

# Stewardship Annual Report

Highlights 2023

UBS Asset Management



**UBS**



Our active ownership approach encompasses integration of sustainability-related factors into investment decision making, engagement, proxy voting, advocacy with standard setters and collaboration with peers and our clients.

# How we engage

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.

## Integrating sustainability factors into investment decision making

- Environmental, social and governance (ESG) factors are part of the fundamental analysis in the investment process. ESG Integration is supported by a proprietary dashboard, which draws on ESG data to provide a bespoke ESG Signal on issuers.
- ESG risks and opportunities are further explored through proactive thematic research and interactions between portfolio managers, fundamental analysts and SI dedicated analysts.

## Engagement

Constructive dialogue with issuers based on thorough research with clear objectives and feedback on company actions to achieve positive outcomes with improved performance.

## Exercising shareholder rights through proxy voting

- Our proxy voting policy provides framework for voting in the best financial interest of our clients.
- Applied consistently and underpinned with case-by-case reviews and insights obtained through our engagement.

## Contributing to industry initiatives and advocacy

- Supporting the enhancement of best practices across the investment industry.
- Advocacy with policy makers and standard setters on taxonomies and regulation.

## Collaborating with peers and our clients

- Supporting the enhancement of best practices across the investment industry.
- Advocacy with policy makers and standard setters on taxonomies and regulation.

## Reporting

- Aggregated global voting record disclosed, including explanations for votes against management, as well as fund level reporting of votes for institutional funds in various markets.
- Annual Stewardship Report, explaining actions and outcomes achieved.
- Client and fund-specific active ownership reporting.

# Table of case study engagements

Issuer name	Priority topics			Outcome achieved
	E	S	G	
<b>Antofagasta plc</b>	●		●	Antofagasta has acknowledged the main points we raised during our contacts and we were encouraged to learn that the company aims to set and disclose new scope 1 and scope 2 targets in early 2024.
<b>ArcelorMittal SA</b>	●	●	●	We were pleased to see that ArcelorMittal published its updated human rights policy and more detailed explanatory note in November 2023. The company has also committed to providing better access to remedy by updating its grievance mechanisms.
<b>Bunge Global SA</b>	●	●	●	We were pleased to see that Bunge is open and responsive to investor engagement on the topic of deforestation. The company is open to dialogue and has made continuous progress on deforestation risks over the years.
<b>China Mengniu Dairy Co., Ltd.</b>	●	●	●	We have been encouraged to hear from the company that it is in the process of drafting a responsible marketing policy and intends to disclose this. The company has provided details of the planned policy and has allowed ATNI to make an evaluation, which enabled us to provide feedback.
<b>Galp Energia, SGPS S.A. Class B</b>	●	●	●	Confirmed verbally the board's vision for Galp to be a leader in the energy transition, as an integrated energy supplier,
<b>Glencore plc</b>	●	●	●	Glencore verbally confirmed its intention to wind down its thermal coal assets while the pace of the reduction will be determined by global policy, the stability of the global energy system and pricing.
<b>Holcim Ltd</b>	●		●	We appreciate Holcim's clear disclosure on its decarbonization strategy focused both on organic and inorganic growth, cost discipline and having a leading role in the decarbonization of the heavy-building-materials industry.
<b>Hon Hai Precision Industry Co., Ltd.</b>		●		Hon Hai has provided a third party onsite human rights audit report in line with the Responsible Business Alliance standards, which confirms the non-existence of forced labor. The company has verbally committed to publicly disclose future audit results.
<b>Hyundai Motor Company</b>	●	●	●	The company had established a focus on submission and disclosure of an SBTi target by 2024. Furthermore, the company provided more context around its desire to enhance the integrity and reliability of its scope 3 calculations and disclosures.
<b>Knorr-Bremse AG</b>	●	●	●	In July, the company announced a new strategy focused on optimization and transformation, related initiatives including a review of its technology along with a new CEO who in January, in our view has both relevant experience and skills.
<b>Meituan Class B</b>	●	●	●	We were pleased to see the first female appointed to the board in 2023. We also appreciate the company acknowledging the importance of gender diversity and continuing the search for another female board member.
<b>Montrose Environmental Group Inc</b>	●	●	●	The company decided to undertake a wide-ranging governance review facilitated by a specialized firm, including a board evaluation and assessment of key governance and antitakeover mechanisms.
<b>Primo Water Corporation</b>	●	●	●	We met again with PRMW in December 2023 and we were able to verify that the company had made progress and actually met targets on GHG emissions and water stewardship.
<b>Take-Two Interactive Software, Inc.</b>		●	●	The company has made progress, by refreshing its board (two new non-executive members added since 2022) and its lead director role. TTWO is also making progress on ESG reporting (including GHG scope 1,2,3 and human capital) and brought in a director of ESG/sustainability.
<b>Tencent Holdings Ltd.</b>		●	●	While it is very early in our engagement with Tencent, we do see the company moving in the right direction. It has established and published a framework for managing governmental requests.
<b>Ubisoft Entertainment SA</b>			●	The company announced a significant reshuffle of the board, one outside the mandate cycle, including the appointment of two new directors who bring significant experience as former CEO and CFO.
<b>Santos</b>	●			Through our engagements with Santos, we learned of the company's longer-term strategic plan to monetize its expertise in this field by selling carbon capture and storage services to other emitters.



