfolio.

UBS AM's UK Life Sciences real estate strategy is also a development led approach focused on dedicated life sciences facilities broadly diversified across the UK including laboratory enabled office space, dry lab, wet lab and manufacturing facilities with compelling ESG credentials, including significant social impact and environmental considerations such as analyzing carbon lifecycle to target net zero emissions during construction phase and a high level of operational efficiency once complete.

### Net zero commitment

UBS recognizes the vital importance of taking action to support the transition to a low-carbon economy. By 2050, we are aiming to achieve net-zero greenhouse gas (GHG) emissions for scopes 1, 2 and 3 across our business, in line with fiduciary duties. Our climate roadmap sets out how we aim to get there. It comprises three key aspects:

- net zero to reduce our direct climate impact;
- net zero to support the transition of our financing clients; and
- net zero to support the transition of the assets of our investing clients.

We are committed to standing with our 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.

Our group commitment to sustainability goes beyond our own initiatives as we collaborate with peers and organizations to maximize the total impact towards a better planet. UBS AM is currently a member of, or supporting, the following global groups or initiatives:

- Founding member of the Net Zero Asset Managers initiative
- Signatory to Principles for Responsible Investment
- International Corporate Governance Network
- Institutional Investors Group on Climate Change
- Asian Corporate Governance Association
- UK Investor Forum



- UK Governance Forum
- Sustainability Accounting Standards Board member
- Global Real Estate Sustainability Benchmarks
- Swiss Sustainable Finance member (since 2015)
- Climate Action 100+
- IFC Operating Principles for Impact Management
- One Planet Investment Initiative

In 2022, UBS AM made progress across the foundational pillars required to deliver its target of aligning 20% of total AuM to be managed in line with net zero by 2030. This included enhanced data sourcing and governance, developing asset-class-specific net-zero-aligned frameworks, and extending our long-standing climate engagement program. In 2023, UBS AM intends to implement revisions to fund documentation and investment management agreements to align with these updated frameworks.

UBS AM UK are actively supporting the transition to a low-carbon economy within AM division. Please refer to the “Metrics and targets” section of this report for key sustainable finance figures.

- › Refer to the [“Strategy”](#) section of the Climate and Nature 2022 report for additional information on our sustainability and climate strategy
- › Refer to the [“Our approach to sustainable finance”](#) section of the Climate and Nature 2022 report for additional information on our sustainability and climate strategy
- › Refer to the [“Taking action on a net-zero future”](#) section of the Climate and Nature 2022 report for additional information on our sustainability and climate strategy



# Risk Management

## Managing sustainability and climate risks

### UBS

At UBS, sustainability and climate risk is defined as the risk that UBS negatively impacts, or is impacted by, climate change, natural capital, human rights, and other environmental, social and governance (ESG) matters. Sustainability and climate risks may manifest as credit, market, liquidity and/or non-financial risks for UBS, resulting in potential adverse financial, liability and/or reputational impacts. These risks extend to the value of investments and may also affect the value of collateral (e.g., real estate). Climate risks can arise from either changing climate conditions (physical risks) or from efforts to mitigate climate change (transition risks). Physical and transition risks from a changing climate contribute to a structural change across economies and, consequently, can affect banks and the financial sector through financial and non-financial impacts.

The firm's Sustainability and Climate Risk (SCR) unit (part of Group Risk Control), manages material exposure to sustainability and climate risks. It also advances our firmwide SCR initiative to build in-house capacity for the management of sustainability and climate-related risks. Our SCR initiative follows a multi-year roadmap. It is designed to integrate sustainability and climate risk considerations into our firm's various traditional financial and non-financial risk management frameworks, and related policies and processes.

### UBS AM

Within UBS AM overall strategy for managing climate risks is to integrate risk data and insights into our investment management processes. In our public markets investments, this begins with assessing ESG issues based on our ESG Material Issues framework, which identifies the most relevant issues per sector making the connection to key value drivers that may impact the investment thesis across sectors. We have updated our ESG Material Issues framework with a sector-based view of exposures to physical and transition climate risks.

To further facilitate the integration of sustainability factors (including climate risks) into investment decisions, UBS AM has a proprietary ESG Dashboard using data sets from a variety of external ESG data providers, which generates a risk signal across several risk dimensions. This is available to investment teams via a dashboard giving a structured, holistic view of ESG risks. During 2022 we onboarded additional climate physical and transition risk datasets. We have enhanced our proprietary ESG Dashboard with this climate physical and transition risk data, and with alerts to highlight the highest risk issuers.

