

For professional / qualified /
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Natural Capital Approach

UBS Asset Management



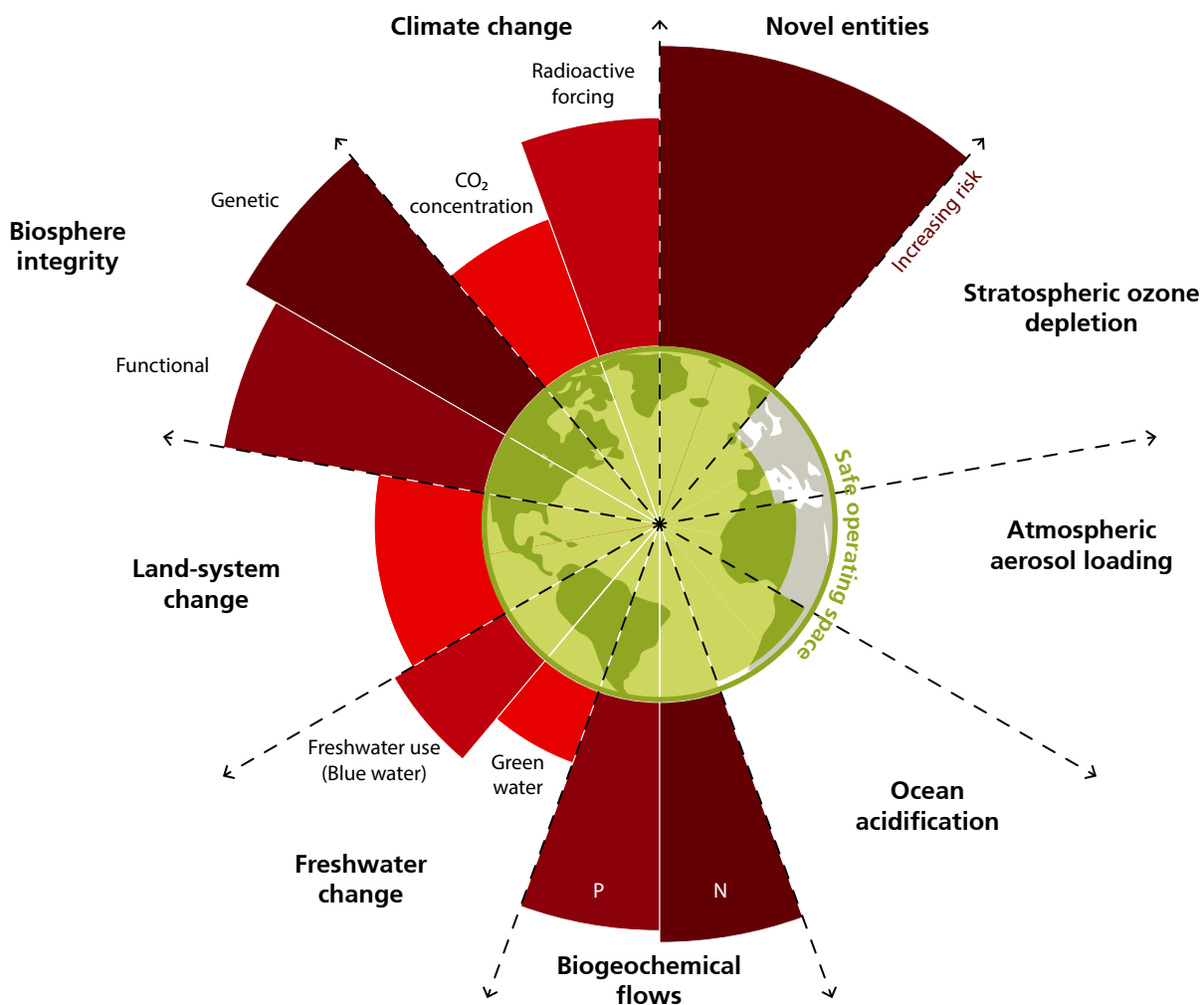
UBS

Informed, active and collaborative: considering natural capital as an investor

Our natural environment is at risk. Scientific consensus indicates that human activity has had significant impact on our ecosystems, leading to the transgression of six of the nine planetary boundaries that are critical to maintain planetary resilience.¹ From freshwater pollution and land system change to accumulation of chemicals and carbon, the challenges to the Earth's resilience continue to escalate, increasing the risk to people and biodiversity. This poses a threat not just to our planet, but to our socioeconomic system.

