Principal Adverse Sustainability Impacts Statement

UBS Third Party Management Company S.A.
(LEI: 549300HNZGK9HL81DR79) June 2024

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1. Summary

UBS Third Party Management Company S.A. (LEI: 549300HNZGK9HL81DR79) considers principal adverse impacts (**"PAI"**) of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of UBS Third Party Management Company S.A.s (hereinafter also known as **"UBS-TPM"** or **"the Management Company"**).

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2023.

The EU Sustainable Finance Disclosure Regulations (**"SFDR"**) aims to provide more transparency on sustainability-related topics so that investors can make informed investment decisions. SFDR requires specific disclosures on how UBS-TPM considers PAI, which are defined as the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee concerns, respect for human rights, anti-corruption, and anti-bribery matters.

UBS-TPM acknowledges a need for transparency of PAI of investment decisions on sustainability factors, and therefore has defined and follows internal procedures on identification and prioritization of adverse impacts and considers these as part of its investment decision making process. UBS-TPM believes that material sustainability issues matter for financial performance and know that investors have an interest in many of these topics.

UBS-TPM has delegated the portfolio management to several portfolio managers. Each Portfolio Manager manages the portfolio of the funds independently as per its internal governance and investment decision making process, under the supervision of the Management Company. However, the Management Company remains ultimately responsible for the portfolio management function, hence, the delegation is subject to supervision and monitoring from the Management Company. In order to achieve this, the Management Company has implemented a robust oversight control framework.

The assessment of PAI is performed for all funds managed by UBS-TPM and includes both, sustainable and non sustainable strategies. The indicators provided in section 2 are based on PAI data from 3 May 2024.

UBS-TPM actively considers certain PAI indicators as part of its sustainable investing strategies (SFDR Article 8 / 9). **"Article 8"** & **"Article 9**" are references to the specific fund level disclosures prescribed by the EU regulation on sustainability related disclosures in the financial services sector (SFDR). The funds classification have not changed during the reference period and is not expected to change in the future.

The availability and accessibility of reliable market data to compute the PAI indicator is still a challenge for the industry. UBS-TPM will seek to improve data coverage as industry practice emerges and will assess indicators in order to have as broad coverage as possible for future consideration into the investment process.

As the portfolio managers consider PAI indicators, where relevant, according to their own methodology and procedure, it is not feasible to make meaningful aggregated narrative disclosures per indicator at the level of the Management Company. Disclosure per fund can be found in the respective fund level disclosure. The impacts of these investments themselves were calculated and contributed to the figures below.

UBS-TPM acknowledges that the PAI framework and data are still evolving and that data availability for some of the indicators is still limited, however the following has been observed during the last two years:

Even though 11 out of 17 PAI indicators have improved from reporting year 2022 to 2023, the indicators calculated for a number of PAI have been impacted over the course of the year by changes in funds under UBS-TPM governance, in the current value of investments driven by major geopolitical developments, global financial market volatility, changes in methodology made by our vendor (such as the move to the sub-portfolio approach) and poor availability of data. The data coverage remains limited for three indicators (emissions to water, hazardous waste and radioactive waste ratio, and the unadjusted gender pay gap) where many companies are still not reporting this data in earnest. This leads to an industry-wide gap in coverage for a large number of investee companies and, as a result, the metrics calculated for these indicators are both less accurate and less reliable. UBS-TPM expects that in the coming years with the stabilization of data exchange mechanisms within the industry, both coverage and data quality will improve.

The regulator has indicated that additional PAI indicators and amendments to the methodology are to be expected. For the 2023 reporting, the latest industry guidance has been considered by applying a sub-portfolio approach. This approach involves dividing a portfolio into four sub-portfolios for corporates, sovereigns, real estate, and other investments, allowing for a more accurate calculation of indicators by only considering relevant positions for each indicator. The sub-portfolio approach has had immediate impacts, such as driving up the relative position weights for each position in the portfolio. This approach allows for a more robust way of analyzing portfolios.

If investors wish to better understand ESG and sustainability related aspects of their investments, we recommend to consult the fund specific documentation rather than this report at the level of the Management Company.

Translations of this summary can be found on the UBS-TPM web site in the following languages:

- Danish:
- Dutch:
- English:
- Finnish:
- French:
- German:
- Italian:
- Spanish:
- Swedish:

2. Description of principal adverse impacts on sustainability factors

The below commentary in the column "Actions taken, and actions planned and targets set for the next reference period" relates only to sustainable investing solutions (SFDR Article 8 & 9). As the portfolio managers consider PAI indicators where relevant, according to their own methodology, it is not feasible to make meaningful narrative disclosures per indicator at the level of the management company. Disclosure per fund can be found in the respective fund level disclosure. The impacts of these investments themselves were calculated and contributed to the figures below.