We view active ownership as an important tool to manage climate risk of issuers. UBS AM has run a dedicated climate engagement program since early 2018 focused on high emitting sectors to drive stronger integration of climate risk management into business strategies.

Asset Management's Real Estate and Private Markets (REPM) business also incorporates physical and transition risks into its investment and ongoing management processes.

We consider key transition risks using our proprietary inhouse ESG Dashboard which assesses over 1,500 of our directly controlled real estate assets' environmental performance against pathways and targets. We are in the process of refreshing our energy/emission/water/waste reduction targets with help from our sustainability consultants across the world which would apply at portfolio level, supported by individual asset-level action plans towards those targets. Our primary emission reduction strategies focus on implementing improvement measures to minimize energy demand, improve energy efficiency, installing renewables on site where feasible and procuring green energy from third parties where on-site renewables are not sufficient. We may in the future also employ secondary carbon reduction strategies, including the purchase of energy credits to offset any residual emissions as we approach our net-zero targets. Transition risk planning for our direct infrastructure and indirect strategies is in an earlier stage but is being undertaken in 2023.

Natural capital risks are also considered within our real estate and private market investments, where applicable. On the physical risk side, for our direct investments in real estate and infrastructure, we use a third-party location risk intelligence tool to analyze asset-level physical risk. We use another third-party data provider to inform our assessment of physical risk in our indirect real estate investments. Based on each investment's location, these tools allow REPM to identify each asset's potential physical risks under a variety of climate change scenarios and timelines. Currently, we are performing physical risk screening prior to the acquisition of any asset, and annually for assets where we are currently invested. Our intent is to use information from our dashboard and third-party providers to develop physical climate risk mitigation plans, where needed, for existing real assets and new acquisitions. In our indirect real estate activities, we will similarly use third-party data to identify key engagement focus areas in our underlying fund holdings. In our other indirect businesses (indirect infrastructure and private equity), we engage with underlying managers on physical risk, amongst other topics.

As part of the second line of defense controls performed by Group Risk Control, we integrate climate risk in the risk control and monitoring process of UBS AM portfolios. We have developed a risk control dashboard to identify, assess and monitor climate risks. Among other sustainability risk metrics such as ESG scores and risk ratings, the dashboard allows us to monitor the weighted average carbon intensity of portfolios against their respective benchmarks. Through this dashboard, Risk Control provides internal reporting of sustainability risk exposures for further assessment and escalation.

### **UBS AM UK**



UBS AM UK will continue to align to Group sustainability and climate risk framework and to ongoing UBS AM efforts to further integrate climate risk data and insights into our investment management processes.

- › Refer to the ["Risk Management"](#) section of the Climate and Nature 2022 report for additional information on our sustainability and climate risk management activities

