

Verifier Statement

Independent Verification Report

Prepared for UBS: June 17, 2022

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, UBS engaged BlueMark to undertake an independent verification of the alignment of UBS's impact management (IM) systems (Asset Management and Global Wealth Management) with the Impact Principles. UBS's assets under management covered by the Impact Principles (Covered Assets) totals \$11.4 billion², for the period ending 12/2021.

Summary assessment conclusions

BlueMark has independently verified UBS Asset Management's (AM) extent of alignment with the Impact Principles. Key takeaways from BlueMark's assessment are as follows:

Principle 1: UBS AM has a clearly defined impact strategy for both the Global Sustainable Impact mandate and the Engage for Impact fund, targeting 11 SDGs under the broad themes of Climate Change, Food, Water, Empowerment, and Health. To further align UBS AM should expand its evidence base to demonstrate how its engagement activities contribute to impact.

Principle 2: UBS AM manages impact across the portfolio and throughout the lifecycle of each investment, leveraging the team's proprietary revenue-based impact modeling methodology. To further align, UBS AM should consider opportunities to directly link the impact performance of its investments to its staff incentive systems.

Principle 3: UBS AM contributes to the achievement of impact for each investment by actively engaging with its investees to improve their ESG practices. To further align, UBS AM should ensure potential opportunities for engagement are documented in a clear and structured way, and compile evidence of the impact resulting from its engagement activities.

Principle 4: UBS AM utilizes the Impact Profiles to document the impact rationale and SDG-alignment for each investment across the fund and mandate. To further align, UBS AM should consider expanding documentation of the depth of its analysis as to why a product or service qualifies as impactful, and clearly document ex-ante expectations or goals in its Impact Profiles.

Principle 5: UBS AM leverages its ESG Material Issues Framework to identify material ESG risks per sector and monitors ESG risks over time via its proprietary ESG risk dashboard. When an ESG risk is flagged, UBS AM's SI Risk Recommendation process is prompted to categorize the level of risk and identify engagement activities to pursue with the investee. UBS AM should monitor the progress of mitigation efforts and receptiveness when an ESG risk flag is removed.

Principle 6: UBS AM updates Impact Profiles for individual companies on a rolling basis and annually reviews the continued alignment of a company's products' and services' impact. To further align, UBS AM should establish processes to allow for comparison of actual achievement of impact against expectations.

Principle 7: UBS AM actively engages with the companies while they are held in the portfolio, focusing on improving ESG practices. To further align, UBS AM should formalize a sustainable exit policy and develop a standardized template to perform its qualitative assessments.

Principle 8: UBS AM routinely reviews the information in Impact Profiles and has internal review meetings. To further align, UBS AM should formalize an approach for using the findings from these discussions to improve its operational and management processes and strategic investment decisions.

¹ Principle 9 states that signatories "shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns."

² Assets under management figure as reflected in UBS Q421 Asset Sheets as of 12/31/2021. BlueMark's assessment did not include verification of the AUM figure.

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Summary assessment conclusions

BlueMark has independently verified UBS Global Wealth Management's (GWM) extent of alignment with the Impact Principles. Key takeaways from BlueMark's assessment are as follows:

Principle 1: UBS GWM has developed a broad impact strategy targeting all 17 SDGs, encompassing multiple asset classes, but with the priority themes of Climate, Health, and Education. To further align, UBS GWM should consider formulating a set of positive and measurable impact metrics for each of its priority themes.

Principle 2: UBS GWM lays out responsibilities and describes its various tools in its Terms of Reference. To further align, UBS GWM should consider enhancing the alignment of the impact factors commonly considered ex-ante and ex-post and continue to consider ways to link its staff incentive systems to the achievement of impact.

Principle 3: UBS GWM contributes to the achievement of impact as both an investor and market participant. To further align, UBS GWM should more explicitly document its intended engagement activities and track the progress and results of its engagement activities to compile evidence of its actual investor contributions.

Principle 4: UBS GWM consistently uses Impact Assessment memos to assess whether a prospective fund investment fits within the CIO's definition of impact investing and is aligned with its targeted investment themes. To further align, UBS GWM should consider clearly setting ex-ante impact targets or expectations and identifying key KPIs to track for each fund.

Principle 5: UBS GWM identifies ESG risks through its ESG Due Diligence Questionnaire (DDQ) and documents them in its Impact Assessment memos. To further align, UBS GWM should formalize a process for documenting and monitoring the mitigation activities they undertake in cases when unexpected ESG risks arise.

Principle 6: UBS GWM monitors the impact performance of its investments by requiring an annual impact report from its fund managers, as well as leveraging the Impact Monitoring DDQ. To further align, UBS GWM should establish processes to allow for comparison of actual achievement of impact against expectations.

Principle 7: UBS GWM establishes expectations as to IM best practice early in the investment process and removes funds' impact investing categorization when it no longer adheres to the GWM CIO's impact investing definition.

Principle 8: UBS GWM reviews fund-specific Impact Assessment memos annually and has regular internal review meetings. To further align, UBS GWM should implement a formal record of their review meetings to document discussions around lessons learned and IM system improvements.

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Assessment methodology and scope

UBS provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM systems applicable to the Covered Assets. The scope of BlueMark’s work was limited to processes in place related to the Covered Assets as of June 17, 2022, BlueMark’s assessment of the IM systems included an evaluation of both the systems itself and supporting documentation, as well as the consistency of the draft disclosure statement with the IM systems. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.³

BlueMark’s full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM systems in relation to the Impact Principles, using BlueMark’s proprietary rubric, and examining processes and policies against the following criteria:
 - *Compliance* of the IM systems with a threshold level of practice;
 - *Quality* of the IM systems’ design in terms of its consistency and robustness; and
 - *Depth* of sub-components of the systems, focused on completeness
2. Interviews with UBS staff responsible for defining and implementing the IM systems;
3. Testing of selected UBS transactions to check the application of the IM systems; and
4. Delivery of detailed assessment findings to UBS, outlining areas of strong alignment and recommended improvement, as well as BlueMark’s proprietary benchmark ratings on the extent of alignment to each of the Impact Principles.

Permissions

This statement, including our conclusions, has been prepared solely for UBS in accordance with the agreement between our firms, to assist UBS in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit UBS to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate UBS’s alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than UBS for our work or this statement except where terms are expressly agreed between us in writing.

About BlueMark

BlueMark, a Tideline company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to “strengthen trust in impact investing” and to help bring more accountability to the impact investment process. BlueMark is a wholly owned subsidiary of Tideline Advisors, LLC, a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognized leader in impact measurement and management, working with leading asset owners and managers to design and implement impact management systems.

BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; Portland, OR; and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA. For more information, please visit www.bluemarktideline.com.

³ The scope of BlueMark’s assessment procedures does not include the verification of the resulting impacts achieved. BlueMark’s assessment is based on its analyses of publicly available information and information in reports and other material provided by UBS. BlueMark has relied on the accuracy and completeness of any such information provided by UBS. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from UBS.