

Diversity, equity and inclusion (DEI)

UBS Asset Management

We believe that organizations should be representative of the communities in which they operate, and that a diverse, equitable and inclusive board and workforce presents a wide array of benefits. Here we explain our global expectations with regards to DEI also recognizing the need to adhere to any local laws and regulations, where relevant.

Diversity

There is increasing research evidence of a positive correlation between diversity of perspectives and corporate financial performance. Business culture that embraces different views is an important indicator of a good place to work where employees feel respected and valued. Diverse teams can offer a range of different viewpoints and opinions and can therefore be more creative and better positioned to unlock innovation and product quality that drives market growth.

The variety of perspectives can also help to promote effective decision-making by avoiding reliance on narrow frameworks. Having a diverse team of professionals increases the chances that products and services are more relevant to the needs and preferences of a wide range of customers, and more responsive to rapid changes in global markets.

Employees and job seekers value employers' approach to DEI. Employers offering diverse, equitable and inclusive environments will be more likely to attract and retain top talent. This is expected to become a greater focus in the coming years as the workforce is increasingly made up of

Millennials and Gen Z who include this among their values and key factors in choosing their workplaces. On the flip side, companies and other investee entities lagging on diversity, equity and inclusion might be exposed to reputational and litigation risks, among others.

Equity

Equity is concerned with the actions taken to achieve a state of equality of outcomes. Inequalities can be manifested through prejudice, oppression and discrimination – direct and indirect – and can be systemic through behavior, policies, practices and cultures.

Equity is about ensuring equality of access, treatment, outcomes and impact in both employment and service delivery. The benefits include making an organization more successful through employee motivation, retention and attraction of talent, preventing serious or legal issues, better serving a diverse range of customers and improving ideas and problem-solving.

Inclusion

Employees should have a sense of belonging, feeling safe to express their ideas, opinions, suggestions, and experiences without fear of judgement. An inclusive culture allows employees to be their authentic selves, providing a foundation for effective communication, collaboration, inspiration, creative thinking, and innovation.

Creating an inclusive culture has been shown to be beneficial for employee engagement and productivity. It can have a ripple effect on team morale, retention and profitability. Research shows that inclusion promotes a sense of belonging and enhances employee satisfaction which in turn could lead to enhanced productivity.

Our expectations

Governance

We expect:

- That the Board of Directors is comprised of diverse individuals from across genders and ethnicities, as a proxy for the diversity of thought.
- That the Board of Directors plays a role in overseeing the DEI commitments and to monitor and measure progress on metrics. DEI related topics should be captured and covered as standing agenda items in regular executive-level meetings.
- Linkage of board and management incentives to progress on DEI metrics (as part of the wider sustainability strategy).

Policy & Strategy

We expect:

- A public policy which includes a commitment on DEI.
- Diversity at board level, in senior positions and in the workforce more widely. To support this, we look for organizations to:
 - Have at least 40% of the board comprised of diverse appointees by 2025, initially focused on the dimensions of gender and ethnicity.
 - Have at least one female board member.

We will vote against the Chair of the Nomination Committee, or equivalent committee, where this is not the case at an investee company.

In addition, we will vote against the Chair of the Nomination Committee when:

- A company does not meet local market regulatory standards regarding gender or ethnic diversity, where those standards are superior to our own policy, or
- A company in a developed market with at least 10 board members or a market capitalization of more than US\$10bn, does not have 30% female board representation, or company in a market where ethnic diversity data is available has not appointed, or disclosed plans to appoint, at least one director from an underrepresented ethnic background.
- For UK companies, we expect the Board to meet the requirements of the Hampton Alexander Review and endorse the recommendations of the Parker Review relating to increasing ethnic diversity at the board and senior management levels.

A credible strategy in place to promote DEI. Elements of the strategy may include the following:

- Pipeline: Actively contributing to building a pipeline of diverse and inclusive talent through, for example, working with schools and universities, running internships and industrial placement programs, maintaining channels to facilitating feedback between the organization and potential candidates, using gender-neutral language in job descriptions, setting a communication plan which highlights how DEI is embedded into the corporate culture.
- Talent acquisition: Designing, implementing and maintaining inclusive and equitable hiring and onboarding practices, ensuring that talent acquisition process and the recruiting environment are inclusive at each stage, ensuring that interview panels are diverse, offering flexible working options.
- Talent development: Creating and implementing robust talent development programs, and promotion and retention processes.
- Influence: Contributing to external initiatives to help address a lack of DEI in their industries.
- Metrics and targets: Monitoring DEI metrics and targets.

Responses to cases of significant controversies or allegations that raise serious concerns about the handling of racial topics by conducting race equity audits to showcase the effectiveness of policies and strategies or to identify any gaps or areas for improvement of policies, practices, products, services and efforts to combat systemic racism.

Disclosure

We expect:

- The provision of details on the DEI strategy in public disclosure and clear articulation of how DEI considerations are embedded into the development and delivery of products and services and across the organization.
- Reporting of a breakdown of workforce by gender and ethnicity at least, where relevant. In the US, we expect companies to report in line with the EEO-1 guidelines.
- Reporting of a breakdown of Pay Equity and Gap across workforce.
- Reporting of any additional DEI metrics monitored as part of the DEI strategy.

For more information on our active ownership activities, including the implementation of these expectations, please visit our [Sustainable Investing webpage](#).

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Americas

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EMEA

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