The indicated data coverage figures are the proportion of investments included in the calculation in relation to the maximum that could possibly be included for the specific indicator (for example corporate indicator coverage is expressed only in relation to all investments in corporates, i.e. not in relation to the all investments).

The analysis of the year-on-year changes and the identification of the drivers carries certain complexities as outcomes may be a result of a combination of impacts of multiple factors, such as for example:

- Data availability
- Calculation methodology changes across various indicators
- Product level developments (fund transfers, launches, onboardings, liquidations etc.) and asset allocation changes

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [year 2022]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	116'272 tCO2	83'217 tCO2	The increase in these absolute figures can at least partially be explained by increased total Assets under Management after the onboarding of a new SFDR Art. 6 fund during the year 2023. Data coverage: 79.47%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.
		Scope 2 GHG emissions	37'991 tCO2	17'990 tCO2		
		Scope 3 GHG emissions	510'456 tCO2	472'560 tCO2		
		Total GHG emissions	657'526 tCO2	573'367 tCO2		
	2. Carbon footprint	Carbon footprint	377.59 t/ml	310.88 t/m€	The change can be explained by the methodology update, see details on the sub-portfolio approach in section 3.1.3. Data coverage: 79.47%	
	3. GHG intensity of investee companies	GHG intensity of investee companies	917.97 t/ml	1'005.54 t/m€	This figure has slightly decreased in line with our long-term intentions to contribute to a low carbon economy. Data coverage: 83.11%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.

	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	6.55%	5.52%	The change can be explained by the methodology update, see details on the sub-portfolio approach in section 3.1.3. Data coverage: 83.68%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	71.42%	75.89%	This figure has slightly decreased in line with our long-term intentions to contribute to a low carbon economy. Data coverage: 54.45%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	6.21 GWh/m€	15.78 GWh/m€	Most of these figures have decreased in line with our long-term intentions to contribute to a low carbon economy. Data coverage: 71.00%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.
		Agriculture, Forestry and Fishing (A)	0.00 GWh/m€	0.01 GWh/m€		
		Mining and Quarrying (B)	0.73 GWh/m€	2.03 GWh/m€		
		Manufacturing (C)	0.45 GWh/m€	0.65 GWh/m€		
		Electricity, Gas, Steam and Air Conditioning Supply (D)	1.66 GWh/m€	8.49 GWh/m€		
		Water Supply; Sewerage, Waste Management and Remediation Activities (E)	1.10 GWh/m€	1.10 GWh/m€		
		Construction (F)	0.11 GWh/m€	0.22 GWh/m€		
		Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles (G)	0.28 GWh/m€	0.13 GWh/m€		
		Transportation and Storage (H)	1.44 GWh/m€	2.71 GWh/m€		
		Real Estate Activities (L)	0.44 GWh/m€	0.45 GWh/m€		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	7.10%	0.08%	The change can be explained by the methodology update, see details on the sub-portfolio approach in section 3.1.3. and a change of criteria applied by our vendor to identify companies negatively affecting biodiversity-sensitive areas. Data coverage: 83.92%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested	0.01 t/m€	3.31 t/m€	The data coverage for this indicator is significantly lower in comparison to other indicators. In addition, the change can be explained by the methodology update, see details on the sub-portfolio approach in section 3.1.3. Data coverage: 2.85%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.

Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested	0.47 t/m€	0.57 t/m€	The data coverage for this indicator is relatively low in comparison to other indicators. In addition, the change can be explained by the methodology update, see details on the sub-portfolio approach in section 3.1.3. Data coverage: 37.89%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [year 2022]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.50%	0.56%	The change can be explained by the methodology update, see details on the sub-portfolio approach in section 3.1.3. Data coverage: 83.93%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	2.83%	35.71%	The change can be explained by a change of criteria applied by our vendor to identify companies with processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises. Data coverage: 83.69%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	8.42%	13.03%	The data coverage for this indicator is significantly lower in comparison to other indicators. Data coverage: 11.84%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	33.86%	32.65%	This figure has increased in line with our long-term intentions to foster gender and ethnic diversity at board and senior management levels as part of our global Diversity, Equity and Inclusion (DEI) program. Data coverage: 82.88%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.
	14 Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00%	0.00%	Data coverage: 83.91%	Investments in controversial weapons are excluded via UBS-TPM's Exclusion Policy, which applies to all funds under governance..

Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [year 2022]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Environmental	15. GHG Intensity	GHG intensity of investee countries	548.96 t/m€	644.28 t/m€	This figure has decreased in line with our long-term intentions to contribute to a low carbon economy. Data coverage: 91.26%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law.	5 (5.00%)	0 (0.00%)	Due to the lack of look-through data at an industry level relating to target fund investments, we could not deduplicate social violations across target fund investments, resulting in double counting of the aggregated entity score relating to PAI indicator "16. Investee countries subject to social violations". We therefore report here the social violations relating only to the direct investments of our funds, for which this calculation is possible. UBS is working with vendors to capture this look-through data to provide a deduplicated figure across all investments for this metric in future reporting cycles. Data coverage: 91.26%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.

Indicators applicable to investments in real estate assets						
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [year 2022]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0.00%	0.00%	N/A	During the reporting period, neither exposure to fossil fuels through real estate assets, or exposure to energy-inefficient real estate assets were considered as part of the investment process as TPM had no investments in real estate assets.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	0.00%	0.00%	N/A	

Additional climate and other environment-related indicators						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [year 2022]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	41.89%	25.15%	The change can be explained by the methodology update, see details on the sub-portfolio approach in section 3.1.3. Data coverage: 83.00%	Where relevant for certain Article 8 / 9 funds, the portfolio manager is going to continue to consider this indicator in the investment process.

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [year 2022]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against corruption	1.54%	3.68%	The change can be explained by the methodology update, see details on the sub-portfolio approach in section 3.1.3. Data coverage: 83.69%	UBS has zero tolerance for bribery and corruption. We are committed to detecting and preventing bribery and corruption. Our employees and associated persons do business in a fair and transparent manner and must not promise, pay, receive, solicit, collude or arrange for the payment of a bribe, or anything of value to a private party or Public Official, to gain an unfair advantage (including facilitation payments) either directly or indirectly (via an Intermediary), to, or with the intent to: - Obtain or retain business for or on behalf of UBS Group. - Accelerate, obtain, retain or fulfil a legal or regulatory requirement (facilitation payment) or any other advantage.

3. Description of policies to identify and prioritise principal adverse impacts on sustainability factors

3.1 Calculation of principal adverse impacts

For the purpose of regulatory reporting on Principal Adverse Impacts on sustainability factors, UBS has decided to build an inhouse capability to produce an annual report in line with SFDR requirements.

The description of procedures governing the production of this report, including methodologies to select additional indicators, explanation of any associated margin of error and details of data sources used, is provided in a dedicated, internal document approved on 30 June 2023.

The above policy is subject to annual review to capture all future regulatory developments that might affect the established PAI framework.

3.1.1 Key responsibilities

The following are the key components of the annual PAI production process, including their respective allocation within UBS:

Component	Description
Market data sourcing	UBS sources PAI related market data from vendors into an internal state of the art Cloud-based ESG data platform, providing a data service which is managed by our Data Operations team.
Position data sourcing	UBS sources position data relevant for each quarter end from UBS-AM and the Fund Administration accounting system in order to calculate the four quarter end results as required by the reporting regime.
Calculations	UBS has built an internal capability to calculate PAI data which provides a consistent and repeatable methodology for calculation of the quarterly results. Annual results are created using a averaging of the four quarterly calculations. The methodology of the calculations is reviewed and supported by the UBS ESG specialists, within the UBS Chief Sustainability Office.
Report Construction	The PAI report, especially the narrative and commentary on the variation of the PAI indicators are provided by the UBS ESG Specialist under the coordination of UBS-TPM.

3.1.2 Methodology to select additional indicators as set out in Table 2 and 3 of Annex I SFDR RTS

The key driver for the selection of new indicators is the data coverage ratio over other indicators. UBS believes that better data coverage leads to more meaningful results.

UBS reassesses the selection of the additional indicators on an annual basis depending on data availability and the changing business strategy over time.

The following additional indicators were selected for the 2023 reference period:

Climate and other environment-related indicator:
- PAI indicator 2.4 Investments in companies without carbon emission reduction initiatives.

Social and employee matters, respect for human rights, anti-corruption and anti-bribery matters indicator:
- PAI Indicator 3.15 Lack of anti-corruption and anti-bribery policies.

3.1.3 Methodology to identify and assess PAI in the entity-level reporting

Calculation of Metrics

PAI calculations for the purpose of UBS-TPM's PAI report, dated 30 June 2024 are based on the latest available information on the principal adverse impacts dated 3 May 2024.