# Year in review

We continued to advance active ownership as a core part of our investment process. 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.

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 the highlights report are for UBS-AM only

# Our engagement activities

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.

What has been achieved



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:



Conducting thematic engagement in collaboration with clients



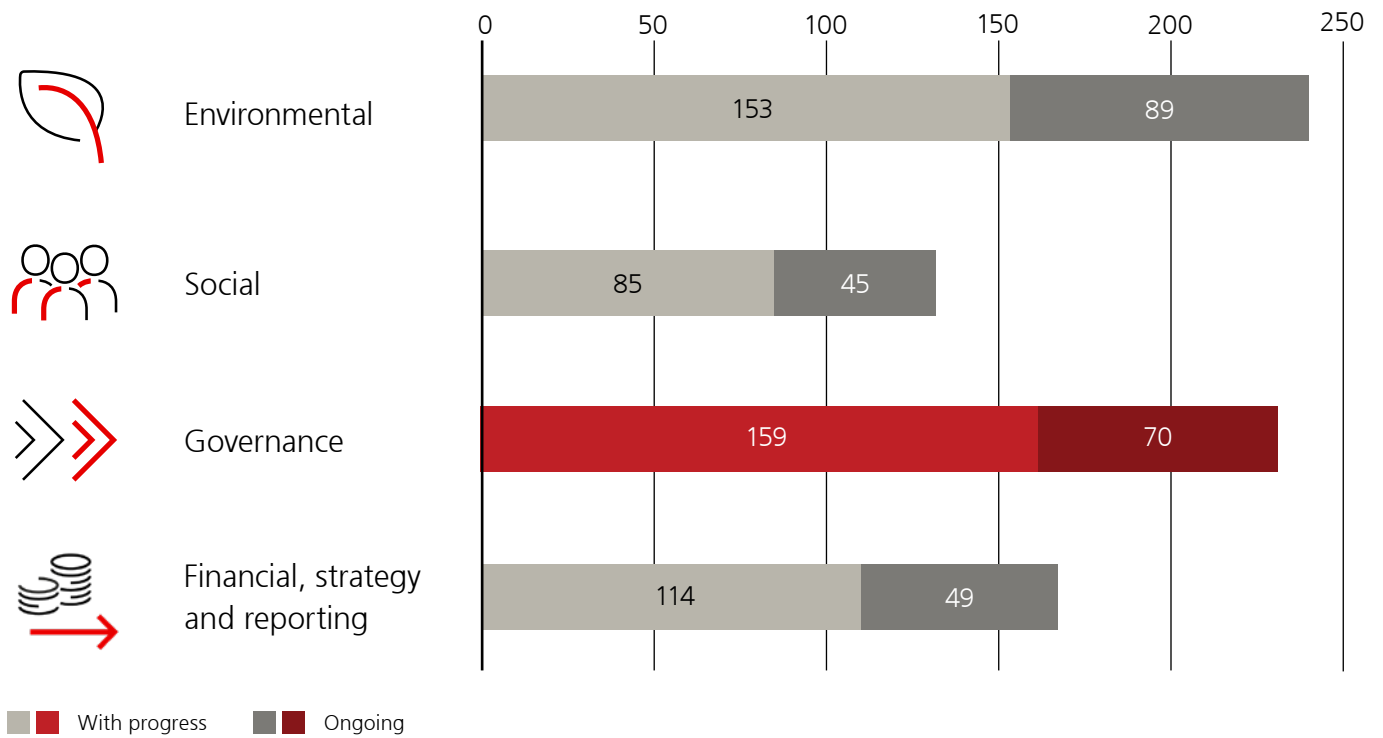
Further expanding our market and policy engagement activities



