

# Stewardship Annual Report

2022 | UBS Asset Management



**UBS**



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# Foreword



**Suni Harford**  
President  
UBS Asset Management

As stewards for our clients' assets, we have a critical role to play in engaging with the companies in which we invest. We know, through decades of experience, the positive influence that having a "seat at the table" can have. Our goal with this report is to provide transparency into our activities and engagements over the past year and to share, through more detailed case studies, some of the successes we have had across our major engagement themes – planet and people.

To be most effective, we strive to continuously align our efforts with the areas that matter most to our clients. That's been a key driver for our activities over the past 12 months, during which time we have increased our thematic engagement in collaboration with other investors, extended our corporate engagement to wider policy issues, and deepened our focus on natural capital.

We have also maintained our focus on climate. By enhancing our well-established engagement framework to be net-zero aligned, we are better able to assess and engage issuers on the alignment of their transition plans. Another key area of focus has been our continued investment in data and technology to meet the growing investor and regulatory demand for greater transparency in this space.

Looking ahead, we expect the market to move away from the broad 'ESG,' and expect that investors will increase the differentiation between environmental, social, and governance factors, and continue to drill down even further into the 'E' to focus on specific carbon, plastic, water, and other natural capital and biodiversity issues. Thus, we too will continue to evolve our capabilities, while committing to share our experiences, insights, and best practices as we move forward on this journey together with our clients.

# Engaging for change



**Lucy Thomas**

Head of Sustainable Investing and Impact  
UBS Asset Management

The past year laid bare the truth that there are real challenges on the journey to a climate transition and a sustainable future, and that the ride will not always be smooth. The rise of concerns about energy security underscore the reality that we already knew: There are myriad reasons that we need to support the diversification of the energy system. The necessary transformation will likely take a bumpy trajectory and the attendant volatility in markets and supply is another factor that investors need to take into account.

Certainly, the Russian invasion of Ukraine generated dislocation on many fronts in 2022, but in reality it brought attention to issues that were already at play and influencing the transition, such as, supply chain security, nationalization, and, in general, the identity of the environmental, social and governance (ESG) evolution. And, the engagement vs. divestment debate rages on; and for those of us in the former camp, it is a stark reminder to up our respective games.

These are weighty issues, with no straightforward answers: the sustainability arrow was never designed to fly straight. It is our job as managers of other people's investments, to think long and hard about the evolving landscape. At UBS Asset Management we use active ownership as one of our tools to share insights and to encourage and catalyse change at the company and asset level.

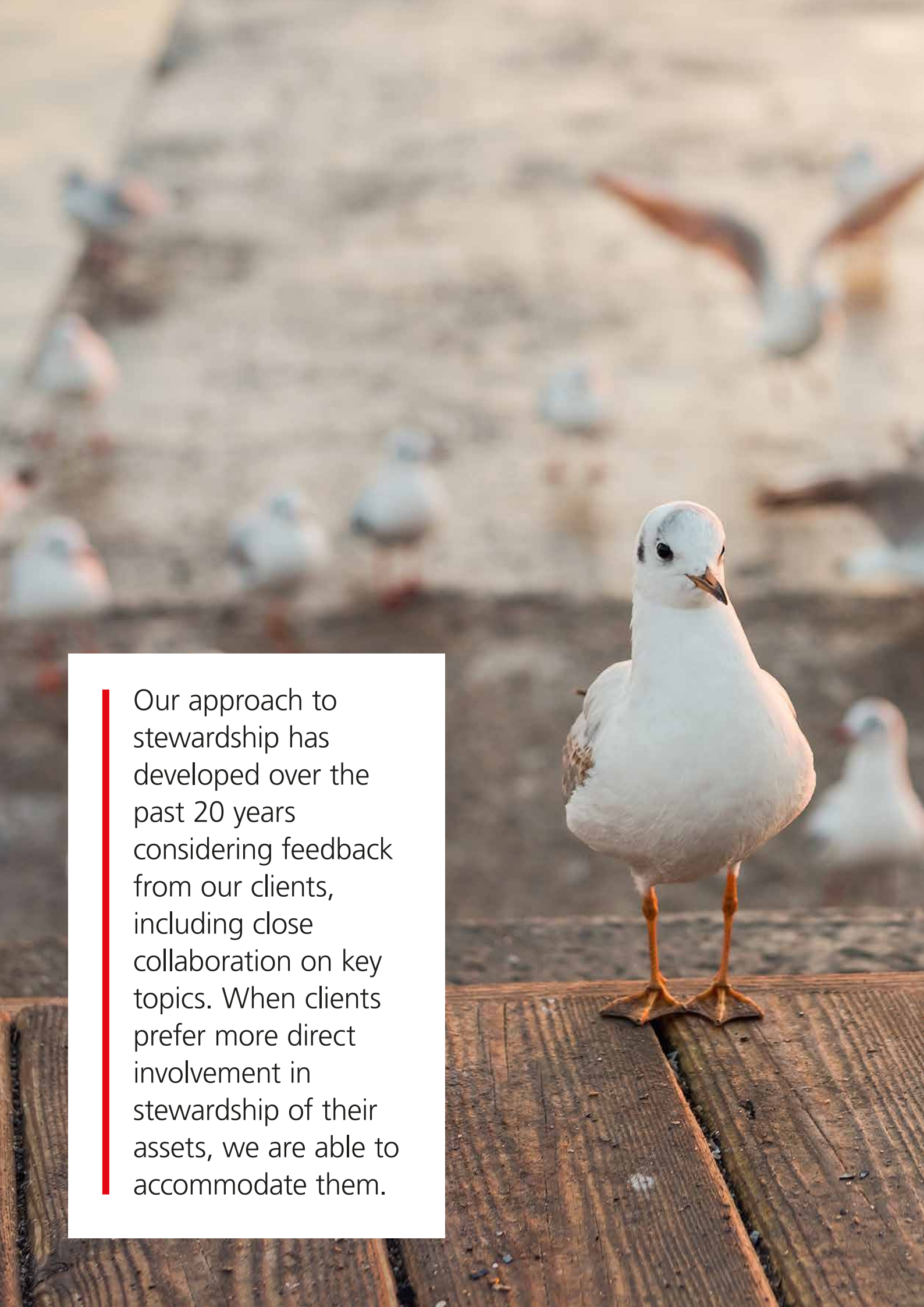
Active ownership is a key pillar of our sustainable investing strategy alongside impact investing, net zero and tailoring for client preferences across asset classes.

Both active and passive clients are rightly choosing their asset managers based on sustainability preferences, as well as on the credibility and transparency of claims being made. Being clear on where to spend our time and attention and ensuring that any engagement efforts align with outcomes that seek to meet our clients' goals, is therefore key.

In some respects, this is nothing new, just a heightening of attention and focus. It sharpens the mind and forces us as investment managers to reassert our intentions; to become ever more rigorous when measuring the impact and effectiveness of engagement efforts – as well as being humble and transparent about the 'additionality' our contributions really make.

It can be tempting to feel as if everything related to sustainability is at a perennial inflection point. After all, the window for action to tackle climate, biodiversity and the host of associated social and governance issues is rapidly closing in on us; in almost every area and way you can possibly imagine, things need to change. However, we genuinely believe that active ownership is critical to helping investors achieve their sustainable investing goals. For finance to fulfil its potential and have the positive effect on the world, conducting effective stewardship remains crucial.

What follows in this report represents our latest steps toward creating a more sustainable financial system and, hopefully, planet. It is a continual work-in-progress but looking back over the last 12 months we believe we are continuing to build on our history as we look to the future.



Our approach to stewardship has developed over the past 20 years considering feedback from our clients, including close collaboration on key topics. When clients prefer more direct involvement in stewardship of their assets, we are able to accommodate them.