UBS Asset Management is committed to protecting and reversing nature loss through our active ownership and investment activities, in line with the [Kunming-Montreal Global Biodiversity Framework](#). We will leverage our platform as a global asset manager to work with our clients, the companies and assets we invest in, as well as governments, multi-party and multi-national organizations to identify and operationalize solutions that can have a positive, real world impact on maintaining and improving our planet's natural capital assets.

Figure 1: Planetary boundaries



Source: Stockholm Resilience Centre

¹ Richardson, K., Steffen, W., Lucht, W., Bendtsen, J., Cornell, S.E., Donges, J.F., Drüke, M., Fetzer, I., Bala, G., von Bloh, W., Feulner, G., Fiedler, S., Gerten, D., Gleeson, T., Hofmann, M., Huiskamp, W., Kummu, M., Mohan, C., Nogués-Bravo, D., Petri, S., Porkka, M., Rahmstorf, S., Schaphoff, S., Thonicke, K., Tobian, A., Virkki, V., Weber, L. & Rockström, J. (2023) Earth beyond six of nine planetary boundaries. *Science Advances* 9, 37. Available from: <https://www.stockholmresilience.org/research/research-news/2023-09-13-all-planetary-boundaries-mapped-out-for-the-first-time-six-of-nine-crossed.html>

In our view, investors have a clear case to preserve natural capital assets, as over half of global GDP is moderately or highly dependent on ecosystem services.² According to the OECD, the world extracts USD125 trillion in benefits from ecosystems each year, and biodiversity loss and the collapse of these services is expected to cost USD20 trillion a year.³

As ecosystems degrade, businesses face new and complex challenges, and with many 'hidden dependencies', companies and markets are likely underestimating these risks.⁴ Degradation of natural capital can directly affect investment portfolio values through impacts on produced capital, regulations on nature loss and shifts in consumer preferences.

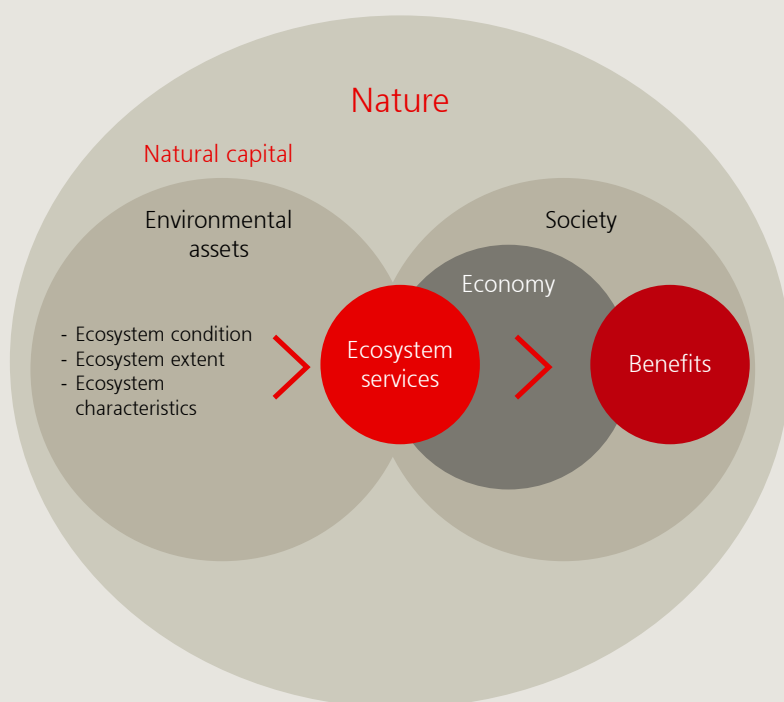
We address natural capital risks across three main business activities:

- By integrating natural capital considerations and data into our investments and solutions
- Through active ownership to manage risks and opportunities
- Working collaboratively to increase and share our knowledge

What is natural capital

- The Taskforce on Nature-related Financial Disclosures defines Natural Capital as “the stock of renewable and non-renewable natural resources, such as plants, animals, air, water, soils and minerals that combine to yield a flow of benefits to people.”
- Natural Capital allows for the provision of ecosystem services, such as
 - Provisioning services, e.g., provision of crops, food, water
 - Regulating and maintenance services, e.g., water flow regulation and climate regulation services
 - Cultural services, e.g., recreation and tourism opportunities
- Underlying this, biodiversity refers to the variability among living organisms across these realms - biodiversity is an essential and integral characteristic of nature that enables ecosystems to be productive, resilient and able to adapt. Biodiversity is key in enabling ecosystem services.