The following instruments do not directly contribute to the PAI scores as they are not linked to investments in underlying companies: Cash, FX, Commodities, interest rate and all instruments solely based on cash, FX, Commodities and interest rate for example: structured products on gold, FX Futures, FX Options, Commodities, interest rate swaps, commodity funds, precious metal funds. All other products are considered in scope for PAI reporting.

In 2023, the ESG data vendor of UBS updated its calculations to align with the latest industry guidance by applying a "sub-portfolio" approach. This approach involves dividing a portfolio into four sub-portfolios for corporates, sovereigns, real estate, and other investments, allowing for a more accurate calculation of 8 indicators, (namely 1.2, 1.4, 1.7, 1.8, 1.9, 1.10, 1.11 and 1.14), by only considering relevant positions for each indicator. In response to this, UBS revised it's own methodology to ensure alignment between UBS data and third party fund data. For example, an indicator relevant to corporates will be calculated based on the sub-portfolio of corporate positions rather than based on the full portfolio. Therefore, the sub-portfolio approach has immediate impacts, such as increasing the relative weights for each position in the portfolio, as only the sub-portfolio value is used as denominator. The new approach allows for a more accurate calculation of indicators for the portfolios.

Treatment of short positions and derivatives

The data availability for complex derivative instruments in the calculation of the PAI indicators is limited. As a result, the PAI contributions of these products cannot be included in the entity level PAI calculation results. They are, however, included in the definition of "current value of all investments" in the denominator of the calculations. Where possible, the regulatory recommendations and incorporated short positions within PAI calculations has been implemented by applying a "net long" approach at an ISIN level. The PAI of long and short positions have been netted at the level of the individual investee undertaking, sovereign, supranational or real estate asset, but without dropping below zero. Negative net positions were reported on an ISIN level, treated as "0" and consequently disregarded from PAI calculations.

Probability of occurrence and severity of PAI

At this stage, UBS-TPM does not take into account the probability of occurrence and the severity of principal adverse impacts as part of the existing internal methodology.

3.1.4 Margin of error in the annual PAI reporting

Under the principle of "all reasonable means", UBS-TPM has an obligation to do its best to capture as much data as possible in order to fulfill the obligation of calculating the PAI metrics and constructing the PAI report.

The multitude of data sources and vendors used can impact the PAI calculations. The two most prolific issues are coverage (where companies have not reported their PAI data) and methodology (as pre-aggregated numbers either from vendors or from manufacturers will differ from provider to provider due to different internal aggregation methodologies). Thus, UBS has put the following controls and measures in place to ensure reliable data is used to be confident in the calculation results:

1. A review of key metrics in the issuer dataset was undertaken to ensure that when looking at them holistically, they still make sense. This includes ensuring that both sovereign and corporate metrics are not received for the same issuer, making sure that the proxies used to assess the corporate, sovereign and real estate proportions of the portfolio do not add up to more than 100%.

2. UBS has reviewed the methodologies used by its vendors. This ensures that aggregated data sourced from vendors is reliable and meets our expectations in terms of how it is calculated and its level of accuracy.
3. UBS calculates coverage internally on a per metric basis. This allows to understand the level of accuracy of the metric produced, based on how much data was available for the underlying investments. This also allows to isolate key metrics where the vendor data is insufficient which, in turn, prompts further investigation into alternative vendors where required.
4. Where PAI data is missing for an instrument, considerations have been built into our calculation of coverage which results in a lower coverage in these scenarios. This ensures missing data is considered to assess the accuracy of each metric. Furthermore, the data vendors are being challenged to continually improve their coverage.
5. Where aggregated fund indicators are received from a vendor (either directly or via EET), the associated coverage is considered and, where appropriate, eligible assets value in the calculation of coverage for the relevant indicator.
6. UBS has made an internal decision to treat instruments where it is unclear if they are in scope of PAI reporting or not, as in scope until proven otherwise. The result of this is that the coverage figures drop where instruments are "unclassified" in the same way as in (4) where the PAI data is missing. This ensures that the metrics do not understated or overstated the coverage.

Additionally, due to the high presence of estimated data in scope 3 GHG emissions, combined with concerns about overlapping emissions between companies in the same portfolio, scope 3 metrics may be misleading to the reader. For example, double counting may occur when reporting scope 3 greenhouse gas emissions aggregated at portfolio level, because one company's value chain greenhouse gas emissions may be another company's direct greenhouse gas emissions. Thus, Scope 3 needs to be interpreted with caution.

