

## 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. (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.