# 1

## 2022 review and 2023 outlook

A look back across our active ownership actions in 2022 and what we see in 2023



The expectations for how investors approach active ownership continued to increase in 2022, as did the emphasis on activity that seeks to contribute to investment relevant and real-world outcomes.

In our last report we noted there was still much for investors and companies to do, and that remains the case. We have continued to focus on the core principles of our approach:

- Thorough research and data analysis on the key material topics that impact our investment decisions, including within our thematic engagement program.
- Significant outcome-based engagements with considered voting activity that underpins our stewardship, with a clear focus on the connection between our actions and unlocking alpha to drive value at the portfolio level.

Through the year we conducted 461 engagement meetings with 330 companies. We saw progress against objectives in 62% of our engagements. Outcomes were seen across the full range of topics we engage on, including enhanced ESG disclosure, emission targets and transition plans, increased board diversity and independence, and improved pay structures. More information is provided in the Engagement section, including various case studies.

Remaining close to our clients is key for us. Our approach to stewardship has developed over the past 20 years considering feedback from our clients, including close collaboration on key topics. When clients prefer more direct involvement in stewardship of their assets, we are able to accommodate them by better understanding their needs.

This year we initiated a survey of a range of clients globally to get their thoughts on a variety of environmental, social and governance topics, including asking where they would like to see us prioritize. The insights we gained are invaluable and will inform our future activities.

The top suggestions we received are broadly aligned to our own plans to evolve engagement activities:

- Conduct thematic engagement in collaboration with other investors through investor initiatives.
- Expand policy engagement activities.
- Focus on deforestation and land use change in natural capital.

Building on our established climate engagement program, we implemented a net-zero engagement framework which further supports our clients with their climate commitments, by enabling us to assess and engage issuers on the alignment of their transition plans.

It is based on guidance from market-leading standards such as IIGCC's Net Zero Investment Framework, Climate Action 100+ engagement process, and GFANZ's Expectations for Real-economy Transition Plans report, and provides a consistent, cross-sector framework to assess and engage companies on their transition planning.

As well as absorbing client feedback, we have met with various industry groups and NGOs, who often provide a different perspective and alternative suggestions on how we can improve our approach to stewardship. We have taken the feedback into account and, in some cases, we believe this has improved our policies and disclosures.

We also recognize that we need to go further and to consistently link engagement across all our strategies to company value drivers, to robustly track progress and follow up on objectives still outstanding.

To support this, we have added 19 dedicated and experienced people to our team across different locations in Asia, Europe, UK and the US, more than doubling the strength of our capabilities. We have enhanced the governance of our approach to active ownership with specialized areas of focus and updated policies and guidelines. Additionally, we reviewed our process with a focus on how we select and prioritize companies for engagement. Yet one thing is perfectly clear to us, engagement requires people.



## 2022 Engagements

330

Companies

461

Meetings

62%

Progressed  
vs. objectives

## Our stewardship process

Thorough research  
and data analysis

Outcome-based  
engagements

Considered  
voting activity

## 2022 Voting activity

12,368

Annual General  
Meetings

123,229

Individual  
resolutions

19,795

Votes against  
management

64%

Meetings with a  
vote against  
management

## What was new in 2022?

Added 19 dedicated and experienced professionals to the Sustainable Investing and Impact team

Advanced our long-standing climate engagement program for net-zero, including enhanced expectations of companies, and linked voting actions

Launched social thematic engagement program

Onboarded 10-plus new data sets in 2022 which support our insight on companies

Introduced an ESG Opportunity Dashboard to our proprietary suite of ESG Integration tools. The Dashboard enables us to view companies' sustainable revenues and alignment to the Sustainable Development Goals (SDGs). This sits alongside our ESG Risk Dashboard.

One engagement where we felt the outcome was indicative of a particularly successful result was with New World Development, an Asian real estate firm listed in Hong Kong. The company's actions addressed our feedback and went beyond our expectations. In September 2022, the company announced several changes to the board, including the appointment of four new directors, three of which were independent, female candidates, drawn from a variety of professional and educational backgrounds.

With these appointments, the company not only refreshed the board significantly, but also met our expectations on gender diversity (35% of directors are now female, vs. only 20% at the 2021 AGM), and made substantial progress towards meeting our requirements in terms of board independence for controlled companies (board independence now stands at 30%, vs. our expectation of 33%). Such a result is even more compelling when considering that the company is de facto controlled, with one shareholder owning more than 45% of the share capital.

## General insights from 2022

- Standard-setting organizations and regulators continue to provide new or revised guidance and standards, as well as new or enhanced regulatory requirements for climate disclosures, and companies and investors need to adapt.
- Companies across all regions are increasingly aware of societal expectations placed upon them to focus on more than just growth and returns, but also their human capital impact. However, while many companies communicate their 'purpose,' we expect companies to explain how this purpose is aligned with their practices on a wide range of issues, including sustainability. This would enable shareholders to meaningfully judge policy with practice. We have seen limited evidence of this, and we would hope to see this become more widespread across different markets.
- Investors and companies have focused on implementation of their net-zero commitments and there has been an increased interest in natural capital following COP15. In 2022, we built out our foundation for a thematic engagement program to work with investee companies to ensure that natural capital is accounted for and included in their financial and economic decision making.

## Engagement insights

- Environmental and social issues are invariably linked, meaning one cannot and should not be addressed without due consideration to the other. How companies manage and oversee these issues from within the board is a key area of governance that companies should focus on.
- Companies across regions are committed to engaging with their shareholders, but it has been highlighted by some that the quality and depth of the interactions they have with investors could be improved through better preparation on the part of shareholders. We feel that we have strong and meaningful discussions with companies, underpinned by thorough research and data analysis, and this has been reflected in the positive outcomes we are seeing. Remaining close to companies is a key aspect of building strong relationships and this focus remains a core part of our approach.

## Voting insights

- As expected, we have seen a significant increase in the number of proposals put to shareholders regarding climate change, particularly by management. It is no longer enough for companies to have a net-zero commitment in place: investors are seeking more detailed and ambitious decarbonization plans.
- Many asset managers increased the stringency of their existing voting guidelines in relation to gender diversity and the ethnicity targets in specific markets. We strengthened our policy in 2022 on two key areas in particular.

### Gender diversity

- For developed markets, we expect companies with at least 10 board seats, or market cap equivalent of  $\geq$  USD 10bn, to have at least 30% female representation. We will vote against the board director responsible for the nomination process where this is not the case.

### Ethnic diversity

- For companies where data is collected and disclosed, we require the board to include at least one director from an ethnically diverse background. For 2022 this applied to companies in the FTSE 100 Index in the UK, and S&P500 index in the US.

Underlying some of these trends is a growing challenge: By voting shares on ESG-related resolutions at annual general meetings investors get ever more involved in the running of companies, whether intentionally or otherwise, as shareholder proposals increasingly request specific corporate change, beyond disclosure and long-term ambitions or targets.


The prescriptive nature of some shareholder proposals increases the complexity for investors, and, in our view, they require careful consideration to balance sustainable goals against realistic and/or cost-effective improvements from companies.

Finally, in 2022 we offered strong support to the initiative taken by the IFRS Foundation International Sustainability Standards board (ISSB) to establish international sustainability disclosure standards. As a global financial institution, we welcome the creation of global standards for company disclosure of ESG performance through an international standard-setting body to facilitate comparable, consistent, and reliable information on sustainability performance.

We have contributed views to industry responses to the ISSB Exposure Drafts (IFRS S1 General Requirements for Disclosure of Sustainability related Financial Information and IFRS S2 Climate-related Disclosures) consultation and particularly support the responses of the Institute of International Finance (IIF) and SASB Standards Investor Advisory Group (IAG).

## Looking ahead

We believe our policies, processes, and systems, particularly the framework for consideration of material ESG criteria within investment decisions, give us a strong foundation upon which to further strengthen our active ownership strategy.