Figure 2: TNFD representation of nature, business and society



Source: Taskforce on Nature-related Financial Disclosures TNFD (2024) Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations. Available from: <https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/#publication-content>

2 Russo, Amanda (2020) Half of World's GDP Moderately or Highly Dependent on Nature, Says New Report. Available from: <https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/>

3 OECD (2019) Biodiversity: Finance and the Economic and Business Case for Action. Available from: https://www.oecd.org/en/publications/2019/12/biodiversity-finance-and-the-economic-and-business-case-for-action_016f1faa.html

4 Russo, Amanda (2020) Half of World's GDP Moderately or Highly Dependent on Nature, Says New Report. Available from: <https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/>

Loss of natural capital can affect portfolio values

The economic value of preserving biodiversity and other natural capital assets is gaining increasing attention. Only recently has society ventured to quantify their economic value. The widespread loss and degradation of our natural capital assets spurred the UK's finance ministry to commission the first global review on the economics of biodiversity, the Dasgupta Review of 2021. The review's conclusion is somber: between 1992 and 2014, the stock of natural capital per person declined by nearly 40% while capital produced per person doubled, an equation that is unsustainable.

This decline in natural capital directly impacts the global economy and investment portfolios. As ecosystems degrade, businesses face new and complex challenges. These impacts are often location-specific and not easily mitigated. For investors, understanding how natural capital influences business decisions is crucial for assessing risk premiums and forecasting cash flows. The risks associated with natural capital loss can vary by sector, geography or even product lines.

One of the most pressing risks tied to natural capital degradation is water scarcity, which cuts across multiple sectors. The World Bank estimates that by 2030, water demand will exceed current supply by 40%.⁵ Water-intensive sectors, such as the semiconductor industry, will face increased costs or disruptions in production. In 2021, droughts in Taiwan hindered production of semiconductor chips, which forced semiconductor companies to truck in water to maintain production. Not only did this lead to operational disruption but these companies will continue to grapple with rising water costs, as regulators apply new water tariffs. Water scarcity also has impact on the real

estate sector, particularly in the US Southwest, where groundwater shortages led to restrictions on homebuilding.⁶

The food and agriculture sectors are particularly dependent on natural capital, even as they contribute to its degradation. Pollinators, for example, are crucial to at least 75% of the world's crops and 35% of food production. However, pollinators face extinction risks due to poor land management and widespread pesticide use. The decline of pollinators threatens 5%-8% of agricultural production and \$235 billion to \$577 billion worth of global annual output.⁷ In addition to exacerbating global food security risks, these losses compound the challenges faced by the consumer staples sector, which is already grappling with water scarcity, degraded land, extreme weather events and surging food demand. As governments react to mitigate these impacts –the European Union enacted a neonicotinoids ban⁸ – individual companies can face product bans, economic losses and reputational risk, potentially eroding their value.

The cumulative effect of these sector specific challenges can aggregate to portfolio-wide risks. A recent European Central Bank study found that almost 75% of corporate bank loans in the eurozone are granted to non-financial corporations (NFCs) with a high dependency on at least one ecosystem service.⁹ These risks are often overlooked, with analysis by the World Benchmarking Alliance (WBA) suggesting that just 2% of companies demonstrate an understanding of their operations' broader impact on nature.¹⁰

5 Neo, G.H. and Jha, S.K. (2023) Why water security is our most urgent challenge today. Available from: <https://blogs.worldbank.org/water/why-water-security-our-most-urgent-challenge-today#:~:text=By%202030%2C%20global%20freshwater%20demand,four%20cities%20face%20water%20insecurity>.

6 Milman, O. (2023) Arizona limits future home-building in Phoenix area due to lack of groundwater. Available from: <https://www.theguardian.com/us-news/2023/jun/02/phoenix-arizona-limits-future-home-building-drought>

7 IPBES (2017) The assessment report on pollinators, pollination and food production - Summary for Policy Makers. Available from: https://files.ipbes.net/ipbes-web-prod-public-files/spm_deliverable_3a_pollination_20170222.pdf

8 Neonicotinoids are used in plant protection products (insecticides) to control harmful insects. In 2017, the European Commission banned the outdoor use of three neonicotinoids due to the risks to bees.

