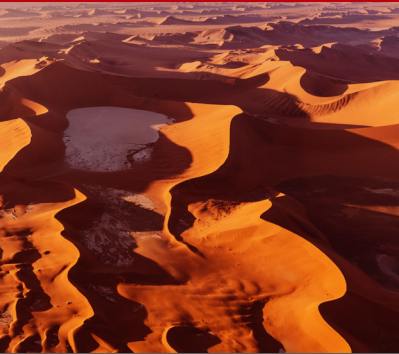


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January 2023.

Transitioning to a more sustainable future

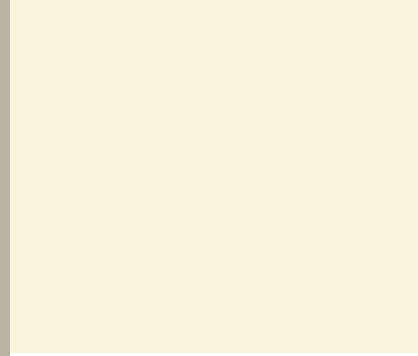
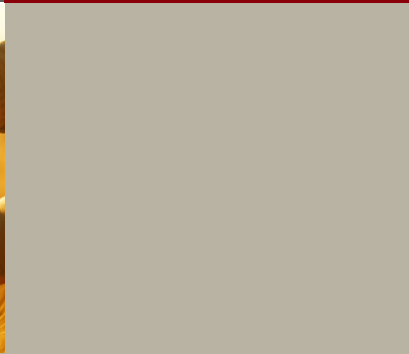
Supporting your sustainable investment goals





“We are committed to bringing you the ideas and transparency you need to deliver on your investment priorities and values, without compromise.”

Suni Harford
President of Asset Management and UBS Group Executive Board sponsor for Sustainability and Impact, Member of UBS Group Executive Board



Transitioning to a more sustainable future

Supporting your sustainable investment goals

At UBS Asset Management, we focus on helping our clients achieve their sustainable investment and decarbonization objectives.

At UBS sustainability means thinking and acting with the long term in mind. It's an integral part of our business, from the products, services and advice we offer, to the way we work and operate in society. For UBS this is nothing new. For over two decades, we have had a focus on sustainable finance. Today, it is embedded in our firm, our external commitments and our client promise: we want to be the financial provider of choice, to help clients mobilize their capital towards the achievement of the United Nations' 17 Sustainable Development Goals (UN SDG) and the orderly transition to a low-carbon economy.

To make sure we're creating an impact we've chosen to focus our efforts on the planet, people and partnerships. In concrete terms, this means taking climate action and supporting the transition to a net-zero world, addressing wealth inequality through our philanthropy and community affairs efforts in health and education, and working with our unrivalled network of partners around the world. Our Group Sustainability and Impact organization is driving these aspirations and delivering on our commitments, not least of which is our promise to reach net zero across all aspects of our operations and client activities by 2050. As a founding member of the Net Zero Asset Managers Initiative we've also committed to reaching net zero emissions across our clients' portfolios by 2050 and have established clear interim targets.

With over 20 years' sustainable investing (SI) expertise at UBS Asset Management, we continue to develop a range of sustainable strategies that are aimed at helping drive positive change, beyond just financial returns. UBS continues to integrate Environmental, Social and Governance (ESG) factors across our investments. Today, our traditional active products integrate ESG risk factors into our investment decisions utilizing a systematic ESG research process. Where possible, we continue to develop our integration approaches where it is not yet feasible, such as with third-party hedge funds.

Over the next few pages, we outline UBS Asset Management's sustainability ambition and our commitment to the low-carbon transition. This commitment was underscored recently when we were placed in the Top 10 in Continental Europe and #1 in Switzerland, and named an 'Avant-Gardist' in the Responsible Investment Brand Index 2021.¹ This honor goes to asset managers who lead the way in commitment to sustainable investing.