As we look ahead, we are streamlining our overall framework to further enhance its effectiveness, with the goal of both supporting clients' returns and sustainable impact objectives. We started this process by thinking about the key objectives of our active ownership activities. Revisiting the 'why' is critical to improving the 'how' and importantly, the results of our work.

Following this review, we are introducing complementary overlapping categories of company engagement, with clearly defined scopes and intended outcomes. We are also simplifying how and when we prioritize our engagement meetings, providing closer alignment and interconnectivity between engagement on thematic topics such as climate and social issues, our investment-focused engagement, dialogue around controversies and voting-related topics. We believe that this will enhance the impact of our active ownership activities.

In our view, active ownership should involve working in partnership with companies and we plan further to develop this approach as part of our stewardship activities. This includes publishing key expectations for companies. However, we recognize that in some cases constructive escalation of engagement with companies may require using the full range of engagement mechanisms to achieve desired outcomes. This is reflected, for example, in the changes we have made to our proxy voting policy regarding climate related voting.

Additionally, we are improving our reporting and transparency to meet regulatory requirements and client needs. There are various divergent transparency and reporting standards across individual jurisdictions. We recognize that clients are seeking more uniform definitions and reporting standards. Supporting this, in the UK the FCA has set up a working group to develop recommendations on minimum vote reporting requirements, and to build an industry consensus on a comprehensive disclosure framework for asset managers in the UK. We will be providing our feedback on this.

## Climate and social engagement programs

We are sharpening our thematic engagement on climate change, with a focus on the net-zero alignment and transition planning of companies. This includes not only a robust and structured net-zero research framework, but also sector-specific expectations that aim to guide engagements and enhance our objective setting and tracking approach. We are expanding the scope of the program to 75 companies across the energy, utilities, chemicals, and materials sectors, representing a 50% increase in our focus list, in addition to climate remaining a core topic in the majority of engagements we have with companies. In regard to our social engagement program, on human capital, the focus of our engagement is on businesses providing and promoting decent work. This includes a focus on diversity equity and inclusion (DEI) and labor rights.

## Proxy voting policy updates effective in 2023

To ensure a continued clear alignment across our active ownership approach, linking our climate engagement with voting action is key. In this respect, one aspect we are clarifying in our policy framework for 2023 is our climate and net-zero expectations of companies.

In 2022 we outlined our criteria for management say-on-climate proposals. In 2023 we will further evaluate such proposals against the following six key factors:

- Climate governance, such as board and management skillset, accountability and incentivization through links to remuneration
- Target setting, with an expectation of a net-zero ambition and interim targets
- Quality of the company's decarbonization strategy as assessed against sector best practices
- Net-zero performance alignment, including stretch and scope of targets against recognized benchmarks
- Lobbying & policy engagement
- Use of offsets

We are convinced that a focused, investment-led and outcomes-driven approach to active ownership brings benefits to companies, their shareholders and other stakeholders including society. We also believe that engagement can contribute to value creation and protection at the company specific and systemic level addressing both risks and opportunities. The work we have done, and improvements we are making, including expanding our resources and evolving our approach, are very much with this view in mind.



We are convinced that a focused, investment-led and outcomes-driven approach to active ownership brings benefits to companies, their shareholders and other stakeholders including society.

# 2

## Our global approach

To stewardship



# Our global approach to stewardship

We put stewardship of client assets at the center of our responsibilities.

## Integrating sustainability factors

We strongly believe that active ownership by investors can contribute to the long-term sustainability and success of companies and the markets in which they operate. Effective stewardship provides an opportunity for asset managers to identify and influence some of the most pressing environmental, social and governance issues facing investors and companies. Stewardship responsibilities essentially go beyond the traditional financial analysis and are centered on assessing whether companies are sustainable and run for the long-term benefit of all stakeholders. In turn this seeks to support more sustainable economies.

This report focuses on the outcomes that we believe our stewardship approach has had on portfolios on behalf of our clients and on the society we serve. It provides details on our actions over the past 12 months.

## Our approach

We take an active approach to stewardship across asset classes, through a clear and structured program, encompassing integration of sustainability related factors into investment decision making, engagement, proxy voting, advocacy with standard setters, and collaboration with market peers and our clients.

As a manager of actively managed, index and rules-based strategies, we believe there are synergies that managing different strategies bring to our stewardship approach. On the one hand active strategies benefit from the scale and breadth of exposure UBS-AM has to companies across our index strategies, potentially enabling better corporate access and a greater ability to influence management. On the other hand, the in-depth knowledge of expert financial analysts with sector expertise, and their relationships with corporate management, can benefit index strategies through our combined stewardship program and/or insights to support customized index solutions.

For update to index and rules-based strategies, stewardship activities often represent one of the most significant ways in which institutional investors can express their views on and influence company performance.

We believe stewardship is one lever to address broader externalities across the economy that could cause instability and risks within the financial markets and global portfolios.

In the case of those index strategies that track sustainability indexes or apply a rules-based approach, stewardship activities can also have further impacts. Dialogue can sometimes incentivize companies to improve in order to be included in selected ESG indexes. It can also provide meaningful insights to enhance the methodologies applied in tilted approaches that consider ESG factors to inform position size and meet risk, return and sustainability objectives.

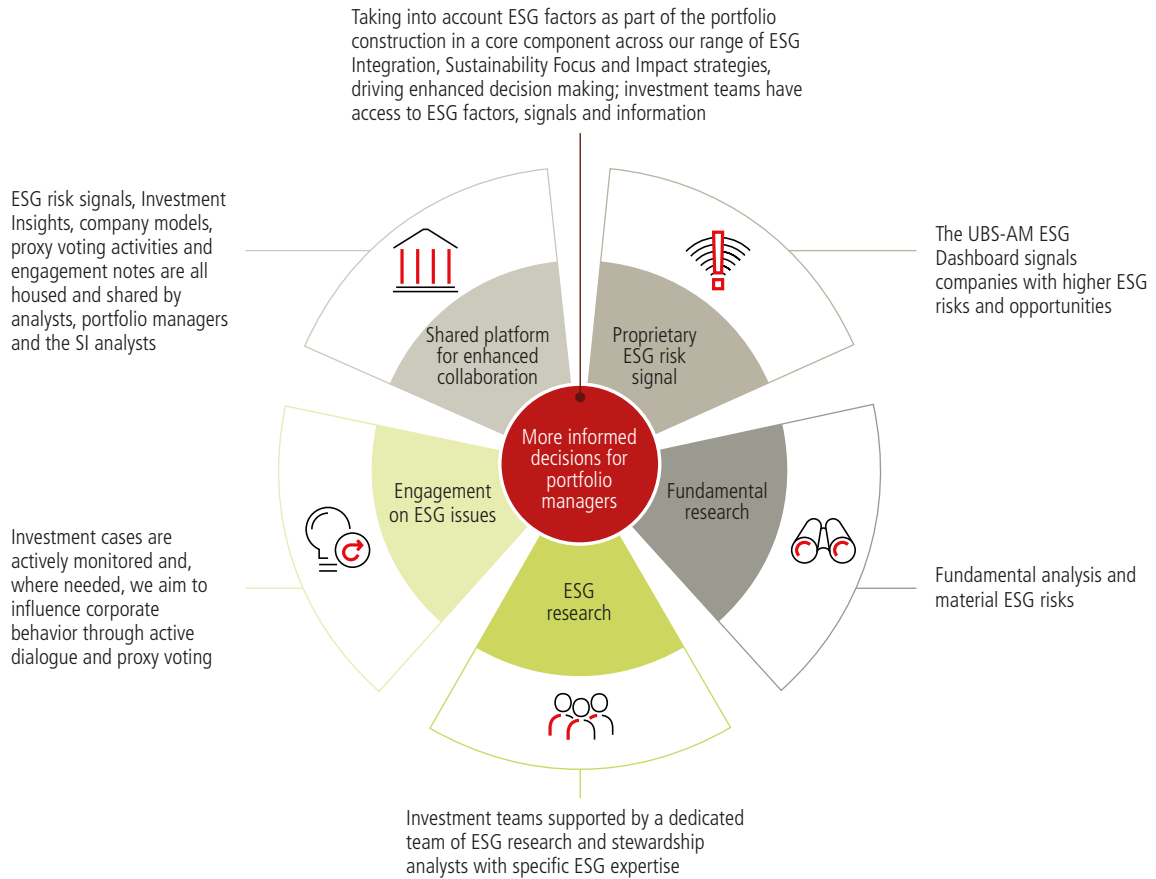


# Stewardship

An intrinsic part of the investment process.