9 Boldrini, S., Ceglar, A., Lelli, C., Parisi, L., Heemskerck, I. (2023) Living in a world of disappearing nature: physical risk and the implications for financial stability. Occasional Paper Series, No. 333, Page 3. Available from: <https://www.ecb.europa.eu/pub/pdf/scpops/ecb.op333-1b97e436be.en.pdf>

10 Fronda, A. (2023) Nature Dependency "Blindspot" in Agri-Food Industry-WBA. Available from: <https://www.esginvestor.net/nature-dependency-blindspot-in-agri-food-industry-wba/>

Integrating natural capital data into investments and solutions can help

While investors and companies recognize the existential threat posed by natural capital degradation, the market lacks a roadmap for systematically factoring these risks into business and investment decisions. Two key questions are paramount: which natural capital risks are most relevant for companies and assets, and, for investors, how will these material risks impact an investment thesis over different time horizons.

Reliable and comparable data is a critical hurdle to overcome. Companies often lack the necessary systems to measure, track and report on nature-related risks and opportunities. This applies to not just their own operations, but also their supply chains. This limits their data disclosure, making it challenging for investors to assess risk or opportunity on an absolute or comparable basis. We view this as a fundamental barrier impeding integration of biodiversity and other natural capital issues into portfolio risk management, and are working actively to contribute to the development of new datasets.

We integrate natural capital risks into our investment research, and are actively contributing to the development of new datasets

We are integrating natural capital considerations into our investment process, even as the market continues to build capacity on better data in this space. Our proprietary ESG risk dashboard combines multiple data sources to identify companies with material ESG risks. Natural capital risks, such as water and forest risks, are embedded in the methodologies of these underlying data sources, and our investment teams utilize these ESG factors alongside traditional financial metrics and proprietary ESG sector materiality maps to assess risk-return profiles in the investment process.

We are actively exploring additional biodiversity-specific metrics to include in our investment research. We are partnering with the Sustainable Development Investments Asset Owner Platform (SDI AOP) to share our experience in assessing the outcomes associated with investments aligned with the sustainable development goals (SDGs) and accelerate the development of new datasets. Themes identified by the SDI-AOP include biodiversity, circular economy, pollution prevention and water. The initiative offers an SDI Classification dataset that enables our portfolio management teams to assess the size of the contribution that companies make to the SDGs based on their products and services. SDI AOP data also helps us identify those companies that are developing the future solutions needed to achieve the SDGs.

UBS Next, our venture and innovation unit, has also invested in an impact and nature data provider, GIST Impact, to help scale actionable biodiversity impact intelligence, and this data will help investors manage their portfolios in a targeted manner. GIST Impact measures nature-related impacts and dependencies in financial terms and through the use of representative metrics.

Through active ownership, we aim to encourage companies to measure and report the most material metrics on natural capital, equipping investors with the tools needed to integrate the environmental balance sheet and risk management of companies into their investment decision making.

Finally, we are also actively exploring additional product solutions in this space.

Active ownership is a key tool to assess and address natural capital risks and opportunities

In 2023, we launched a dedicated engagement program on natural capital for listed assets. We also participate in industry initiatives to engage standard setters at the macro level, and we are members of industry leading stewardship programs.

We believe that engagement will be a critical first step in addressing challenges on poor data measurement and reporting. As capital providers and active owners, we can raise awareness with our investee companies and asset operators about the importance of understanding and measuring their dependency and impact on natural capital. Engaging in constructive discussions allows us to gain valuable information and insights, even as the market debates the best representative metrics on biodiversity to enable quantitative measurement.¹¹

We set clear expectations for engagements with listed issuers

We have developed and published our expectations of how companies with material impact and dependencies on nature should manage their natural capital risks and opportunities. Our expectations are developed in line with market standards set by TNFD, Nature Action 100, PRI Spring, the Finance Sector Deforestation Action (FSDA), Ceres' Corporate Expectations for Valuing Water, and Initiative on Hazardous Chemicals (IIHC). These expectations guide our engagement discussions and are also a key consideration in how we vote at annual shareholder meetings of companies in our portfolios.