¹ Source: Hirschel & Kramer (H&K) Responsible Investment Brand Index 2021

Our sustainability ambitions

Turning aspirations into actions

In today's world, it is increasingly obvious that the consequences of climate change can no longer be ignored. We firmly believe that investors have the ability to effect real change, and that there doesn't need to be a trade-off between positive returns and sustainability. In fact, we believe sustainable investing can result in enhanced overall risk-adjusted outcomes for clients, primarily by protecting against downside risks and identifying opportunities associated with environmental, social and governance-related issues.

Significant process enhancements were designed during 2021, largely driven by the desire to integrate the Task Force on

Climate-Related Financial Disclosures (TCFD) framework into our investment process. We believe that it is very important to measure and mitigate both physical and transition risk for the long-term benefit of our clients and the planet.

By determining long-term investment opportunities, anticipating and managing financially material risks, such as physical and transitional risk, engaging with relevant third parties, and creating products and services that take ESG considerations into account, we believe our investments will yield greater success for our clients while positively affecting society and the environment.

Four key areas of focus



How we integrate sustainability into the investment process

Managing ESG risks

We identify the most financially relevant sustainability factors that impact investment decisions and use our proprietary ESG risk dashboard to identify those companies with material ESG risks. We then incorporate those ESG risks within the investment decision-making process, alongside traditional financial analysis. This ESG risk analysis is embedded in our 'UBS ESG Integration' and 'UBS Sustainable Investing' fund families (see overleaf).