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

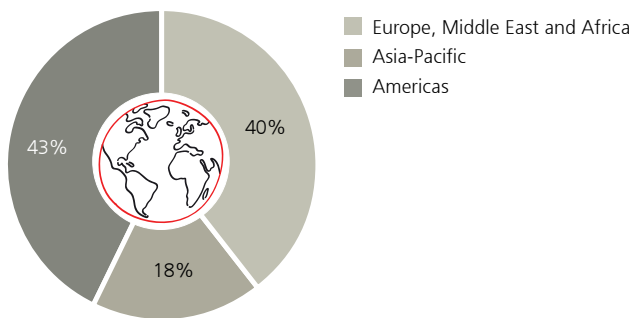
# 2023 UBS-AM firm wide engagements: Overview

Engagement interactions and progress across themes



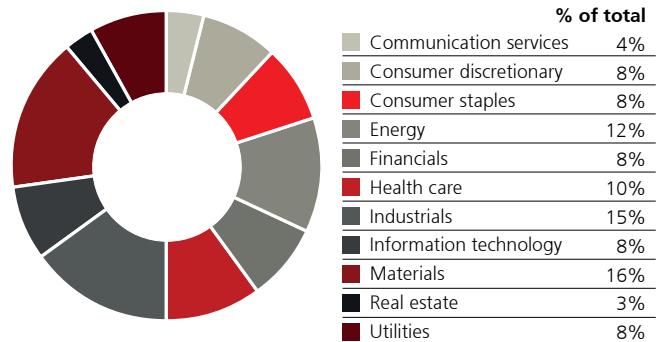
Source: UBS Asset Management 2023