In addition to our bilateral engagements with listed companies, we also undertake collaborative engagement as members of the Nature Action 100 engagement initiative and the signatory advisory committee for Spring, a PRI stewardship initiative for nature. We also engage as a participant in the Investor Initiative on Hazardous Chemicals (IIHC), which is focused on tackling the chemical pollution that impacts both ecosystems and human health.



¹¹ Finance for Biodiversity Foundation, Guide on Biodiversity Measurement Approaches (3rd Edition), accessed September 2024, <https://www.financeforbiodiversity.org/publications/guide-on-biodiversity-measurement-approaches/>

Through our active ownership program, we **focus on three key topics:**



Forests

Forest loss and degradation driven by agriculture or industrial expansions presents an acute threat to global biodiversity and climate ambitions. Forests cover almost a third of global land area and are key to our terrestrial biodiversity. The importance of forests can also be linked to their role in the carbon cycle – if land systems are degraded, they can turn from being carbon sinks to carbon sources. Deforestation risk presents financial risk to companies, given the growing reputational and regulatory risks. Expanding anti-deforestation regulatory and market trends, as is the case in the European Union, with the [regulation on deforestation-free supply chains](#), mean that businesses can no longer rely on supply chains that drive large-scale land conversion to grow or extract key commodities. We engage with producers of forest-risk related commodities to eliminate deforestation risk in their operations and supply chains. For example, we had an intensive shareholder engagement with a large commodities producer to strengthen their policy and reporting on deforestation risks. Please refer to our annual [Stewardship Report](#) for more detailed examples and case studies.



Water

Water risk from scarcity, quality and climate hazards such as flooding and drought are already impacting company balance sheets and asset values. The World Bank estimates that by 2030, water demand will exceed current supply by 40%.¹² Water-intensive sectors, such as the semiconductor industry, will face increased costs or disruptions in production. Based on our internal assessments, water is the most material risk across our listed portfolios. We engage on water-resource dependencies within our listed portfolios and seek to drive outcomes that reduce water-resource insecurity and pollution at an issuer level.



Climate
biodiversity
nexus

The **climate-biodiversity nexus** is key to a transition to a net-zero and climate-resilient economy that prioritizes the restoration of our planet's natural capital. Investment decisions made with a sole focus on climate mitigation may unintentionally have negative impacts on nature (e.g., afforestation – the establishing of forests where there were previously not forests – as a climate solution may lead to less resilient monoculture plantations). As an asset manager committed to a net-zero future, we engage with high-emitting issuers in our portfolios to encourage them to integrate nature considerations in their transition plans. We worked with the UK-based think tank, Planet Tracker, to shape our engagement approach to integrating biodiversity in our discussions with carbon intensive companies (see [report](#)).

¹² Neo, G.H. and Jha, S.K. (2023) Why water security is our most urgent challenge today. Available from: <https://blogs.worldbank.org/water/why-water-security-our-most-urgent-challenge-today#:~:text=By%202030%2C%20global%20freshwater%20demand,four%20cities%20face%20water%20insecurity>.

How we selected our focus areas

To evaluate our priorities on natural capital and narrow down our thematic focus, we followed a comprehensive process, including consultation with clients and a wide array of external experts. We examined nature-related risks and opportunities across sectors through the lens of our potential to exert influence and drive positive outcomes using our active ownership capabilities. Through discussions with key stakeholders, we landed on the three priority engagement topics: forests; water; and the nexus between climate and biodiversity in sectors with a high dependency and impact on natural capital.

We also assessed our investment exposure to adverse biodiversity impacts by mapping our listed equity and fixed income investments using the [ENCORE](#) (Exploring Natural Capital Opportunities, Risks and Exposure) database to identify portfolio exposure to the main sectors with potential impact on natural capital. These sectors were food products, oil & gas, chemicals, metals and mining, and electric utilities.

Combining our review of sector exposure with our priority engagement topics we have been able to focus our engagement activities as follows:

Topic	Sectors
Forests	Food and forest products and chemicals
Water	
Climate-biodiversity nexus	Carbon-intensive sectors, including oil and gas, chemicals, metals and mining, utilities.