# Metrics and targets

UBS

## Our aspirational goals and progress

Our priorities	Our aspirational goals	Our progress in 2022
<b>Planet, people, partnerships</b>	USD 400 billion invested assets in sustainable investments by 2025.	Increased invested assets in sustainable investments to USD 268 billion (compared with USD 251 billion in 2021).
<b>Planet</b> 	Decarbonization targets for 2030 for financing of the real estate, fossil fuels, power generation and cement sectors (from 2020 levels): <ul style="list-style-type: none"> <li>– reduce emissions intensity of UBS’s residential real estate lending portfolio by 42%;</li> <li>– reduce emissions intensity of UBS’s commercial real estate lending portfolio by 44%;</li> <li>– reduce absolute financed emissions associated with UBS loans to fossil fuel companies by 71%;</li> <li>– reduce emissions intensity associated with UBS loans to power generation companies by 49%; and</li> <li>– reduce emissions intensity associated with UBS loans to cement companies by 15%.</li> </ul>	Calculated progress against pathways for the real estate (commercial and residential), fossil fuel and power generation sectors: <sup>1</sup> <ul style="list-style-type: none"> <li>– reduced emissions intensity of UBS’s residential real estate lending portfolio by 8% (end of 2021 vs 2020 baseline);</li> <li>– reduced emissions intensity of UBS’s commercial real estate lending portfolio by 7% (end of 2021 vs 2020 baseline);</li> <li>– reduced absolute financed emissions associated with UBS loans to fossil fuel companies by 42% (end of 2021 vs 2020 baseline); and</li> <li>– reduced emissions intensity associated with UBS loans to power generation companies by 12% (end of 2021 vs 2020 baseline).</li> </ul> Introduction of an additional decarbonization target for the cement sector, as well as an estimation of the overall financed emissions.
	Align 20% of AuM to be managed in line with net zero (Asset Management) by 2030. <sup>2</sup> Achieve net-zero emissions across discretionary client portfolios by 2050 (Asset Management). <sup>3</sup>	Initiated analysis of revisions to fund documentation and investment management agreements to align with Asset Management’s net-zero-aligned frameworks.
	Achieve net-zero energy emissions resulting from our own operations (scopes 1 and 2) by 2025; cut energy consumption by 15% by 2025 (compared with 2020).	Reduced net GHG footprint for scope 1 and 2 emissions by 13% and energy consumption by 8% (compared with 2021); continued implementation of the replacement of fossil fuel heating systems and investing in credible carbon removal projects; achieved 99% renewable electricity coverage despite challenging market conditions.
	Offset historical emissions back to the year 2000 by sourcing carbon offsets (by year-end 2021) and by offsetting credit delivery and full retirement in registry (by year-end 2025).	Continued to follow up on credit delivery and retirement of sourced portfolio.
	Engage with key vendors on aiming for net zero by 2035.	Identified “GHG key vendors” (vendors that collectively account for >50% of our estimated vendor GHG emissions) and invited the vendors that accounted for 67% of our annual vendor spend (including all GHG key vendors) to disclose their environmental performance through CDP’s Supply Chain Program, with 66% of the invited vendors completing their disclosures in the CDP platform.
<b>Partnerships</b> 	Establish UBS as a leading facilitator of discussion, debate and idea generation.	Co-organized, with the Institute of International Finance, the first Wolfsberg Forum for Sustainable Finance. Joined a consortium that is pioneering methods of assessing and maximizing the GHG reduction potential of energy storage. Co-founded Carbonplace, a technology platform for the voluntary carbon market that has the goal of creating a streamlined and transparent market for our clients.
	Drive standards, research and development, and product development.	Co-led the Taskforce on Nature-related Financial Disclosures’ financial-sector-specific working group. Collaboration with two Swiss companies that are pioneering innovative carbon removal technologies. Joined the Partnership for Carbon Accounting Financials (PCAF).

<sup>1</sup> Refer to the “Metrics and targets” section of this report for further information. The inherent one-year time lag between the as-of date of our lending exposure and the as-of date of emissions can be explained by two factors: corporates disclose their emissions in annual reporting only a few months after the end of a financial year; and specialized third-party data providers take up to nine months to collect disclosed data and make it available to data users. Consequently, the baselines for our net-zero ambitions are based on year-end 2020 lending exposure and 2019 emissions data. Our 2021 emissions actuals are based on year-end 2021 lending exposure and 2020 emissions data. <sup>2</sup> By 2030, the weighted average carbon intensity of funds is to be 50% below the carbon intensity of the respective 2019 benchmark. <sup>3</sup> The near- and medium-term plans for the achievement of this goal include our Asset Management business division only.

**Cautionary note:** We have developed methodologies we use to set our climate-related targets and identify climate-related risks and which underly the metrics that are disclosed in this report. Standard-setting organizations and regulators continue to provide new or revised guidance and standards, as well as new or enhanced regulatory requirements for climate disclosures. Our disclosed metrics are based upon data available to us, including estimates and approximations where actual or specific data is not available. We intend to update our disclosures to comply with new guidance and regulatory requirements as they become applicable to UBS. Such updates may result in revisions to our disclosed metrics, our methodologies and related disclosures, which may be substantial, as well as changes to the metrics we disclose.

## UBS AM and UBS AM UK

UBS AM is committed and contributes to UBS's aspirational goals. As part of the Planet priorities described above, UBS AM aims to

- Align 20% of AuMto be managed in line with net zero by 2030
- Achieve net-zero emissions across discretionary client portfolios by 2050

UBS is committed to reducing its operational impact on the environment and set ambitious goals to reach net zero for scope 1 and 2 emissions by 2025. The first priority in reaching this goal is reducing emissions at source. UBS AM UK is contributing to this development by gradually decreasing the CO<sub>2</sub>e emissions associated with consuming grid electricity in the UK. For further details on the measures taken to improve energy efficiency by UBS Asset Management Funds Ltd and UBS Asset Management (UK) Ltd please refer to the Appendix 1 of this report.