## Companies engaged by region



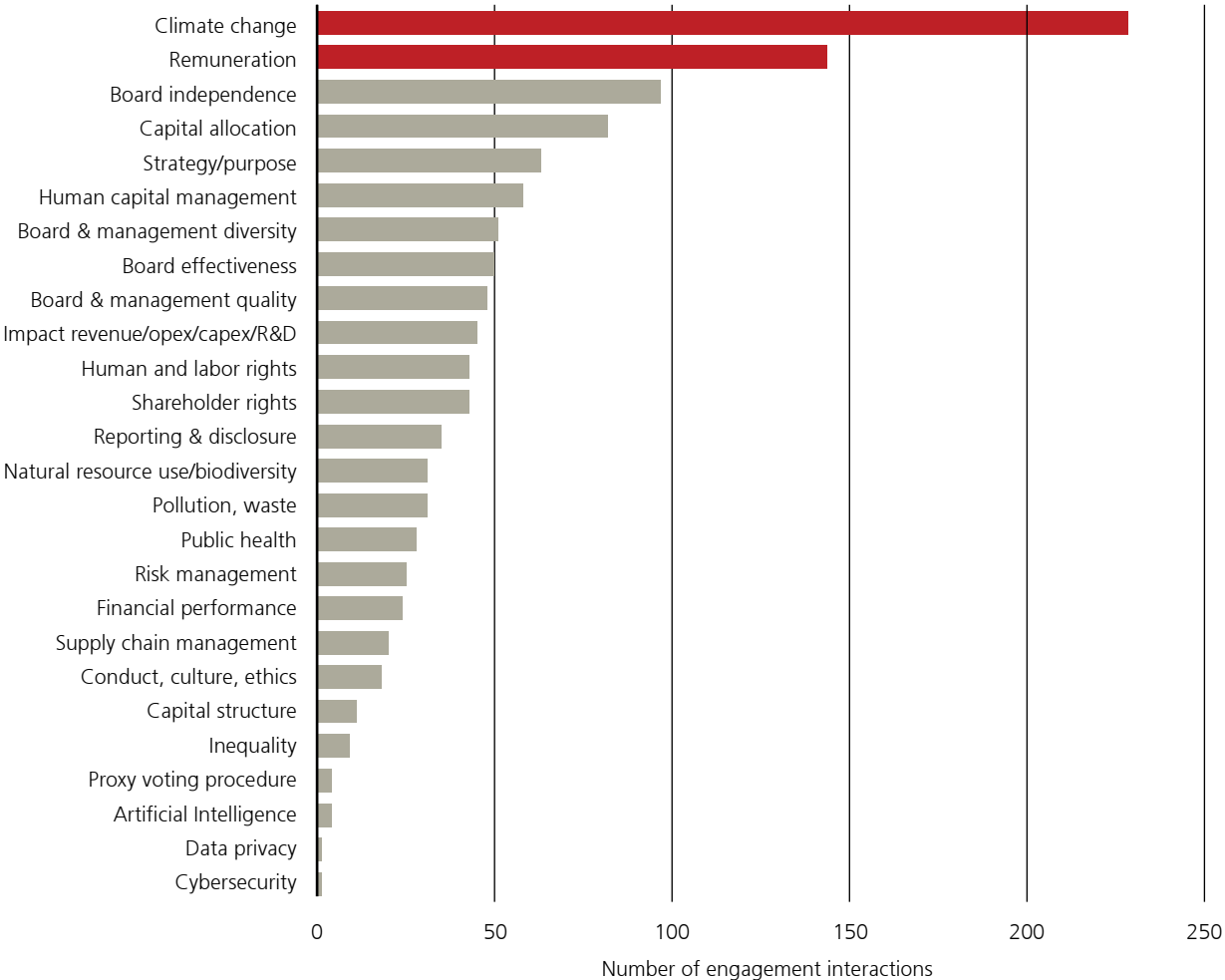
Source: UBS Asset Management 2023

## Companies engaged by sector



Source: UBS Asset Management 2023

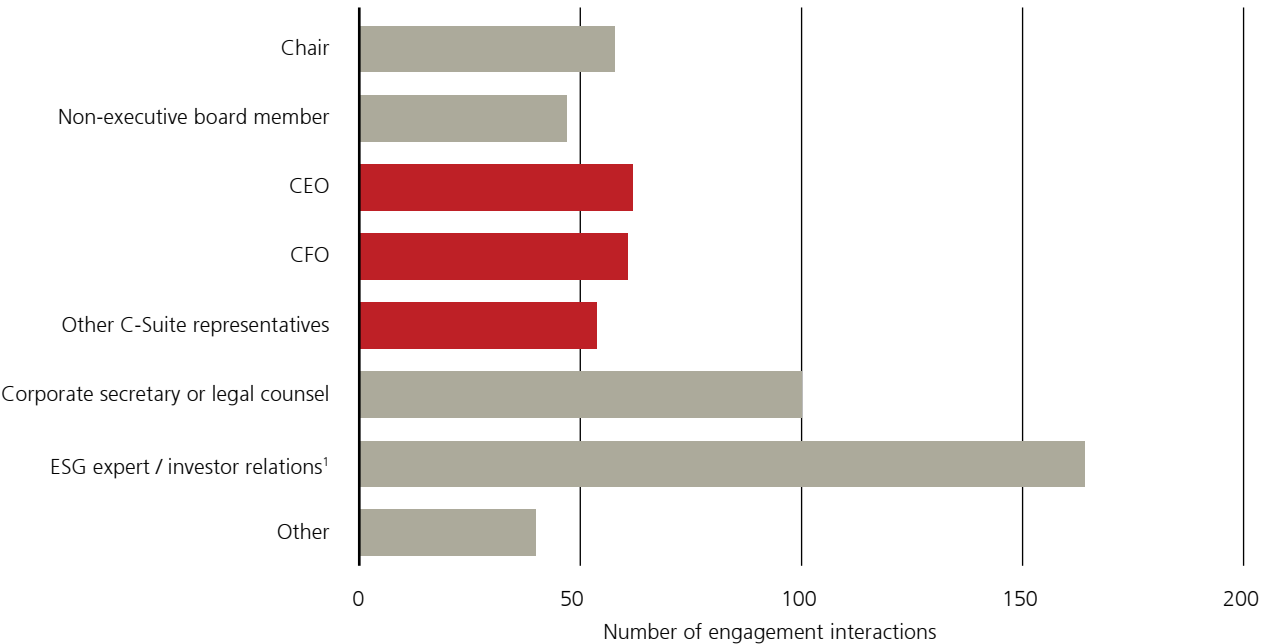
# Frequency of engagement per topic



Source: UBS Asset Management 2023