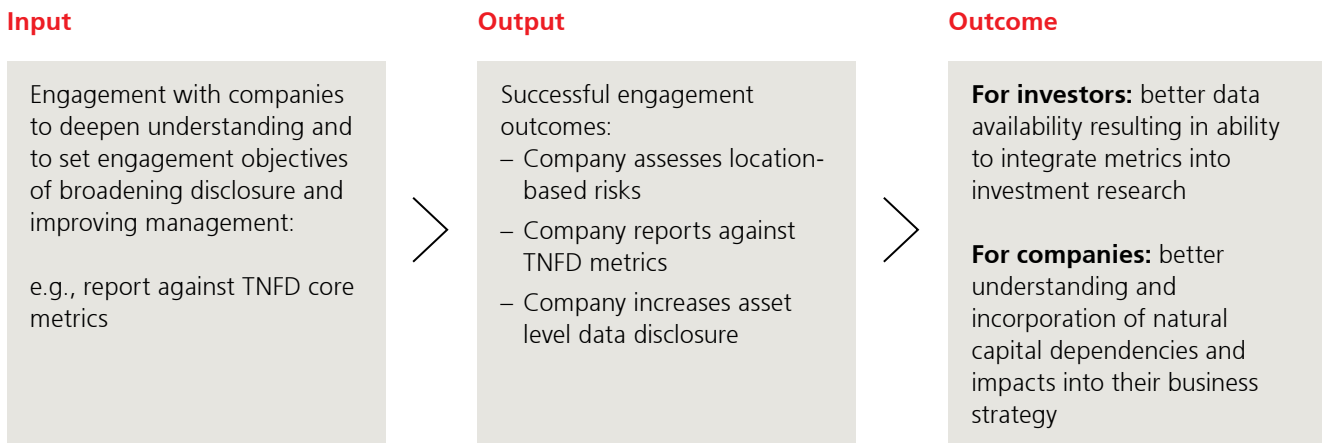


Building on data availability and quality through our engagements

A core focus of our engagements will be to encourage companies to disclose and report against suitable metrics and track them over time. The TNFD has proposed 14 'core metrics' that are relevant to businesses across most sectors.¹³ The metrics consider both risk and opportunity, and range across the most critical natural capital impacts and dependencies (e.g., forests, water, pollution) associated with economic activity. We believe these metrics can serve

as a strong baseline for company reporting to help investors assess and compare exposure to risk and opportunity. For our engagements with companies, in addition to aligning our expectations closely with the investment thesis, we have identified key indicators and metrics recommended by the TNFD that lend themselves to more informed risk assessments. We believe this approach will be foundational to the integration of this complex issue in a meaningful way for investment outcomes.

Figure 3: UBS-AM natural capital engagement theory of change



Source: UBS Asset Management

Macro engagement to improve consistency of disclosures

We strive to play an active role in creating new global standards that can help clients, companies and the financial sector manage nature-related risks and develop opportunities, while also addressing potential adverse impacts and generating positive impacts. We make these contributions through our role as a member of the Taskforce on Nature-related Financial Disclosures (TNFD, since 2021) and the United Nations Environment Programme Finance Initiative (UNEP-FI) working group on nature-related risks (since 2018).

UBS was honored to be part of the efforts of the TNFD, including leading its financial sector working group and contributing to the development of the recommendations it released in September 2023.

As a key member of the UNEP-FI working group, UBS supported the development of a methodology to assess nature-related risks to the natural environment from both the dependency and impact perspectives. We took part in the collaborative work to develop the Exploring Natural Capital Opportunities, Risks and Exposure toolkit (ENCORE), central to UBS's initial nature-related risk analysis. The

UNEP-FI coordinated this working group in partnership with the World Conservation Monitoring Centre (the WCMC), Global Canopy, the Swiss State Secretariat for Economic Affairs (SECO), and the Swiss Federal Office for the Environment (FOEN).

Example of stewardship of real assets through Leading Harvest

Natural capital risks are considerable across a number of our global real assets business. For example, our farmland business is a founding member of Leading Harvest, an outcomes-based sustainability standard that addresses economic, environmental, social and governance matters through farm management. The Leading Harvest Farmland Management Standard comprises 13 objectives, 33 performance measures and 71 indicators that are core to farmland sustainability. Such nature-based objectives and performance measures include biodiversity conservation through species protection, wildlife habitat conservation, avoided land conversion and crop diversity. Since 2020, the inaugural year of the standard, 100% of the farmland acres we manage have been enrolled, and as of 2023, 100% of the farmland acres we manage are certified. Conformance to the standard is confirmed through independent, third-party certification.