- › Refer to the "[Metrics and Targets](#)" section of the Climate and Nature 2022 report for additional information on sustainability related metrics and targets

# Appendix 1 – Other

## Streamlined Energy and Carbon Reporting (SECR)

Extracts from Annual Report and Financial Statements for the year ended 31 December 2022 – UBS Asset Management Funds Ltd, UBS Asset Management (UK) Ltd, UBS Asset Management Life Ltd.

### UBS Asset Management Funds Ltd

#### **Streamlined Energy and Carbon Reporting (SECR)**

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 have implemented the United Kingdom's ("UK") Government's policy on Streamlined Energy and Carbon Reporting ("SECR"). This new regulation, which came into effect for reporting periods beginning on or after 1 April 2019, require large unquoted companies that have consumed in the UK more than 40,000 kilowatt-hours ("kWh") of energy in the reporting period to include energy and carbon information within their Directors' Report. This is to increase awareness of energy costs within the UK Asset Management Group ("the UK Group") by disclosing energy usage data to allow the Directors to adopt energy efficient measures to ultimately reduce the impact the UK Group has on climate change.

UBS Asset Management Funds Ltd does not fall into scope of this regulation (as per s465 and s466 of the Companies Act 2006) and have elected to disclose energy and carbon information voluntarily.

UBS Asset Management Funds Ltd is disclosing the following:

- The methodology used for the carbon emissions calculation.
- The annual UK energy used (in kWh) relating to gas, purchased electricity, transport fuel and the associated greenhouse gas emissions (in tones of carbon dioxide equivalent (tCO<sub>2</sub>e)).
- An emissions intensity ratio.
- A narrative of measures taken to improve energy efficiency.

#### **Methodology**

The following disclosure shows UBS Asset Management Funds Ltd's energy usage and accompanying greenhouse gas emissions as prepared using the 'Greenhouse Gas Reporting Protocol – Corporate Standard' and uses the 2022 UK Government greenhouse gas conversion factors for company reporting.

The UK Group is located on the 12th floor of '5 Broadgate, London'. Electricity consumption has been calculated based on submetering data for lighting, small power, associated heating, ventilation and air conditioning services for the 12th floor. Natural gas consumption has been calculated using the total annual invoice consumption of '5 Broadgate, London', apportioned to the 12th floor based on the ratio of the gross internal area of the 12th floor to the total building's gross internal area. Mileage data comes from the UK Group's mileage reimbursement report.

The calculated electricity consumption, natural gas consumption and mileage was then internally allocated within the UK Group using the existing employees-attribution model where employees are allocated based on their services provided to respective companies. Where 88.73% is allocated to UBS Asset Management (UK) Ltd, 10.53% to UBS Asset Management Funds Ltd and 0.74% is allocated to UBS Asset Management Life Ltd.

Annual UK energy use (in kWh) relating to gas, purchased electricity, transport fuel and the associated greenhouse gas emissions (in tones of carbon dioxide equivalent (tCO<sub>2</sub>e)).

<b>GHG emissions and energy use data</b>	<b>2022</b>	<b>2021</b>
Scope 1 emissions from activities which the company own or control including combustion of fuel & operation of facilities (tCO <sub>2</sub> e)	7.09	7.37
Scope 2 emissions from the purchase of electricity, heat, steam, and cooling purchased for own use (location-based) (tCO <sub>2</sub> e)	16.03	18.52
Scope 3 Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (tCO <sub>2</sub> e)	0.44	0.40
<b>Total gross emissions (tCO<sub>2</sub>e)</b>	<b>23.56</b>	<b>26.29</b>
Energy consumption used to calculate above emissions (kWh)	123,470	121,675
<b>Intensity Ratios</b>		
tCO <sub>2</sub> e per million £ revenue	1.766	2.227
tCO <sub>2</sub> e per m <sup>2</sup>	0.005	0.005

In 2021, UBS Group founded Group Sustainability and Impact to support the net zero commitment and facilitate the firm's ambition to become the financial provider of choice for clients who wish to mobilise capital towards the achievement of the UN's sustainability goals and the orderly transition to a low carbon economy. There are three focus areas – planet, people and partnerships. UBS Group in-house activities to reduce energy use and GHG emissions from our own operations sit within this framework.

Over the past few years, the CO<sub>2</sub>e emissions associated with consuming grid electricity in the UK has gradually decreased, due to the increasing share of renewables in the UK energy mix.