# Number of engagement interactions with company representative

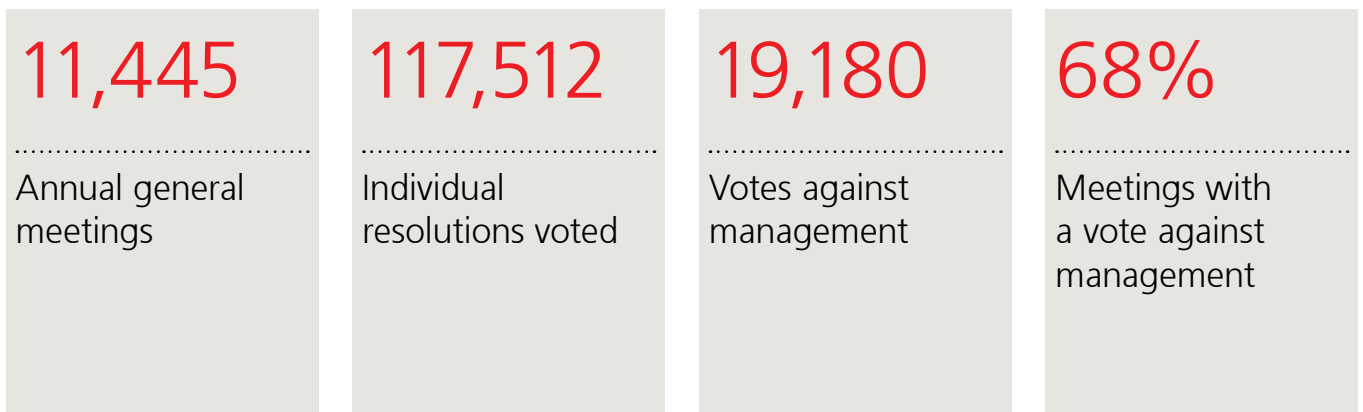


Source: UBS Asset Management 2023

<sup>1</sup> Based on meetings exclusively with ESG expert / investor relations or both