3.1.5 Data sources

- UBS regards the availability of good data, analytics and technology capabilities as essential enablers for achieving a more sustainable future. UBS carefully selects ESG data vendors to support the PAI calculations based on: data quality, update frequency (to ensure we are always utilizing the latest available data) and coverage. UBS applies controls to ensure the highest possible data quality is maintained, both third-party and internal, and regularly reassesses vendors to monitor their performance against market from a coverage and quality perspective.
- The calculation of PAI metrics requires the combination of internal position weightings with one or more external PAI indicator values for relevant instruments, for reporting year 2023 primarily sourced from MSCI, https://www.msci.com/notice-and-disclaimer-for-reporting-licenses. As the funds invest directly into instruments and in target funds, data at both levels are sourced for reporting purposes as follows:
  1) Issuer level data, sourced through vendors, based on corporate disclosures of the underlying companies, combined with vendor research. Throughout 2023, the coverage of issuer level data has been monitored and the coverage on an issuer level has been assessed as being remarkably high. The coverage on an indicator-by-indicator basis fluctuated and, in particular for Water Emissions, Hazardous Waste and Gender Pay Gap, the disclosures by corporates remained exceptionally low leading to significant data gaps in these areas.
  2) Fund level data, sourced through vendors and directly from target fund managers:
     - The funds invest in both, UBS and 3rd party managed funds. Consequently, the look through to the underlying positions of these 3rd party managed funds funds is not possible, however through vendor solutions the aggregated PAI data relevant to investments in funds is available.

- Where target funds are manufactured by a UBS Management Company, this PAI data is calculated in-house, using the issuer level PAI data captured by the vendor. This data is then utilized as part of the calculation approach for the legal entity calculations.
- Where funds are manufactured by 3rd party management companies, UBS-TPM relies on vendor PAI calculations to capture the PAI data.

3.2 Policies relevant for the assessment of PAI in the decision making process

UBS TPM has delegated the portfolio management function to several portfolio managers. Regarding the identification and prioritization of principal adverse impacts on sustainability factors, UBS-TPM refers to the policies of the delegated portfolio managers of the funds, which can be found on their respective websites.

3.3 How we identify and prioritize principal adverse impacts in the decision making process

All funds disclosing under SFDR Article 8 / 9 under UBS-TPM governance are sponsored by UBS external parties, who have their own approaches as to how they identify and prioritize principle adverse impacts. While UBS-TPM is legally responsible for the portfolio management, this function has also been systematically delegated to parties external to UBS-TPM and typically also external to UBS Group.

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4. Engagement policies

4.1 Corporate engagement

As UBS-TPM has delegated portfolio management to UBS-AM or third party portfolio managers, UBS-TPM puts reliance on the engagement policies developed by the delegated portfolio managers. Their engagement policies explain how the portfolio managers:

- Monitor investee companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance,
- Conduct dialogues with investee companies,
- Manage actual and potential conflicts of interests in relation to their engagement;

Consideration of adverse impacts as part of the UBS-AM stewardship policy

UBS-AM has run a dedicated climate engagement program since early 2018, focused on companies in high emitting sectors. In addition, UBS-AM has also run a social thematic engagement program since 2021 and had a focus on companies violating the United Nations Global Compact UNGC) principles which do not demonstrate credible corrective action as determined by UBS-AM's Stewardship Committee are excluded from SI Focus and Impact portfolios. UBS-AM may engage with these companies to ensure that they undertake credible corrective actions.

Through our stewardship related research we will seek to identify companies where material ESG and sustainability risks may give rise to a negative impact in the future, and will utilize engagement and proxy voting to minimize adverse impacts where appropriate. Where UBS-AM has direct ownership of a physical asset, it aligns its partners to prescribed standards and KPIs which are monitored so that remedy actions can be taken if performance and standards fall short.

ESG considerations are embedded across our direct real estate teams through tenant engagement to drive change and external sustainability assessments to identify asset improvement opportunities and energy reduction programs. Please refer to our 2023 Stewardship Annual Report.

All PAIs may be considered as part of our corporate engagement, proxy voting and public policy engagement activities.

4.2 Proxy voting

Regarding the exercise of voting rights and other rights attached to shares, UBS-TPM puts reliance on the Stewardship Policy of UBS-AM, where voting rights have been delegated to UBS-TPM who have in turn delegated to UBS-AM.

Moreover, clear guidelines have been given by UBS-TPM which have to be considered by UBS-AM in case votes have to be exercised on controversial items.