Research	<ul style="list-style-type: none"><li>– ESG Risk is monitored via a proprietary dashboard. The dashboard draws upon ESG data to provide a proprietary ESG Risk Signal to the fundamental analysts, in order to initiate an assessment of the ESG impact on the investment</li><li>– Investment teams are supported with research on companies from a sustainability perspective by the SI analysts</li></ul>
Decision	<ul style="list-style-type: none"><li>– Interactions between portfolio managers, fundamental and SI analysts provide better awareness of any material sustainability risks</li><li>– Pre-trade restriction controls enforce portfolio guidelines such as exclusions, risk screening and positive ESG promotion characteristics</li><li>– ESG scores measure sustainability profiles to inform security selection/ portfolio construction</li></ul>
Engagement	<ul style="list-style-type: none"><li>– Commitment to constructive dialogue with companies based upon thorough research, with clear objectives, including feedback on company actions and focused on achieving positive outcomes and solving existing concerns</li><li>– Thematic People and Planet engagements, with an escalation pathway where progress against goals were not achieved</li></ul>
Proxy Voting	<ul style="list-style-type: none"><li>– Voting policy provides framework for voting in the best financial interest of our clients, applied consistently and underpinned with case-by-case reviews in certain situations</li><li>– Aggregated global voting record disclosed (including rationales), as well as fund level reporting of votes for institutional funds in Australia, Switzerland, and Luxembourg, and for our regulated funds in the USA and Canada</li></ul>
Collaboration	<ul style="list-style-type: none"><li>– Supporting the enhancement of ESG best practices across the investment industry</li><li>– Advocacy with policy makers and standard setters</li><li>– Collective engagement where appropriate</li></ul>
Reporting	<ul style="list-style-type: none"><li>– Reporting that is providing transparency on portfolio ESG profile and stewardship activities</li><li>– ESG regulatory disclosures in prospectuses and websites</li></ul>

Effective stewardship provides an opportunity for asset managers to identify and influence some of the most pressing environmental, social and governance issues facing investors and companies



# Listed equities and fixed income

The assessment of ESG issues is oriented around our ESG Materiality Framework.

Fundamental investment research at UBS-AM is driven by a team of ~50 equity analysts and ~30 fixed income analysts who provide a forward-looking ESG assessment based on a holistic review of the financially material ESG issues. They are supported by our SI research analysts. These views support decision-making as portfolio managers weigh ESG risks against other financial considerations. Our process is described in more detail below.

The assessment of ESG issues is oriented around our ESG Materiality Framework. This identifies the three to five most financially relevant ESG issues per sector that may impact the investment thesis and credit recommendation across all Global Industry Classification Standards (GICS) sectors.

## Identify

To facilitate the integration of sustainability factors into the investment process, we developed a proprietary ESG Dashboard for corporate listed equity and fixed income instruments, including sovereign debt issuers.

The ESG Dashboard provides advanced risk monitoring through enhanced datasets and serves as the starting point for ESG integration. It enables investment teams with a structured, holistic view of ESG risks across four different dimensions, allowing for industry relative comparisons (expressed via the UBS ESG Consensus Score) as well as the identification of outliers (absolute risk, governance, and controversies).

If one or more pillars do not meet our thresholds, the issuer is flagged for potentially high / severe risks, through an ESG Risk Signal. This clear, actionable signal triggers more in-depth analysis of the underlying sources of these risks and the links to their investment cases. The ESG Risk Signal combines data points from a number of reputable external research sources, including MSCI, Sustainalytics, and ISS and uses a proprietary methodology.

The scope of the ESG Risk Signal covers approximately 20,000 corporate issuers, including listed equity and fixed income and 130 sovereign issuers.

## Review and Decision

The ESG Risk Signal is incorporated into the company research note templates used by the equity and fixed income analysts. Their qualitative ESG risk assessment is part of investment cases and provides a qualitative overlay to the quantitative driven scores of the ESG Dashboard. The resulting ESG risk recommendation provides a forward-looking view, informing portfolio manager investment decisions. The analysts also express a view on the company's receptiveness to engagement and the expected future direction of ESG performance. Throughout this process, the SI analysts provide thematic research inputs and act as topic-specific experts, in particular giving guidance on the potential impact a topic can have on a sector.

For companies flagged in an internal watchlist that monitors for breaches of UN Global Compact Principles, the SI analysts will review the controversies including conducting engagement where appropriate and discuss outcomes with the equity and fixed income analysts.

Through regular forums, fixed income and equity analysts, SI analysts and portfolio managers discuss the implications for investment research and outcomes at the portfolio level, in order to enable portfolio managers to be fully aware of the material sustainability risks that could have a negative impact on portfolio performance. This allows portfolio managers to make informed decisions where their investment convictions are expressed through instrument selection and weightings and timing as an embedded consideration in portfolio construction.

## Mitigate (through Active Stewardship)

If, having assessed the ESG risks, engagement is identified as a next step, dialogue with the investee company is initiated. Such dialogue is driven by our investment teams across all functions, including analysts, portfolio managers and the SI team, often in collaboration. A centralized internal platform enables insights and progress from engagements to be captured and made accessible across investment teams. Engagement insights are used to inform our voting decision-making and help reiterate feedback we provide to investee companies, as well as acknowledge improvements. Additionally, the engagement progress (or lack thereof) feeds back into our in-house ESG risk assessments and enables us to form a forward-looking view on ESG risks.

# Multi-Asset portfolios

Within our multi-asset business, the UBS-AM portfolio managers take ESG integration into account when allocating to underlying strategies, including target funds.

We apply the same expectations for high standards of ESG integration and active ownership across our multi-asset strategies for both internal and external portfolio managers.

The evaluation of external strategies is subject to the same rigor to ensure that external managers deliver to their respective stated sustainability objectives. External managers will use different methodologies, data providers and sources for the exact application of the criteria in their investment process. We evaluate external strategies to assess whether they meet UBS's sustainability criteria as well as their overall suitability for use within UBS-AM multi-asset, multi-manager portfolios.

Our portfolio managers pay particular attention to the existing ESG resources of the external asset managers, such as:

- Quality of the research team
- Investment staff dedicated to ESG integration
- Experience of the individual staff members in the sustainability area
- The analytical and research tools used to assess the ESG profile of securities
- The investment process with regard to the consideration of ESG risks in portfolio construction
- Whether the ESG integration and stewardship processes fit the objective of the strategy
- Firm governance and transparency

Our framework for assessment includes:

## Qualitative

- Firm's history and culture
- Commitment to various sustainable initiatives such as: UN PRI, UK Stewardship Code, Paris Aligned Initiative
- Resources such as: ESG data analytics, people, experience and tools
- Governance, policies and oversight

## Quantitative

- Further diagnosis both on the security and portfolio level, using UBS-AM proprietary tools where possible
- Compare and contrast ESG diagnostics provided by external managers

We regularly monitor externally managed strategies to ensure that they continue to meet their sustainability and investment objectives as expected. This monitoring process involves the compilation and assessment of quarterly ESG data provided by the external managers in addition to the key elements underlying the original investment thesis. This includes the collection of standardized quarterly, due diligence questionnaires. Which is focused on capturing any changes to the elements underlying the team's investment thesis as well as the degree of progress toward sustainability objectives with custom questions directed to ESG-integrated, sustainable and impact-type investments.