From 2021 to 2022, for every kWh of electricity consumed, the kgCO<sub>2</sub>e emitted decreased by nearly 9%. So, despite the 3.1% increase in electricity consumption at '5 Broadgate, London', the emissions associated with this consumption fell by 6.1%.

The actions UBS Asset Management Funds Ltd has taken during the reporting period to reduce energy consumption and improve climate change are as follow:

A review of all major cooling and heating plant has been implemented to match building plant capacity more closely to actual building cooling and heating loads. Completion of the development of the various design scopes, the stakeholder approval processes and site works are planned for completion in 2023.

These works include:

- The reduction in number of landlord and critical chillers
- Landlord cooling towers
- Generators
- Substitution of some of the boilers served by fossil fuels with air and water source heat pumps
- Transformers serving the uninterrupted power supply (UPS) systems
- Phase 2 of the UPS module capacity reduction

Further energy savings initiatives include:

- Refinements to the 2021 lighting control system modifications commenced late in 2022 and should be completed by mid-2023.
- The works to adjust the control strategies for cooling units in switch-rooms, UPS rooms, battery rooms and hub and critical equipment rooms and where possible shutdown cooling units was completed in early 2022.
- The ON/OFF time schedules for some artwork lighting were reduced.
- The ON/OFF time schedules for the 450 building TV monitors were reduced.
- The ON/OFF time schedules for the building ventilation systems were reduced.
- The feasibility stage of a project to widen the office space temperature range was commenced prior to roll-out throughout the building.

In addition to the above initiatives, UBS AG operates with a certified 'global ISO 50001 energy management system' which the '5 Broadgate, London' office is covered under. ISO 50001 provides a framework for establishing an energy management system, which helps UBS to improve energy performance, including energy efficiency, use, and consumption. UBS AG are supplied by a Renewable Energy Guarantee of Origin (REGO) backed electricity tariff in the UK.

## UBS Asset Management (UK) Ltd

### **Streamlined Energy and Carbon Reporting (SECR)**

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 have implemented the United Kingdoms ("UK") Government's policy on Streamlined Energy and Carbon Reporting ("SECR"). This new regulation, which came into effect for reporting periods beginning on or after 1 April 2019, require large unquoted companies that have consumed in the UK more than 40,000 kilowatt-hours ("kWh") of energy in the reporting period to include energy and carbon information within their Directors' Report. This is to increase awareness of energy costs within the UK Asset Management Group ("the UK Group") by disclosing energy usage data to allow the Directors to adopt energy efficient measures to ultimately reduce the impact the UK Group has on climate change.

UBS Asset Management (UK) Ltd falls into scope of this regulation as it is deemed 'large' (as per s465 and s466 of the Companies Act 2006) and its energy consumption exceeds 40,000 kWh.

UBS Asset Management (UK) Ltd is required to disclose the following:

- The methodology used for the carbon emissions calculation.
- The annual UK energy used (in kWh) relating to gas, purchased electricity, transport fuel and the associated greenhouse gas emissions (in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e)).
- An emissions intensity ratio.
- A narrative of measures taken to improve energy efficiency.

### **Methodology**

The following disclosure shows UBS Asset Management (UK) Ltd's energy usage and accompanying greenhouse gas emissions as prepared using the 'Greenhouse Gas Reporting Protocol – Corporate Standard' and uses the 2022 UK Government greenhouse gas conversion factors for company reporting.

The UK Group is located on the 12th floor of '5 Broadgate, London'. Electricity consumption has been calculated based on submetering data for lighting, small power, associated heating, ventilation and air conditioning services for the 12th floor. Natural gas consumption has been calculated using the total annual invoice consumption of '5 Broadgate, London', apportioned to the 12th floor based on the ratio of the gross internal area of the 12th floor to the total building's gross internal area. Mileage data comes from the UK Group's mileage reimbursement report.

The calculated electricity consumption, natural gas consumption and mileage was then internally allocated within the UK Group using the existing employees-attribution model where employees are allocated based on their services provided to respective companies. Where 88.73% is allocated to UBS Asset Management (UK) Ltd, 10.53% to UBS Asset Management Funds Ltd and 0.74% is allocated to UBS Asset Management Life Ltd.