Where UBS-TPM have delegated the voting activity to UBS-AM, the corresponding reporting based on the UBS-AM Global Stewardship Policy is available under the following link:

http://www.ubs.com/global/en/asset-management/investment-capabilities/sustainability.html

Where UBS-AM has not been delegated voting activity, it is the responsibility of the portfolio manager to deal with the relevant voting rights. The corresponding reporting is available under the following link in a document referred to as list of engagement policies of delegated portfolio managers and relevant reporting.

https://www.ubs.com/content/dam/assets/am/global/fund-management-services/management-company-services/doc/engagement-policy-links-tpm.pdf

All PAIs may be considered as part of our corporate engagement, proxy voting and public policy engagement activities.

4.1 Public policy engagement

Financial market stability is largely dependent on the overall economic, regulatory and political environment, and the conduct of firms within the sector. UBS actively participates in political discussions to share our expertise on proposed regulatory and supervisory changes. UBS also actively engages in discussions relating to corporate responsibility and sustainability. Sustainability and sustainable finance continue to remain key focus topics in its interactions with our financial regulators and supervisors. These are subject to ongoing oversight and control by the second and third lines of defence.

Regarding climate, UBS' engagement aims to share expertise on an orderly transition towards a net-zero economy. Its sustainability and climate governance ensures alignment of the engagement, based on its climate strategy and net-zero planning, and clear accountabilities regarding regulatory and governmental developments.

With its public policy engagement, UBS mainly considers PAI regarding climate change (greenhouse gas emissions) (PAI indicators 1.-6.), biodiversity (PAI indicator 7.) and social and employee matters (PAI indicators 10.-14.).

All PAIs may be considered as part of our corporate engagement, proxy voting and public policy engagement activities.

4.2 Adaption of the policies

UBS engagement policies and processes are reviewed on an ongoing basis, enhanced, monitored and adapted when insufficient progress is identified, and also in order to incorporate additional PAI indicators and to ensure the key environmental, social and governance topics are taken into consideration.

5. Reference to international standards

UBS-TPM has not committed to any international standard individually. However it is an entity of UBS Group AG (UBS), therefore all the below disclosures are given on behalf of UBS Group AG.

Over the years UBS has committed to various business conduct codes, international standards for due diligence and reporting initiatives in order to meet the expectations of our stakeholders. Partnerships within the financial services sector, as well as with standard-setters, regulators and clients, are a critical part of our sustainability strategy and approach to climate, underpinning our efforts to progress toward our stated ambitions.

At the end of 2023, UBS was engaged in a variety of sustainability-and impact-related memberships and commitments, either at Group level or at the level of the business divisions or Group Functions or the Group Entities. For example, UBS is a founding member or current signatory of groups such as the Task Force on Climate-related Financial Disclosures (the TCFD), now organized under the ISSB, the Net-Zero Banking Alliance (the NZBA), the Net Zero Asset Managers (the NZAM) initiative, the Glasgow Financial Alliance for Net Zero (GFANZ) and the Partnership for Carbon Accounting Financials (PCAF). Members of UBS senior management contribute to many of the working groups within these bodies and our Group CEO joined the GFANZ Principals Group in 2023. UBS has thorough processes in place for renewing existing memberships and for vetting new ones. They are listed in the UBS Sustainability Report.

UBS also supports the Taskforce on Nature-related Financial Disclosures (TNFD). It is contributing to helping address these challenges through our efforts in the TNFD. It is also exploring collaboration with peers on critical topics, such as nature scenarios, and is supporting new initiatives, such as the establishing of a TNFD national consultative group in Switzerland, hosted by Swiss Sustainable Finance and the UN Global Compact's Swiss network. Through industry collaboration, UBS applied the UNEP FI-developed ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool to assess potential concentrations of sensitive exposures.

Relevant additional key commitments include:

- 1992 – one of the first financial institutions to sign up to the UN Environment Programme bank declaration (the UNEP FI);
- 2000 – one of the first companies to endorse the UN Global Compact and, in the same year, our firm was a founding member of the Wolfsberg Group of Banks, which was originally set up to promote good practice in combating money laundering;
- 2002 – Carbon Disclosure Project founding signatory;
- 2014 – UBS endorsed the "Soft Commodities" Compact from the Banking Environment Initiative and the Consumer Goods Forum, which reaffirms its commitment to developing and implementing responsible business standards;
- 2019 – UBS became a founding signatory of the UN Principles for Responsible Banking (the PRB). The PRB constitutes a comprehensive framework for the integration of sustainability across banks;
- 2020 – UBS is a founding signatory of the Net Zero Asset Managers initiative since 2020 and the Net-Zero Banking Alliance (since 2021). And it is a founding member of the Wolfsberg Group, an association of global banks that aims to develop financial services industry standards regarding anti-money laundering, know-your-client and counter-terrorist financing policies.