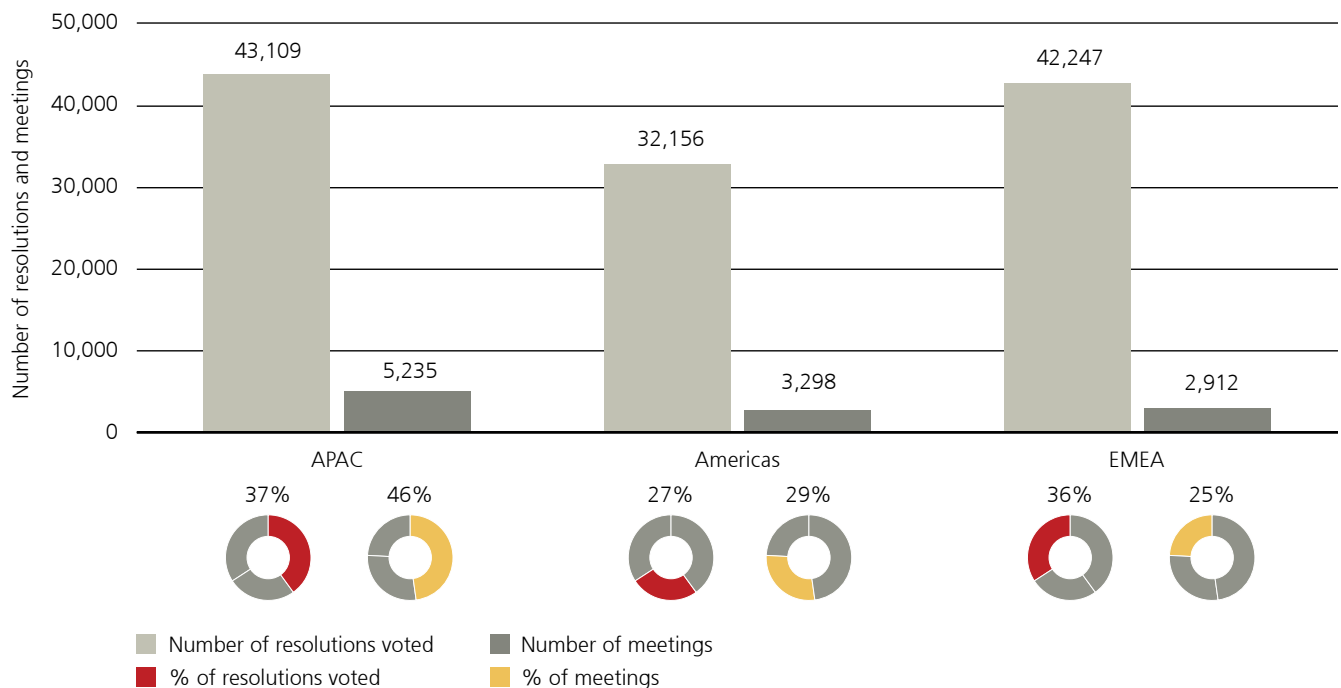
# Exercising voting rights is an integral part of our active ownership approach

## 2023 Voting activity



## Exercising right and responsibilities

### Meetings and resolutions voted by region



Source: UBS Asset Management 2023

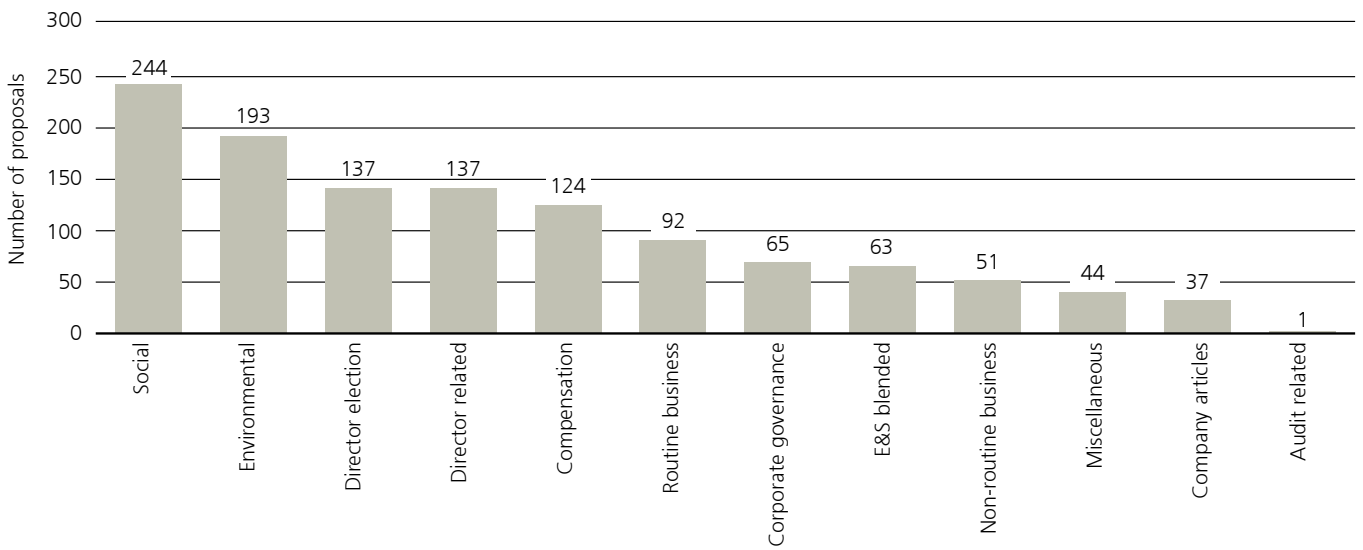
# Resolutions relating to ESG issues

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.