Annual UK energy use (in kWh) relating to gas, purchased electricity, transport fuel and the associated greenhouse gas emissions (in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e))



<b>GHG emissions and energy use data</b>	<b>2022</b>	<b>2021</b>
Scope 1 emissions from activities which the company own or control including combustion of fuel & operation of facilities (tCO <sub>2</sub> e)	59.74	60.94
Scope 2 emissions from the purchase of electricity, heat, steam, and cooling purchased for own use (location-based) (tCO <sub>2</sub> e)	135.03	153.75
Scope 3 Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (tCO <sub>2</sub> e)	3.67	4.11
<b>Total gross emissions (tCO<sub>2</sub>e)</b>	<b>198.44</b>	<b>218.81</b>
Energy consumption used to calculate above emissions (kWh)	1,040,413	1,073,563
<b>Intensity Ratios</b>		
tCO <sub>2</sub> e per million £ revenue	1.327	1.382
tCO <sub>2</sub> e per m <sup>2</sup>	0.042	0.046

In 2021, UBS Group founded Group Sustainability and Impact to support the net zero commitment and facilitate the firm's ambition to become the financial provider of choice for clients who wish to mobilise capital towards the achievement of the UN's sustainability goals and the orderly transition to a low carbon economy. There are three focus areas – planet, people and partnerships. UBS Group in-house activities to reduce energy use and GHG emissions from our own operations sit within this framework.

Over the past few years, the CO<sub>2</sub>e emissions associated with consuming grid electricity in the UK has gradually decreased, due to the increasing share of renewables in the UK energy mix.

From 2021 to 2022, for every kWh of electricity consumed, the kgCO<sub>2</sub>e emitted decreased by nearly 9%. So, despite the 3.1% increase in electricity consumption at '5 Broadgate, London', the emissions associated with this consumption fell by 6.1%.

The actions UBS Asset Management (UK) Ltd has taken during the reporting period to reduce energy consumption and improve climate change are as follow:

A review of all major cooling and heating plant has been implemented to match building plant capacity more closely to actual building cooling and heating loads. Completion of the development of the various design scopes, the stakeholder approval processes and site works are planned for completion in 2023.

These works include:

- The reduction in number of landlord and critical chillers
- Landlord cooling towers
- Generators
- Substitution of some of the boilers served by fossil fuels with air and water source heat pumps
- Transformers serving the uninterrupted power supply (UPS) systems
- Phase 2 of the UPS module capacity reduction
- Further energy savings initiatives include:
  - Refinements to the 2021 lighting control system modifications commenced late in 2022 and should be completed by mid-2023.
  - The works to adjust the control strategies for cooling units in switch-rooms, UPS rooms, battery rooms and hub and critical equipment rooms and where possible shutdown cooling units was completed in early 2022.
  - The ON/OFF time schedules for some artwork lighting were reduced.
  - The ON/OFF time schedules for the 450 building TV monitors were reduced.
  - The ON/OFF time schedules for the building ventilation systems were reduced.
  - The feasibility stage of a project to widen the office space temperature range was commenced prior to roll-out throughout the building.

In addition to the above initiatives, UBS AG operates with a certified 'global ISO 50001 energy management system' which the '5 Broadgate, London' office is covered under. ISO 50001 provides a framework for establishing an energy management system, which helps UBS to improve energy performance, including energy efficiency, use, and consumption. UBS AG are supplied by a Renewable Energy Guarantee of Origin (REGO) backed electricity tariff in the UK.

## **Streamlines Energy and Carbon Reporting (SECR)**

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The Company does not fall into scope of this regulation (as per s465 and s466 of the Companies Act 2006) and has elected not to disclose energy and carbon information voluntarily.

# Key terms and definitions

## Sustainability

Is commonly defined as “meeting the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations (UN) Brundtland Commission, 1987). In this way, we sometimes refer to sustainability to imply a broader scope of exhausted resources beyond those that impact climate change. Our ambition is to conduct business and operations without negatively impacting the environment, society or the economy as a whole and, through our sustainability disclosure, be transparent about how we are pursuing this.

## Sustainable Development Goals (the SDGs)

The 2030 Agenda for Sustainable Development, adopted by all UN member states in 2015, provides a shared blueprint for peace and prosperity for people and the planet. At its heart are the *17 UN Sustainable Development Goals* (available on [sdgs.un.org/goals](https://sdgs.un.org/goals)), the SDGs, which are an urgent call for action by all countries – developed and developing – in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

## ESG (Environmental, Social, Governance)

A framework to help stakeholders understand how an organization is managing risks and opportunities related to ESG criteria or factors. It is often used in the context of investing, but – beyond the investment community – clients, suppliers, and employees are also increasingly interested in how sustainable an organization’s operations are.