Please refer to section 3 Description of policies to identify and prioritize principal adverse impacts on sustainability factors, which explains the methodology for measuring the adherence to international standards.

5.1 The Paris agreement

UBS is committed to standing with its clients to help them achieve their net-zero goals and to support the work governments around the world are doing to move the real economy to align with the Paris Agreement 1.5°C commitment.

As part of our transition plan, which outlines principles supporting our ambition to achieve net-zero greenhouse gas (GHG) emissions across our scope 1, scope 2 and specified scope 3 activities, we have set targets in financing, investing and own operations. To underpin these targets, we have defined various actions that we strive to implement in the short-, medium- and long-term. In line with our continued transition plan development, we will continue to define additional actions and refine current plans to further drive progress toward our targets. Since 2022, UBS-TPM uses scenario-based approaches to assess our exposure to physical and transition risks stemming from climate change. This forward-looking analysis is based on data from an external vendor (S&P TruCost). However, in the portfolio management services, UBS is currently not directly considering climate scenario in its investment decision-making processes. The main PAI taken into account in this alignment with the objectives of Paris Agreement is greenhouse gas emissions.

5.2 Reduction in climate adverse impacts as part of our net zero commitments

In 2023, UBS AG Asset Management made progress toward delivering its 2030 target of aiming to align 20% of UBS AG Asset Management's total assets under management (AuM) with net zero, using science-based portfolio alignment approaches. This Preacquisition UBS aspiration will be reassessed in 2024.

5.3 UN Global Compact, OECD Guidelines and UN Guiding Principles on Business and Human Rights

UBS is committed to respecting human rights, as set out in the United Nations Guiding Principles on Business and Human Rights (UNGPs), in our business activities. UBS believes this is a responsible approach underlining its desire to reduce, as far as possible, potentially negative impacts on society. The commitment in this important area is long standing. In 2000, UBS was among the first companies that pledged to adhere to the UN Global Compact Principles, including on human rights. The principles of the Global Compact today the largest corporate responsibility initiative globally, stem from the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the UN Convention Against Corruption.

In 2011 UBS came together with other banks and formed the Thun Group of Banks to jointly consider these developments and to share experiences regarding the implementation of the UNGPs. To this end, the Thun Group of Banks has published two discussion papers on the financial sector's implementation of the UNGPs. The second paper, for example, focused on the proactive agenda of the Organisation for Economic Co-operation and Development (the OECD) on Responsible Business Conduct and in particular the OECD's 2019 publication titled Due Diligence for Responsible Business Conduct in General Corporate Lending and Securities Underwriting. UBS is a member of the Advisory Group to the OECD.

Recognizing our commitment to promoting human rights, we:

- established a UBS Position on human rights in 2006, and have been regularly updating the UBS Human Rights Statement, available at www.ubs.com/gri;
- will not engage in commercial activities that make use of child labour and forced labour, or that infringe the rights of indigenous peoples; and

- will continue our work internally and externally with the Thun Group of Banks and the OECD, to understand how best to implement the UNGPs across our operations.

The PAI indicators 1.10, 1.11 and 1.16 are relevant for this section. Please refer to section 3 Description of policies to identify and prioritize principal adverse impacts on sustainability factors, which explains the methodology for measuring the adherence to international standards.

5.4 Biodiversity

UBS' approach to understanding impacts and dependencies related to natural capital and biodiversity and managing the resulting risks and opportunities across our activities, reflects our commitment to mobilize capital toward achieving the United Nations' (UN) 17 Sustainable Development Goals (SDGs). Nonetheless, UBS is aware that natural capital is inherently more challenging to define in financial terms due to a lack of easily available data and standardized methodologies. Therefore, 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. That is why UBS is honored to be part of the efforts of the Taskforce on Nature-related Financial Disclosures (the TNFD), including leading its financial sector working group, and contributing to the development of the recommendations it released in September 2023.

Building on our first integrated UBS Group Climate and Nature Report for 2022, we developed our activities and disclosures for 2023 by leveraging the recommendations set by the TNFD. UBS will continue to develop our disclosures on nature dependencies, impacts, risks and opportunities over the next few years, aligned with the TNFD recommendations and regulatory requirements.