The assessment of third-party manager ESG data seeks to identify change (either positive or negative) in the key elements that define and support the strategy such as the people, the investment process and philosophy, and the toolset utilized.

After assessing the ESG data, follow up calls or meetings with managers are performed to discuss any material changes in the above to reconfirm our conviction that external managers will likely continue to meet their stated sustainability objectives

During the ongoing due diligence process, an evaluation of ESG scores from the underlying manager strategies typically takes place. This often creates points of discussion to better understand the managers' thesis as to why they believe an investment meets their ESG criteria. Additionally, for impact investing, the ongoing monitoring process tracks the progress of managers with their engagements and holds them to account in their ability to complete their stated objectives with each engagement. Managers typically discuss what their milestones are for each engagement and our due diligence process determines if they are falling behind, on target, or ahead of the curve in terms of meeting their stated objectives.

All materials collected and produced during the initial and ongoing due diligence phases are stored for reference and governance purposes. This enables the team to track changes, as well as the investment and ESG objective successes and failures, for each strategy.



# Real Estate & Private Markets (REPM)

REPM's ESG governance and organizational structure has clear responsibilities and incentives, which are designed to integrate sustainable criteria into our everyday activities across real estate, infrastructure, private equity, food & agriculture and private credit businesses.

The REPM ESG Management Forum (ESG MF) provides a forum for structured engagement on ESG initiatives and is a source of constant improvement ideas and best market practice knowledge. Comprised of experts from multiple countries and disciplines, the ESG MF oversees implementation of decisions and recommendations executed on the ground by REPM's various specialist ESG Working Groups (ESG WGs).

In addition, the ESG WGs feedback regularly to the ESG MF to ensure our global decision-making body benefits from best practice on the ground across our businesses. This two-way setup ensures a coordinated and informed approach, both from a top-down (ESG MF) and bottom-up (ESG WGs) perspective.

But it isn't just the ESG specialists or ESG WG members that are working on ESG initiatives and ideas, this year every member of the REPM team now has at least one ESG-oriented goal in their annual objectives. These will be reviewed later this year and performance against these goals inform compensation and career progression opportunities.

## REPM's ESG strategy

Sustainable investment aims to add overall value to an investment by: increasing resilience; reducing climate-related physical risks; limiting the risk of regulatory non-compliance; improving competitive positioning through increasing the appeal of a property to tenants and purchasers; and, in many cases reducing ongoing expenses.

Sustainability plays a major role in our business strategy and asset-level decisions. With the expertise of our specialists across our business globally, we're able to generate and share innovative ideas designed to help our clients meet their sustainable investment goals.

We have established a comprehensive approach to environmental and social factors, and to corporate governance across each of our investment disciplines.

Our future actions and targets will be established with three headline goals in mind:

### What?

#### **Planet**

- Create and own climate risk resilient assets and net zero aligned investment solutions.

#### **People**

- Create and own assets that contribute to society and communities, impacting lives positively.

#### **Partnerships**

- Collaborate across UBS, our stakeholders and the industry to further accelerate the sustainable agenda and maximize impact globally.

### How?

#### **Educate**

- On sustainability matters and solutions, to equip our people and stakeholders with the right knowledge and tools to drive change.

#### **Collaborate**

- To embed sustainability into everyday thinking for all our teams (through targets and personal objectives), to realize our potential and innovate new approaches.

#### **Implement**

- Actions to drive the sustainability agenda forward and create meaningful positive change.

## Strategies and collaboration

Within REPM, our sustainable approach is integrated into the management of our strategies and is implemented by our operational functions during the ownership cycle of an underlying project, from its development or acquisition to the ongoing asset management, renovation, maintenance, marketing, through to successful sale.

We:

- Develop and integrate sustainability aspects into strategies,
- Set objectives in order to make achievements transparent and measurable,
- Measure performance against objectives and actively pursue action plans towards those objectives,
- Report results to investors, clients, and consultants, e.g., working with platforms such as S&P Trucost to gather physical risk data, assessments for our properties working with consultants such as Sirsa to help understand the market.

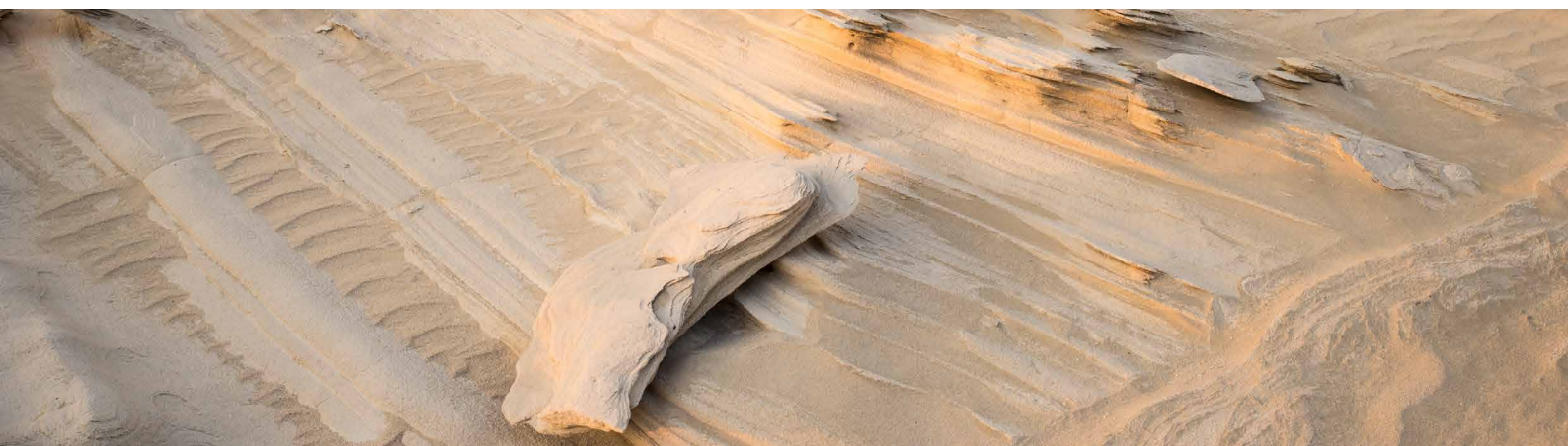
REPM is also a member of GRESB, an independent organization committed to assessing the environmental, social and governance performance of real estate and infrastructure.

## Real estate and infrastructure assets

We measure the sustainability performance of our individual properties and strategies with recognized external benchmarks, such as the GRESB key performance indicators and third-party certifications (LEED, ENERGY STAR, Fitwel, BREEAM, IREM, MINERGIE®, Leading Harvest, CRREM Pathway).

For infrastructure, we also use the GRESB Infrastructure key performance indicators and benchmark reports for our individual investee companies. UBS also sits on the GRESB Real Estate Standards Committee.

We are active members of various committees and industry bodies to enhance our knowledge and contribute to the implementation of sustainability and governance initiatives. Regular and transparent communication and the emphasis on long-term partnerships helps us build lasting relationships with our investors, tenants, and service providers.



# Phoenix Wind Repower

**Sector** Energy  
**Region** Americas  
**Country** United States

**ESG topics addressed**  
*Environmental*  
Climate transition strategy

### Issue

Phoenix Wind Repower LLC owns and operates the 198-MW Trinity Hills, 132-MW Sherbino Mesa 2 and 53-MW Silver Star wind projects in Texas. The three wind farms, initially commissioned between 2008 and 2012 with Clipper turbines, were repowered by Vestas using top-level, proven technology. This increased the blade size by almost 15%, extended the lifespan of the asset and increased its efficiency. Once repowered, the portfolio had a total capacity of 383 MW.