¹³ TNFD (2024) Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations. Available from: <https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/#publication-content>

Our work on real asset portfolios

Our real estate business actively manages real estate investments globally across the major real estate sectors. Our Infrastructure business invests directly in equity and debt infrastructure assets with a focus on digital infrastructure, and sectors contributing to energy transition such as traditional renewables generation and energy storage. We are also leading managers of institutional farmland investment portfolios in the US.

- For a number of our real estate portfolios, nature-related metrics are integrated into the investment lifecycle to gain an understanding of the impacts and dependencies on nature through the design, development and operation of our assets.
- We collect data which best represent material nature-related issues, for example, waste management and water usage for real estate investments.
- We seek to assess impacts and dependencies on nature to identify risks and opportunities on the sites that we own and control, where relevant. This assessment might, for example, consider key species that are impacted on our sites and the status of these species.
- We will assess these risks based on materiality in each location and work to improve or mitigate these risks where relevant and within our control.
- We will strive to conserve and improve biodiversity outcomes in our farmland business through species protection, wildlife habitat conservation, avoided conversion and crop diversity.
- We will adhere to the UBS-AM exclusions policy on nature and environmental controversial activities across real assets.



Working collaboratively to increase and share our knowledge

We recognize that to be effective stewards there is much more we need to learn about natural capital and biodiversity. To achieve this, we work with knowledge partners to provide thought leadership and research and share our learnings across the market.

Developing our climate-biodiversity approach with Planet Tracker

We worked closely with Planet Tracker to develop practical approaches to integrating biodiversity considerations into key energy transition solutions through our report, [Climate meets nature](#). To limit the global average temperature rise to 1.5°C and mitigate the worst impacts of climate change, global greenhouse gas emissions must be reduced, which requires the energy sector to play a pivotal role. However, this energy transition needs to be achieved without seriously impacting nature. While no energy transition technology is free from natural capital impacts, we recognize that if poorly managed, the transition to a new energy system may itself cause unintended damage to natural capital. We developed the *Climate meets nature* report to provide a practical guide for financial market operators, from investors to stewardship teams, to incorporate nature considerations while pushing for renewable energy solutions. We are actively working to integrate the insights from this research into our engagement on the energy transition.

Expanding our knowledge base through the UBS Sustainability & Impact Institute

The UBS Sustainability and Impact Institute convenes a diverse group of leading voices to provide our best thinking on the world's most important sustainability challenges. The Institute enables us to leverage experts to build best-in-class sustainability and impact thought leadership at UBS.

In 2022, the Institute discussed opportunities and risks in natural capital through our report, [From Ozone to Oxygen](#). UBS sustainability specialists shared their thoughts on the various aspects that we need to consider if we are to preserve and regenerate the earth's limited stock of natural capital.

In 2024, the Institute explored the urgency underlying the Global Biodiversity Framework's goal of reversing biodiversity loss by 2030, through our publication, [Bloom or Bust](#). Reversing biodiversity loss by 2030 starts with deploying existing measurement technologies at scale, a task which will not happen organically. The whitepaper delves into insights on how to align finance, government and partnerships to address biodiversity challenges.

In conjunction with The Nature Conservancy, the Institute also explored nature-based solutions for climate and biodiversity through the [Natural Allies](#) report. Natural climate solutions (NCS) offer some of the most immediately scalable and cost-effective options for this additional climate mitigation, reducing greenhouse gas emissions from land use as well as capturing carbon from the atmosphere in the biosphere. The report discusses the role that financial institutions can play by supporting more climate- and nature-positive investments and fostering new transition finance mechanisms.

In conclusion

The dependency and impact on natural resources create transition, physical and systemic risks, while also presenting opportunities for companies and investors focusing on mitigation and adaptation to navigate the natural capital degradation challenge.

As a first step, we are deepening our work on nature through engagement, integration and collaboration, improving our ability to measure, manage and mitigate our impact on nature, recognizing that this space will continuously evolve. We are managing the environmental risks and opportunities associated with our listed equities and corporate fixed income investments through a

comprehensive approach that integrates natural capital research and engagement into our active ownership strategy.