We voted on 304 shareholder proposals related to social topics, and we supported 58% of those resolutions. The remaining proposals were corporate governance related, and we supported 47% of those. Across the board we supported 51% of shareholder proposals.

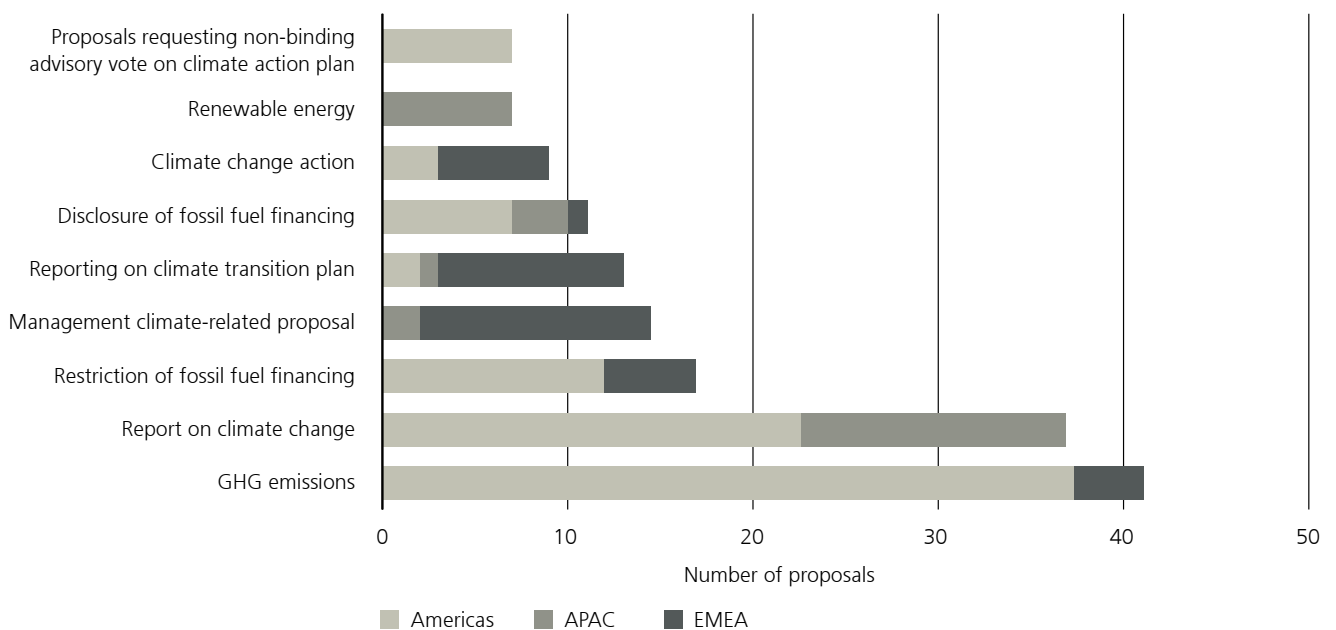
We voted on 423 environmental and social proposals proposed by companies: 28 related to climate change, of which we supported 75%.