The assets interconnect into ERCOT, Texas's main power market, which serves more than 25 million customers. Based on an Environmental Protection Agency (EPA) calculation, Phoenix Wind's expected annual output would displace up to 600,000 metric tons of emissions annually, or 130,000 passenger vehicles. This generates around 5 million Renewable Energy Certificates (RECs) annually.

We sought to explore the opportunity to classify Phoenix as a 'sustainable investment' under the EU taxonomy.

### Action

We completed an initial review which involved a post-acquisition ESG deep dive assessment as well as a review of whether Phoenix Wind already met the criteria for a 'sustainable investment' under the EU Taxonomy. This review concluded that while the asset had potential to be classified as a 'sustainable investment', there were some areas that required addressing in order to fully meet the criteria.

We developed an EU Taxonomy alignment action plan. This involved ensuring that Phoenix met the criteria for substantially contributing to climate change mitigation, which was met by the sector type. Phoenix also had to demonstrate it met the 'do no significant harm' technical screening criteria. For climate change adaptation, this involved completing a physical climate risk assessment and ensuring that any risks showing as high had adequate controls in place.

For circular economy, Phoenix had to assess the availability of and, where feasible, use equipment and components of high durability and recyclability and that are easy to dismantle and refurbish. Phoenix underwent a repowering activity in 2020, which involved dismantling the blades and replacing them with larger blades, to help generate more power over time. The decommissioned units were recycled as much as was feasible at the time. Electrical wire, copper, and any other valuable components were stripped by electrical contractors and sent for recycling. Any oil was drained and sent for recycling or energy recovery. Fiberglass was recycled as well. Decommissioning certificates are available for each site, e.g., Silver Star for the fiberglass recycling of the blades and nacelle shells, and a Life Cycle Assessment was completed by Vestas for the V 110 turbines. The expected lifespan of the repowered turbines is around 20 years.

*Continued opposite*



## Phoenix Wind Repower

For protection and restoration of biodiversity and ecosystems, Phoenix conducted the Phase I Environmental Site Assessment (ESAs), Spill Prevention, Control, and Countermeasure which covers oil spill risks and protected species (birds and bats) in accordance with the relevant legislation. No major risks were identified. No sites are located in areas defined as biodiversity-sensitive.

For sustainable use and protection of water and marine resources and pollution prevention and control there were no adverse impacts expected.

We also had to ensure there were minimum social safeguards in place and that good governance was being applied in the broadest sense, and worked with the Phoenix team to consider how this could be implemented.

### **Outcome and next steps**

We have developed a strategy for Phoenix Wind that means it can be classified as a 'sustainable investment' under the EU Taxonomy and meets advanced technical criteria for its approach to sustainability, with a substantial contribution to climate change mitigation.

# Multi-Managers business

## Real estate

As an indirect real estate owner, our power is in engagement with underlying managers and we seek to maximize that influence through our focus on sustainability in the due diligence and ongoing monitoring processes of our investments. We regularly collect information on ESG policies, policy enforcement, ESG reporting, regulatory requirements and ESG performance (at both fund and asset levels). We believe such information allows us to better assess risks and opportunities which could impact current and future investment returns.

## Infrastructure

Infrastructure investments play a critical role in the decarbonization agenda and improve livelihoods and economies. We believe that through ESG integration and engagement in our indirect infrastructure investing activities, we can achieve positive and lasting outcomes. Our Multi-Managers Infrastructure (MMINFRA) business integrates ESG aspects across all stages of the investment process, including due diligence, ongoing monitoring and periodic ESG reporting.

We maintain an active dialogue with fund managers in order to encourage the broader adoption of ESG principles and best practices, and reduce exposure to investments with higher ESG risks. We regularly report on the ESG dimensions of our portfolios in order to provide an overview of how fund managers address and implement ESG aspects in their investment processes.

## Private equity

Our Multi-Managers Private Equity (MMPE) business reflects our and our clients' vision for the future, which means investing to address today's ESG challenges as well as opportunities. We believe that integrating ESG factors in the investment process can help better manage risk, while aligning the broader interests of our stakeholders. Our investment process integrates ESG aspects throughout the investment life cycle from deal sourcing, due diligence, ongoing monitoring, and reporting. Together with partners, we have also launched dedicated private equity impact strategies.

## Swiss real estate securities

Since 2005, Swiss Real Estate Securities has been incorporating ESG topics in our due-diligence and ongoing monitoring processes. We believe this allows us to achieve positive ESG outcomes, identify and manage risks and create resilient portfolios. As part of our long-term commitment, we also conduct outreach engagement activities with the aim of promoting the benefits of ESG integration in real estate investments.



# Direct Real Estate investing

Our global sustainability mission consists of delivering strong risk-adjusted investment performance by integrating sustainability considerations into our investment processes; implementing sustainable practices through innovation and the sharing of best practices; and addressing environmental impacts while enhancing property operations.

Historically, the majority of ESG initiatives provided either accretive returns (energy and water conservation, solar energy, system enhancements, smart building technologies) or were cost neutral (green cleaning, recycling) and provided environmental benefits. Climate change is creating a new set of requirements that fall into more of a risk mitigation category, thus the common use of the terms physical risk and transition risk. REPM's strategy incorporates not only the aforementioned accretive ESG initiatives, but also risk mitigation measures. Many of these

risk mitigation measures may not have an immediate short-term accretive payoff but may enhance long-term returns and preserve value through early identification and mitigation of climate related risks. Of specific concern to REPM is transition risk and the potential impact of future carbon-related legislation on both the operating and capital costs for an investment as well as the potential decrease in investment demand and value for assets with less favorable carbon footprints.

Significant process enhancements were designed during 2022, largely driven by the desire to integrate the TCFD reporting framework into our investment process as well as regulatory landscape changes. We expect to implement further upgrades and changes in 2023 too, as the market best practice continues to move swiftly forward.



## ESG considerations embedded across our direct real estate teams



- Environmental data management system rollout, existing alignment with net zero pathways for scoped-in strategies
- Quarterly asset risk assessments (and strategy level) with specific environmental items to consider
- Tenant engagement to drive change
- External sustainability assessments to identify asset improvement opportunities and energy reduction programs
- Hold sell analyses consider ESG factors

- Organizational commitment to leadership and industry standards
- Fund and asset level ESG objectives
- Investment committee decisions consider ESG and ESG members on some decision-making bodies
- Sustainability checklist on acquisitions as well as vendor selection

- Obtaining building certifications and energy labeling
- Design and construct efficiency measures
- Bespoke health and wellbeing measures
- Supplier procurement and sustainable materials

# Multi-Managers Real Estate Engagement Process

The Multi-Managers Real Estate (MMRE) team communicates the importance of ESG to our existing and potential new underlying fund managers to ensure appropriate resources and attention are dedicated to the topic. We seek to raise ESG topics and concerns in investor-wide environments to increase pressure on managers in this area. We believe periodic and effective engagement on ESG topics is crucial in order to limit the risk of regulatory non-compliance, maintain properties' competitive position in the market, increase the appeal of a property to tenants and purchasers, and in some cases, potentially reduce expenses. We conduct engagements directly with underlying fund managers on various topics ranging from carbon reduction targets, climate risk, diversity, governance, and ESG-related training. Engagements may be routine in nature or based around specific transactional or recurring events, such as the release of the annual GRESB Real Estate Assessment results. Effective monitoring and engagement are essential components of the fiduciary duty on behalf of clients, and for this reason the team does not outsource any engagement-related tasks and activities.

Our engagements can take various forms, including written communication, conference calls, face-to-face meetings, investor meetings, AGMs.