## Sustainable finance

Sustainability focus: Strategies that have explicit sustainable intentions or objectives that drive the strategy. Underlying investments may contribute to positive sustainability outcomes through products / services / use of proceeds.

Impact investing: Investment strategies that have an explicit intention to generate measurable, verifiable, positive sustainability outcomes. Impact generated is attributable to investor action and/or contribution.

Green, social, sustainability and sustainability-linked bonds: Debt instruments with a commitment to use the proceeds to (re-)finance green or sustainable projects, aligned with the voluntary guidelines in the pertinent International Capital Market Association (ICMA) Principles.

## Low-carbon economy

Refers to a type of decarbonized economy that is based on low energy consumption and low levels of greenhouse gas (GHG) emissions.

GHG emissions

Scope 1: Accounts for GHG emissions by UBS.

Scope 2: Accounts for indirect GHG emissions associated with the generation of imported / purchased electricity (grid average emission factor), heat or steam.

Scope 3: Accounts for GHG emissions resulting from activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain.

Net zero: Refers to cutting GHG emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere.

GHG key vendor: A top GHG scope 3 emitter relative to UBS’s overall scope 3 supply chain emissions and with which UBS has a long-term ongoing relationship.

## Sustainability disclosure

Global Reporting Initiative (GRI): Provider of the world’s most widely used sustainability disclosure standards (the GRI Standards).

Task Force on Climate-related Financial Disclosures (TCFD): Provider of climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation.

Taskforce on Nature-related Financial Disclosures (TNFD): Provider of nature-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation.

Value Reporting Foundation SASB Standards: Disclosure standards to guide the disclosure of officially declared material sustainability information by companies to their investors.

World Economic Forum International Business Council (WEF IBC): Provider of the Stakeholder Capitalism Metrics, which offer a set of universal, comparable disclosures focused on people, planet, prosperity and governance that companies can report on, regardless of industry or region.

## Materiality assessments

With regard to the materiality assessments included in this report (GRI-based and climate-related), the GRI requires companies to determine material topics that “represent the organization’s most significant impacts on the economy, environment, and people, including impacts on their human rights.” The TCFD requires companies to conduct a double materiality assessment that looks at both the inside-out impact the company has on the environment and the outside-in impact climate-related activities might have on the company performance.

## UBS-related terms and definitions

Unless the context requires otherwise below terms are used in this statement for:

Terms	Used for
"UBS," "UBS Group," "UBS Group AG consolidated," "Group," "the Group," "we," "us" and "our"	UBS Group AG and its consolidated subsidiaries
"UBS AM"	UBS Asset Management
"UBS AM UK"	UBS Asset Management Funds Ltd, UBS Asset Management (UK) Ltd, UBS Asset Management Life Ltd

## Climate-related methodologies – defining net-zero-aligned investment portfolios

Portfolio target levels are expressed in terms of interim milestones or an annualized decarbonization rate (absolute or intensity) and reference a relevant science-based net-zero pathway (currently defined in relevant climate models as 1.5°C). Targets are set using scope 1 and 2 emissions; inclusion of scope 3 is guided by availability of quality data and regulatory requirements. Decarbonization can be achieved through various approaches depending on the strategy; some examples include tracking a relevant index that follows a net-zero pathway, actively managing the portfolio carbon profile vs. a relevant benchmark or managing carbon reduction to a specified pathway.

UBS AM's framework will evolve over time as further data and methodologies become available and as the real-economy decarbonization process progresses. We are making our commitments in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met, including increasing the ambition of their Nationally Determined Contributions, and in the context of our legal duties to clients and unless otherwise prohibited by applicable law.

**Cautionary Statement** | This report may contain statements that constitute "forward-looking statements." Refer to the Cautionary Statement Regarding Forward-Looking Statements in UBS's Annual Report 2022, available at [ubs.com/investors](https://ubs.com/investors), for further details.

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**Rounding** | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages and percent changes are calculated on the basis of unrounded figures. Information about absolute changes between reporting periods, which is provided in text and which can be derived from figures displayed in the tables, is calculated on a rounded basis.

**Tables** | Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis. Percentage changes are presented as a mathematical calculation of the change between periods.