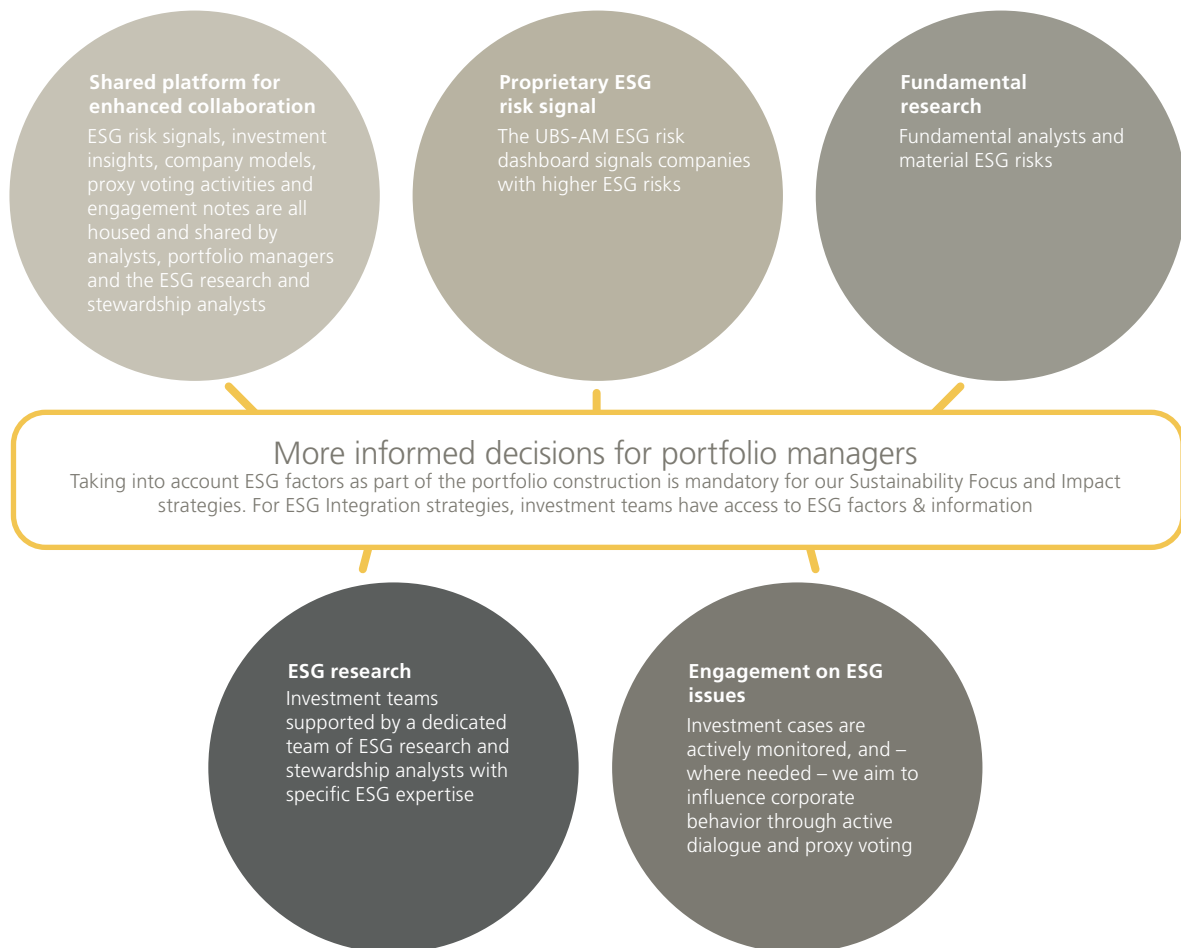
Identifying opportunities

Our analysis of ESG factors draws on different ESG data sources, both qualitative and quantitative, covering a wide range of topics including carbon footprint, health and well-being, human rights, supply chain management, fair customer treatment and governance. We establish a comprehensive, forward-looking view where we believe the most important ESG risks and opportunities reside.

Promoting change

An important part of our sustainability integration approach is the role of stewardship. We engage with companies to help them strengthen their commitments to better environmental and social outcomes. The COVID-19 pandemic has underscored the role businesses can play in society and raised expectations around the role of a good corporate citizen. We have seen a growing demand for companies to consider not just shareholder returns, but also the impact which their company has on the environment and the communities in which they operate.

Integration and stewardship: an intrinsic part of our traditional active investment decision-making process



How we approach stewardship

We proactively monitor companies' ESG performance, engage with decision makers on identified risks and opportunities and use our voting activities to help drive positive change

We are committed to engaging with companies to help them transition to a lower carbon future and play an important role in solving today's climate change emergency.

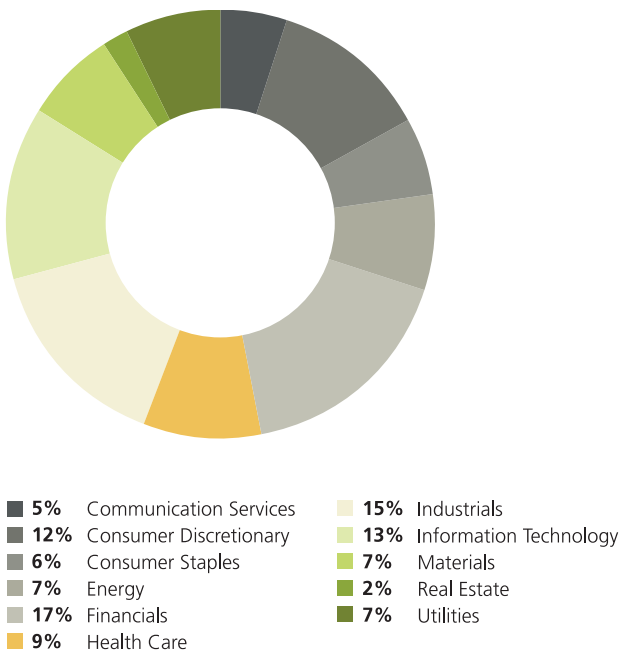
Stewardship is an integral part of our traditional investment process. We firmly believe that engagement is a two-way dialogue through which we can work to influence a company's behavior.

We prioritize corporate engagement based on an assessment of financial exposure, high ESG risks, poor performance on thematic issues of concern and presence of controversies.