In our real asset business, we are typically assessing nature risks based on materiality in each location, where relevant, and seek to improve or mitigate these risks where possible and engage with stakeholders to encourage responsible practices relating to use of natural resources such as water where feasible. We will report our progress annually in our stewardship report. This will include updates on our engagements with listed companies.

The market's understanding of nature loss, degradation, and restoration continues to evolve. We view our approach as the beginning of our journey to integrate natural capital, and our work will continue to expand and evolve with emerging best practice.



Expectations for listed companies on natural capital

In this document we explain our governance, strategy and disclosure expectations regarding managing natural capital risks and opportunities for companies with material impacts and dependencies on nature.

Our expectations are developed in line with industry standards and guidelines. These include TNFD, Nature Action 100, PRI Spring, the Finance Sector Deforestation Action (FSDA), Ceres' Corporate Expectations for Valuing Water, and Initiative on Hazardous Chemicals (IIHC).

These expectations have also been developed with reference to the International Sustainability Standards Board (ISSB) standards. They are used as an input into our voting decisions with core principles outlined in [UBS AM voting policy](#).

Our expectations

Governance

We expect:

- **The Board of Directors and senior management to demonstrate** oversight and consideration of nature-related dependencies, impacts, risks, and opportunities in strategic decision making;
- **The Board of Directors to play a role** in overseeing the natural capital commitments and monitor and measure progress on metrics. Natural capital-related topics should be captured and covered as standing agenda items in regular executive-level meetings;
- **Board level processes** in place to address how natural capital issues are included in the oversight of an organization's purpose and strategy;
- **The Board to periodically assess** the natural capital issues in its business processes and whether they are being managed effectively.

Policy & Strategy

We expect:

- **Public commitments to minimizing contributions** to key drivers of nature loss, where relevant. This should include:
 - Committing to reducing resource footprint over time and no conversion of natural ecosystems across the value chain;
 - Conserving and restoring ecosystems at the operational level and throughout value chains by 2030, in line with the Global Biodiversity Framework;
 - Committing to not negatively impact water availability in water-scarce areas or water quality, across their value chain;
 - For companies with exposure to forest-risk commodities: introducing target dates for zero deforestation no later than 2025 and land conversion and cut off dates no later than 2020;
 - For companies with exposure to hazardous chemicals: commitment to phase out hazardous chemicals in line with the Investor Initiative on Hazardous Chemicals (IIHC).
- **Companies to assess material nature-related dependencies, impacts, risks and opportunities** at the operational level and throughout value chains. This should include location-based assessment of operations progressively across the value chain. The assessment should be guided by a robust management framework which meets the expectations outlined in the TNFD LEAP Nature Risk Assessment Approach;
- **A credible strategy to address nature loss**, including the following elements:
 - Development of a plan, where needed, to address material risks and opportunities identified. Apply the mitigation hierarchy of minimizing harm to nature first (avoid and reduce), before contributing to nature recovery (restore & regenerate), and finally system change (transform). The design and implementation of the plan should prioritize rights-based approaches and be developed in collaboration with indigenous peoples and local communities when they are affected;

- Setting of targets that are time-bound, context-specific, science-based and informed by risk assessments on nature-related dependencies, impacts, risks and opportunities. We encourage companies to refer to emerging research and frameworks such as the work of WBCSD, WEF and Business for Nature to outline sector specific actions towards a nature positive future and the work of the Science Based Targets Network (SBTN);
- Prior to approving new investments and projects, conducting externally assured or verified nature-focused impact assessments;
- Publicly commit to and disclose the outcomes of supply chain mapping and establish traceability, where material and relevant, based on the risk and impact profile of commodities. For agriculture and forestry this can be done in accordance with the Accountability Framework;
- Engagement with external parties among value chains, trade associations, policymakers and other stakeholders to create an enabling environment for implementing the company’s plan and achieving its targets.

Disclosure

We expect:

- **Annual reporting on nature-related** dependencies, impacts, risks and opportunities in alignment with TNFD’s disclosure recommendations (based on the categories of Governance, Strategy, Risk and Impact Management, Metrics and Targets):
 - We expect companies to disclose annual progress against their plans;
 - We encourage companies to disclose core global indicators and sector-specific metrics in line with TNFD’s disclosure guidance;
 - We encourage disclosure of specific products, services and investments that contribute to a nature-positive economy.
- **Demonstrated use of a robust** monitoring and verification system to monitor compliance with strategies and policies.

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



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