GRESB is the most effective tool currently available for MMRE in assessing, monitoring and reporting our investments and portfolios on ESG matters as well as a framework for engagement. GRESB results are released on an annual basis which initiates a comprehensive review of all our underlying funds' latest scores and portfolio-level risks by our regional investment teams. For existing target funds that have not performed well in GRESB surveys, MMRE will liaise with our fund managers and encourage greater efforts in ESG matters and the GRESB survey going forward. We will seek to identify particular areas of weakness and underperformance and encourage managers to focus their efforts on those topics. We believe engagement should not be restricted to negative performance and/or issues, and so GRESB outperformers are also contacted, congratulated and encouraged to continue their efforts.



We believe periodic and effective engagement on ESG topics is crucial in order to limit the risk of regulatory non-compliance, maintain properties' competitive position in the market, increase the appeal of a property to tenants and purchasers, and in some cases, potentially reduce expenses.

Additional engagement takes place with fund managers around our proprietary MMRE ESG Questionnaire which is distributed to underlying fund managers on an annual basis. The ESG Questionnaire assesses various ESG topics including SFDR classification, establishment of appropriate carbon reduction targets, management of physical and transition risks, and disclosure of climate-related risks and opportunities in line with international reporting frameworks such as TCFD. The completion of the MMRE ESG Questionnaire is a mandatory requirement for all existing and potential new underlying fund managers. This enables non-GRESB participants to also be quantitatively measured, thus ranked and engaged with, alongside our GRESB participants.

Other forms of engagement occur as a result of MMRE's recent initiatives around physical risk assessment using the S&P Trucost platform which assesses a geographical location's risk with regards to seven factors (including sea level rise, wildfire, etc.) across several time horizons and climate scenarios. MMRE engaged with a select number of fund managers to gather the coordinates/addresses of all real estate assets the managers have exposure to and mapped those coordinates against the S&P Trucost database which contains over a million assets. This preliminary exercise allowed us to identify any asset significantly exposed to physical climate risks and engage with the managers on an asset-level basis where necessary to understand any mitigation measures in place. This process is currently being refined, and will eventually be

expanded to include all underlying funds which provide us with their asset locations. The aim is to feed the outputs of our physical risk analysis into our quarterly risk Red Flag Assessment (RFA) process at the target fund level, along with an assessment of a fund manager's transition risk using the CRREM tool where applicable.

## Next steps

Although MMRE engages extensively and frequently with underlying fund managers on a wide range of ESG topics and issues, we have not yet developed a formal definition of engagement within MMRE. We have recently started an internal project involving cross-functional stakeholders within UBS to establish a formal definition of engagement which is appropriate to the nature of our business and one which is in line with best peer practices, and aligned with the current UBS Asset Management (AM) definition of engagement. We aim to complete this exercise within the first half of 2023. Once a definition and formalized approach to engagement has been established, we will communicate this to our existing fund managers to raise awareness and communicate our expectations and requirements with regards to engagement (frequency, material topics), as well as any potential new fund managers as part of the MMRE due diligence process. Our definition of engagement will be periodically reviewed and updated as necessary to ensure continual alignment with regulatory requirements, industry trends, and best peer practices.

# 3

## Our engagement activities

Engaging with companies is a way to drive change and make a real economy contribution



# What has been achieved

We continued to engage with corporate management and boards to build relationships, provide feedback and drive positive change, all with the objective in mind to make a real economy contribution.

Throughout the year we held over 1,000 meetings with companies. Of these, 461 met our definition of engagement. They covered 330 companies across regions and sectors.

We recognize that there are various factors which impact upon changes made by companies, but we saw progress against objectives in 62% of our engagements across the full range of topics we engaged upon.

## Examples of engagement outcomes achieved:

- Increased board diversity and independence
- Publication of energy transition plans
- Announcement of new or strengthened emission reduction targets
- Declassification of company's dual-class share structure
- Enhanced ESG disclosure
- Enhanced awareness of the need to address investor concerns over social issues

Examples of outcomes can be found in the engagement case studies throughout the report.

## Engagement: Encouraging dialogue

There are different definitions and interpretations of what constitutes "engagement".

We regard engagement to be a two-way mutually beneficial dialogue with a company, with the objective to share information, enhance understanding and improve business performance.

These discussions with company boards and corporate management enable us to explain our expectations and encourage changes to business practices or governance which we believe protect and enhance long-term value. We refer to the latter aspect as outcome focused engagement. It also allows us to hold boards and management to account.

Companies, meanwhile, can explain the relationship between their business model, financial performance and sustainability. In our view, it is this two-way dialogue between investors and companies which defines engagement. We believe simply asking companies questions without providing feedback and challenge should not be classified as engagement.

We focus accordingly on the quality of our engagement, not the quantity of discussions we have. This provides for clearer messaging to companies on what is expected of them and promotes consistency between engagement dialogue, voting outcomes and investment goals and returns.



# How we engaged in 2022

We actively engaged with

**330**  
companies

We conducted

**461**  
engagement meetings

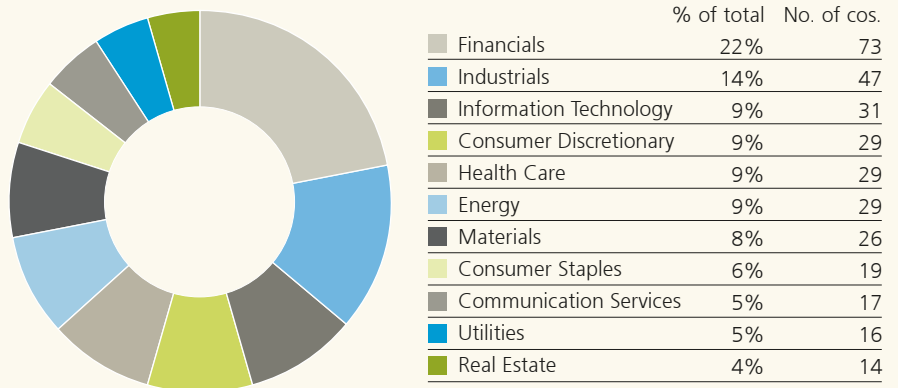
Our engagement interactions achieved

**62%**  
progress against pre-defined objectives

### Key fact

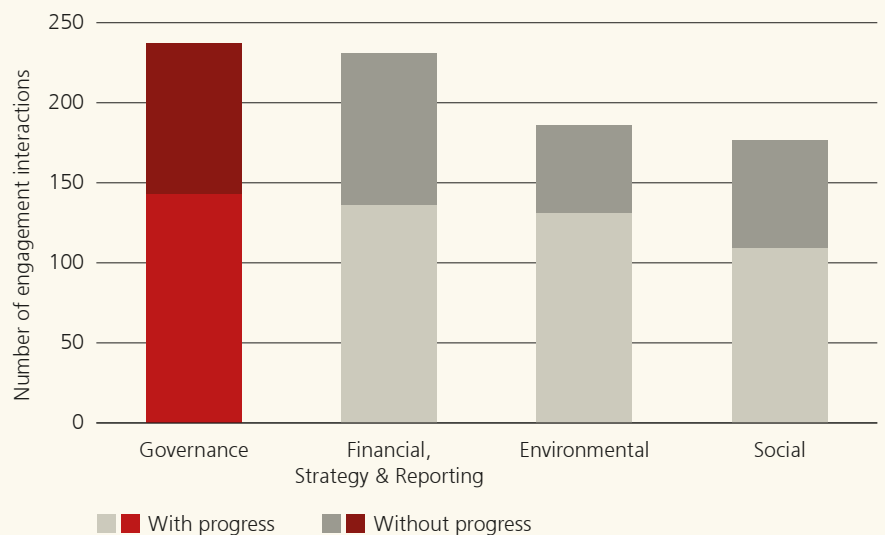
More than half of our discussions with companies were regarding Governance topics (51% of engagement interactions), followed by Financial, Strategy & Reporting (50%) and environmental topics (40%). Most progress against our objectives was made when it comes to Governance topics.