295 companies engaged

In 2021, our active engagement covered 295 companies across regions and sectors (+6.5% from 2020), 7% of these engagements were collaborations with other investors.

Percentage of companies engaged by sector in 2021



Source: UBS Asset Management 2023. For illustrative purposes only

12,244 shareholder meetings

For the 2021 calendar year we submitted votes at 12,244 shareholder meetings, and upon 117,373 separate resolutions. This covered 98% of shareholder meetings where we held an eligible position to vote.

The votes covered a range of ESG issues.

We voted against 18,941 proposals

We voted against management recommendations for at least one proposal at 62% of meetings. This resulted in a total of 18,941 proposals voted against (16.1% of total resolutions voted).

We strive to collaborate with companies on improvements. Where companies show insufficient progress on climate issues, we have an escalation process which may lead to exclusion from our sustainable and Climate Aware strategies.

As at the end of December 2020 we received an 'A' leadership band for engagement and voting on climate from Influence Map, and A+ or A across all modules of the UN Principles of Responsible Investment Annual Assessment (including an A+ in Stewardship).

Level of access to companies during 2021

Level of representation	Number of meetings	Percentage of the total
CEO/CFO and other C-Suite	167	39%
Chair and Non-Executive board members	135	31%
Corporate secretary or legal counsel	94	22%
Investor Relations	372	87%
ESG expert	121	28%
Other	40	9%

Note: Engagement meetings can have participants of more than one group mentioned above. Thus, representation percentage does not sum up to 100%. Overall, there were 430 unique meetings with 295 companies in 2021. Reading example: In 39% of the 430 unique engagement meetings C-Suite participants were present.

Sustainable Investing Shelf Framework at UBS Asset Management

An overview

				Our Sustainable Investing Offering			
UBS Group SI Classification	Traditional Investing			Sustainability Focus		Impact	
ESG/SI Category ¹	Non-ESG Integration	ESG Integration		Sustainability Focus		Impact	
EU SFDR	Art. 6	Art. 6	Art. 8	Art. 8	Art. 9	Art. 8	Art. 9
Naming convention ²	*Sustainable / ESG* not part of name			*Sustainable or thematic reference* generally part of the name		*Impact or thematic reference* generally part of the name	
Financial Goals	Compared to an applicable peer-group, competitive risk-adjusted financial returns						
Non-financial Goals				Identify and assess material environmental, social and governance risks			
				Benefit the environment and society			
				(Financially) support selected environmental and/or social topics	(Financially) support selected environmental and/or social topics, applying higher standards to the targeted achievements	Contribute to generate positive measurable and verifiable (societal) outcomes	
Client expectation	Clients seek protection from downside risk by considering ESG aspects alongside traditional financial metrics in the research process		Clients seek to improve risk-adjusted returns and realize sustainability objectives by investing in leading or improving sustainable companies and avoiding controversies	Clients seek to make sustainable investments aligned with specific environmental and/or social objectives	Clients intend to generate positive, measurable social and/or environmental impact alongside a financial return – linking investments and/or investor actions to these outcomes		
UBS Asset Management Sustainability Exclusion framework ³	Controversial weapons (Ethix)						
	Depleted Uranium						
	Thermal coal mining / extraction, oil sands-based extraction						
	Controversial behaviour (UN Global Compact fails without credible corrective action)						
	Thermal coal-based power generation						
	Controversial business activities (production): tobacco, adult entertainment, gambling, conventional military weapons						
UBS AM engagement-based exclusions							
ESG Risk integration	ESG risk integration incorporated into research process ⁴						
	ESG risk screening incorporated into portfolio construction (see also "Portfolio construction") ⁴						
Stewardship	UBS AM policy driven voting and/or engagement						
Have a general risk-based and/or thematic voting and/or engagement						yes	yes
Use strategy-specific voting and/or engagements to generate company and/or investor impact						yes	yes
Portfolio construction							
Specific sustainability goals drive investment selection		yes		yes	yes	yes	yes
Sustainability goals and investment universe linked to UN Sustainable Development Goals or other impact frameworks						yes	yes
Disclose a proportion of "sustainable investment"				yes	100% ⁸	yes	100% ⁸
Disclose regulatory "taxonomy-aligned" investments					yes (optional)	yes (optional)	yes (optional)
Apply "Do no harm" and "Good governance" principles		yes		yes	yes	yes	yes
UBS Asset Management Fund Shelf	Active Equity Funds	Active Equity ESG Integration Funds	Active Equity SI Funds	Active Equity SI Funds	"Impact Funds ⁶ (liquid and alterantives) e.g. aligned to People and Planet topics like Climate, Health, Diversity, Inclusion"	"Impact Funds ⁶ (liquid and alterantives) e.g. aligned to People and Planet topics like Climate, Health, Diversity, Inclusion"	
	Active Fixed Income Funds	Active Fixed Income ESG Integration Funds	Active Fixed Income SI Funds	Active Fixed Income SI Funds			
	Active Multi-Asset Funds	Active Multi-Asset ESG Integration Funds ⁵	Passive SI Funds/ETFs ⁷	Passive SI Funds/ETFs ⁷			
	Passive Funds/ETFs	Passive ESG Integration Funds/ETFs ⁷	Passive SI Funds/ETFs ⁷	Passive SI Funds/ETFs ⁷			
	Alternative Funds	Alternative ESG Integration Funds	Alternative SI Funds	Alternative SI Funds			
	Private Markets Funds	Private Markets ESG Integration Funds	Private Markets SI Funds ⁶	Private Markets SI Funds ⁶			