## Shareholder proposals breakdown by category



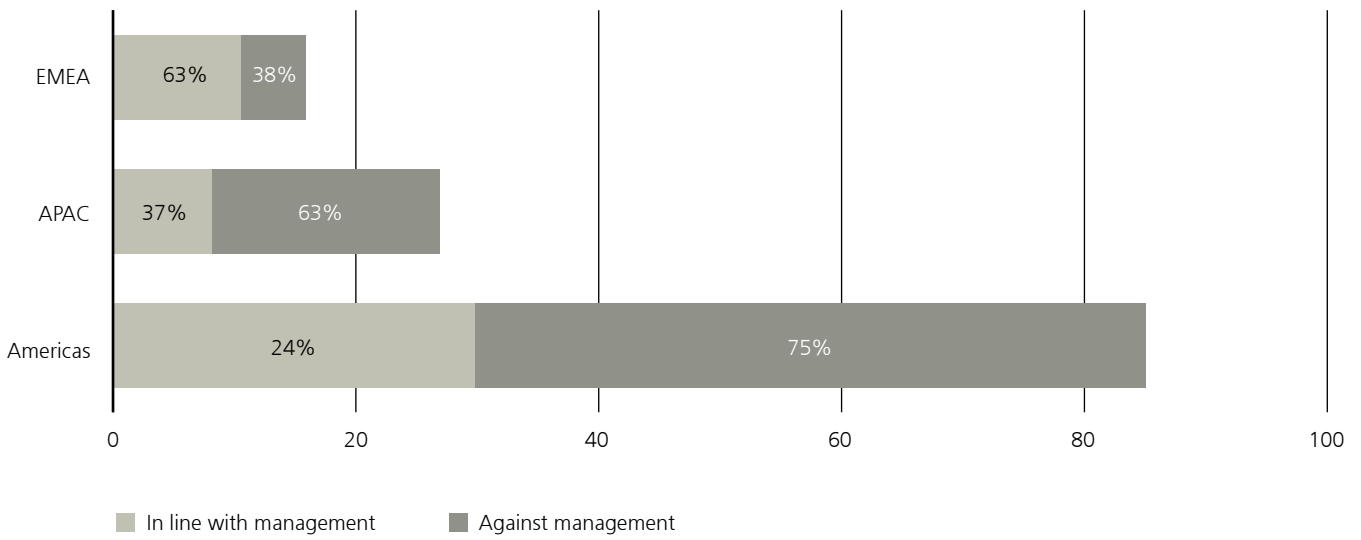
Source: UBS Asset Management 2023

## Number of climate-related proposals (by category and region)



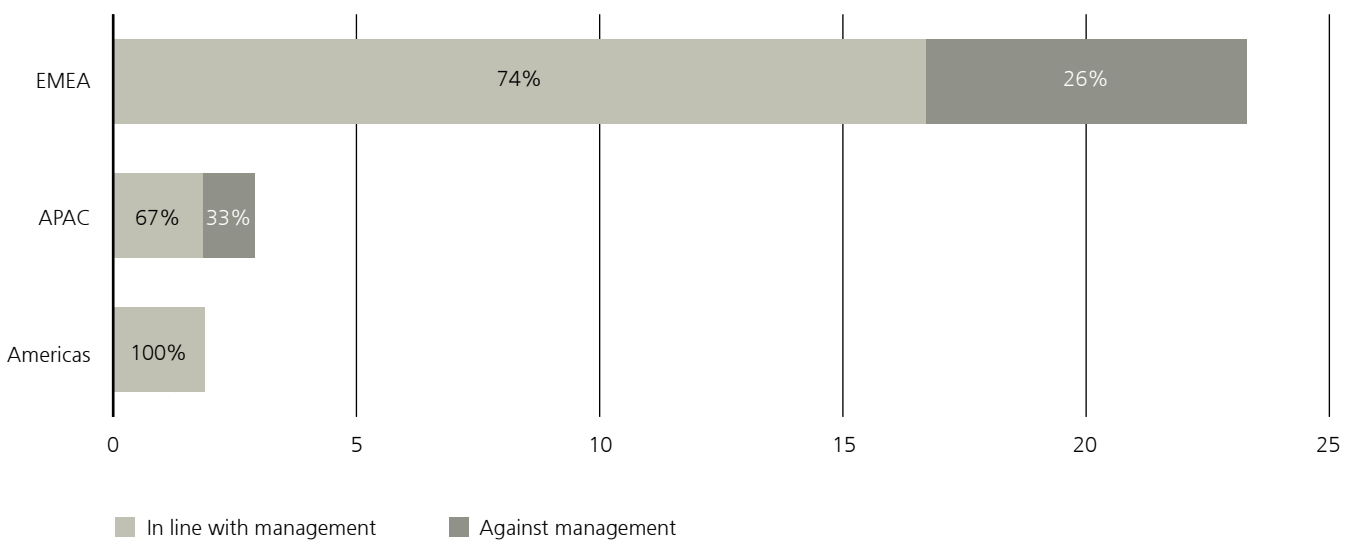
Source: UBS Asset Management 2023

## Votes on climate-related shareholder proposals



Source: UBS Asset Management 2023

## Votes on climate-related management proposals



Source: UBS Asset Management 2023

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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.



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