During the course of 2023, we also contributed to the debate and improvement of knowledge and innovation in this area through our thought leadership activities and capacity building exercises. For instance, UBS ran a Nature Academy to train key staff about nature-related issues, frameworks, standards, risks and opportunities.

The PAI indicators 1.1, 1.7, and 1.9 are particularly relevant to this section. UBS takes factors stemming from these industry initiatives into account when investing directly into stocks and bonds in sustainable portfolios.

6. Historical comparison

There are many external factors that might influence the calculated PAI numbers. Clients can choose to make use of our sustainable offerings or instead to invest in more traditional offerings. Our SI offering allows clients to invest in assets that may have a positive impact on environmental, social and governance factors. Sustainability drove UBS' ambitions for 2022 and 2023 and as such we continue to partner with our clients to help them mobilize their capital toward a more sustainable world. The total PAI exposures for 8 out of 18 indicators improved between 2022 and 2023 notwithstanding any coverage limitations for each of the individual PAIs. The indicators calculated for a number of PAI have been impacted over the course of the year by changes in the current value of investments driven by major geopolitical developments, global financial market volatility, changes in methodology made by our vendor (such as the move to the sub-portfolio) and poor availability of data. The data coverage for 2023 remains limited for three indicators (emissions to water, hazardous waste and gender pay gap) where many companies are still not reporting this data in earnest.

For the 2023 reporting, the latest industry guidance has been considered by applying a sub-portfolio approach which had immediate impacts, such as driving up the relative position weights for each position in the 2023 portfolio. In light of these methodology changes, the most recent figures are hardly comparable or differ considerably to the ones published prior. Details on the significant changes between figures reported for the two years are discussed within section 2 with the majority of the differences stemming from the change to the sub-portfolio approach, methodology changes made by our vendor and / or poor availability of data.

Please find hereafter an overview of the development of the PAI indicators since inception of this reporting (i.e. over the last 2 years):

Indicators applicable to investments in investee companies				
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [year 2022]**
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS				
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	116'272 tCO2	83'217 tCO2
		Scope 2 GHG emissions	37'991 tCO2	17'990 tCO2
		Scope 3 GHG emissions	510'456 tCO2	472'560 tCO2
		Total GHG emissions	657'526 tCO2	573'367 tCO2
	2. Carbon footprint	Carbon footprint	377.59 t/ml	310.88 t/m€
	3. GHG intensity of investee companies	GHG intensity of investee companies	917.97 t/ml	1'005.54 t/m€
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	6.55%	5.52%
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	71.42%	75.89%
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	6.21 GWh/m€	15.78 GWh/m€
		Agriculture, Forestry and Fishing (A)	0.00 GWh/m€	0.01 GWh/m€

		Mining and Quarrying (B)	0.73 GWh/m€	2.03 GWh/m€
		Manufacturing (C)	0.45 GWh/m€	0.65 GWh/m€
		Electricity, Gas, Steam and Air Conditioning Supply (D)	1.66 GWh/m€	8.49 GWh/m€
		Water Supply; Sewerage, Waste Management and Remediation Activities (E)	1.10 GWh/m€	1.10 GWh/m€
		Construction (F)	0.11 GWh/m€	0.22 GWh/m€
		Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles (G)	0.28 GWh/m€	0.13 GWh/m€
		Transportation and Storage (H)	1.44 GWh/m€	2.71 GWh/m€
		Real Estate Activities (L)	0.44 GWh/m€	0.45 GWh/m€
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	7.10%	0.08%
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested	0.01 t/m€	3.31 t/m€
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested	0.47 t/m€	0.57 t/m€

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS				
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [year 2022]**
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.50%	0.56%
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	2.83%	35.71%
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	8.42%	13.03%
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	33.86%	32.65%

	14 Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00%	0.00%
Indicators applicable to investments in sovereigns and supranationals				
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [year 2022]**
Environmental	15. GHG Intensity	GHG intensity of investee countries	548.96 t/m€	644.28 t/m€
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law.	5 (5.00%)	0 (0.00%)
Indicators applicable to investments in real estate assets				
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [year 2022]**
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0.00%	0.00%
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	0.00%	0.00%

Additional climate and other environment-related indicators				
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS				
Indicators applicable to investments in investee companies				
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [year 2022]**
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	41.89%	25.15%

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters				
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS				
Indicators applicable to investments in investee companies				
Adverse sustainability indicator		**Metric**	**Impact [year 2023]**	**Impact [year 2022]**
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention	1.54%	3.68%