As at January 2023, footnotes on page 8. Consideration of environmental, social and governance (ESG) factors when selecting or recommending investments may reduce the investment universe for actively-managed strategies. When considering ESG factors, UBS AM may reduce exposure to certain investments or not make certain investments when it would otherwise have done so, which could adversely affect the performance of accounts. Since ESG is a broad concept, our interpretation of, and qualifications for, an ESG investment selection may differ from other interpretations of the same company. Additionally, investments that UBS AM deems attractive based on ESG factors may be more concentrated in certain sectors than if UBS AM did not consider ESG factors. For ESG-focused strategies, the investment universe will be reduced when we employ the negative screening process for investment selections.

¹ UBS AM nomenclature, not necessarily aligned to any specific regulatory nomenclature; see UBS sustainability report for more details.

² Principle-based naming convention. In general, the naming of our passive funds/ETFs is based on the naming of the underlying index/benchmark they replicate. A true and fair representation of a fund's core investment strategy always takes precedent.

³ Please note this exclusion framework applies to active UBS AM funds with UBS AM as portfolio manager only. Sustainable passive funds/ETFs will apply the exclusions of the indices that they are tracking. Refer to the UBS AM sustainability exclusion policy for more information of any out of scope asset classes e.g. passive funds/ETFs which track a benchmark. Actively managed UBS AM funds in alternative asset classes and investments in funds of external asset managers apply similar exclusion criteria, but without specifying the data providers and sources or the exact operationalization of the criteria ("equivalency principle").

⁴ Applies to actively managed UBS AM funds (liquid and alternative asset classes) and to investments in strategies of external asset managers. For selected fixed income sectors, e.g. securitized instruments, ESG integration approaches are industry-wide still in development.

⁵ This framework generally applies to UBS AM managed products. Compared to the UBS AM sustainability standards defined for actively managed equity and fixed income strategies, similar sustainability criteria are applied to investments in strategies of external asset managers, but without specifying the data providers and sources or the exact operationalization of the criteria ("equivalency principle").

⁶ Planned.

⁷ We consider the ESG/Sustainability classification framework, sustainability data and criteria provided by the index provider when classifying products.

⁸ Excluding cash, liquidity and instruments for hedging purposes.

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Americas

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