### Companies engaged by sector



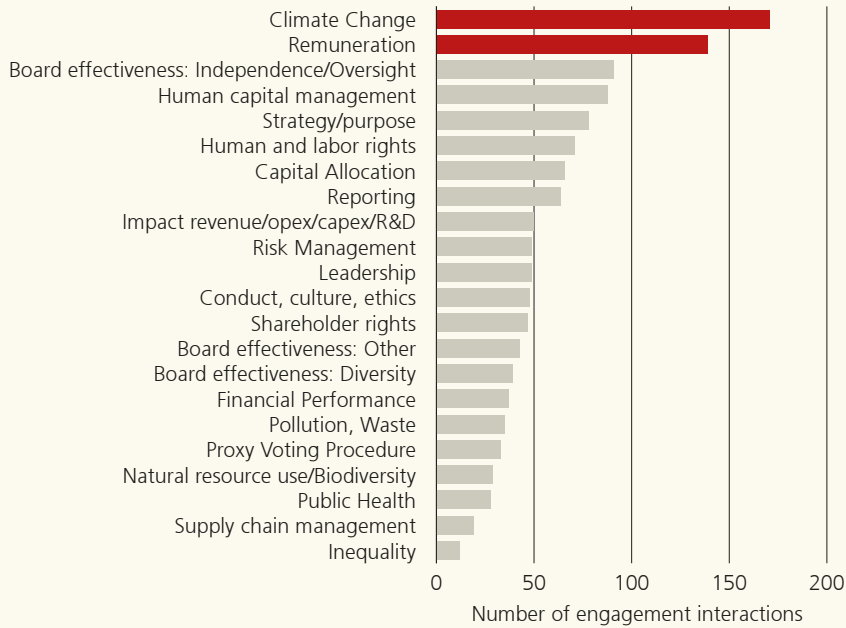
Source: UBS Asset Management 2022

### Number of engagement interactions in which the theme was discussed



Source: UBS Asset Management 2022

### Number of engagement interactions in which the topic was discussed



Source: UBS Asset Management 2022

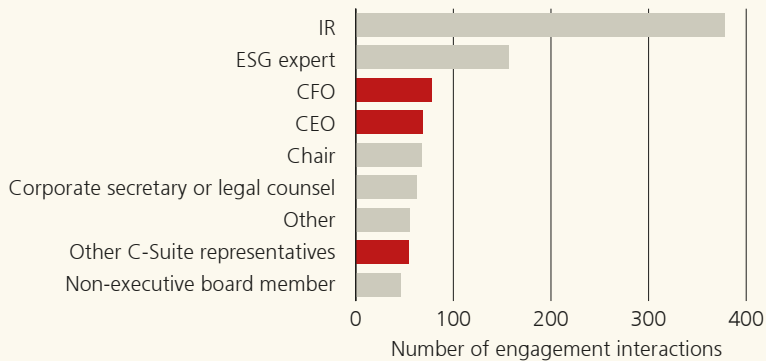
#### Key fact

Overall, we have engaged on 22 topics, with Climate Change (37% of engagement interactions) and Remuneration (30% of engagement interactions) being the most frequent topics.

#### Key fact

In 25% of the cases, the dialogue with companies gave us specific insights in relation to AGM items and proxy voting decisions.

### Number of engagement interactions with company representative

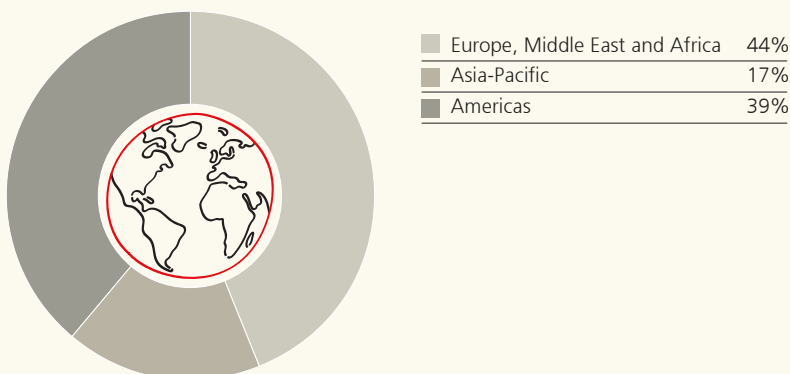


Source: UBS Asset Management 2022

#### Key fact

44% of our engagement meetings were held with the CEO/ CFO or another C-suite representative. In 25% of cases we met with the Chair or an independent board member.

### Companies engaged by region



Source: UBS Asset Management 2022

#### Key fact

In 2022 the majority of our engagements were with European and US companies.

## Case study

# Hargreaves Lansdown

### Case study results

Delivery of a clear cost plan and path to improve operating leverage

### Next step

Continue to encourage change to long-term remuneration aligned with strategic objectives

**Sector:** Financial Services

**Region:** Europe

**Country:** United Kingdom

### ESG topics addressed

Governance

Remuneration

### Issue

We are long-term investors in Hargreaves as we believe it will be able to grow its relative market share while maintaining attractive cost margins. However, in our view, the company's prospects could be improved by achieving better operating leverage and improved governance (management quality and remuneration).

### Action

Following on from six meetings in 2021, we held a further six meetings with the Company in 2022, with further communications via email around ad-hoc updates and communicating post-AGM our final vote outcomes.

During this period, we have engaged with multiple people within the organization including investor relations, the C-suite, board chair, and other non-executive directors.

Our communication to the company has been consistent. We would like to see better operating leverage and have encouraged the company to cut costs and to explain its strategy more effectively to the market.

As we seek to further align management to this strategy we have strongly encouraged the company to move away from its restricted share plan (RSP) and adopt a traditional long-term incentive plan (LTIP), while ensuring the quantum of pay does not increase in the process. We also encouraged the firm to adopt a cost metric within the annual bonus in the interim as the remuneration policy is not due to be renewed until FY23.

### Outcome and next steps

We view our engagement with Hargreaves positively, as the company, and in particular the chair has been receptive to feedback. At the start of 2022 the company implemented a clear cost plan and path to improving operating leverage, which we welcomed. The remuneration structure for the annual bonus pool was also altered to include a cost metric, which was one of our engagement objectives.

We continue to encourage the company to remove the RSP and implement a LTIP. The lack of movement on this prompted us to vote against the advisory vote on the remuneration report for both 2021 and 2022, and we have communicated this rationale to the company.

Finally, in 2022 the company announced the departure of the CEO, and we will pay close attention to his replacement.

## Case study

# New World Development

### Case study results

The company appointed four new directors, three of which were fully independent, female candidates.

**Sector** Real Estate

**Region** Asia

**Country** Hong Kong

#### ESG topics addressed

*Governance*

board composition

#### Issue

In July 2022, we initiated an engagement with New World Development, a leading property developer based in Hong Kong, included mainly in our fixed income and passive equity portfolios. Our ESG concerns about the company arose mainly from its governance profile, and particularly from the low percentage of independent directors on the board. At the time of the last AGM of the company prior to our engagement (November 2021), only two directors out of 15 were considered independent according to our criteria, and most directors had very long tenure, thus impacting board refreshment and potentially limiting the positive influence of new, diverse ideas and perspective on board debates.

#### Action

We reached out to the company to discuss our concerns, and engaged with the head of investor relations. A key objective of the meeting was to encourage the company to appoint new, external directors who could bring an independent perspective to the board.

We informed the company of our approach to director independence, and communicated that the long tenure of directors was a key factor that drove our decision to vote against two board members at the previous AGM. We explained that, rather than adopting a box-ticking approach to board independence and tenure, we deeply value the exchange of views between experienced board members and new recruits, and we thought that the company could benefit from that interaction. During our meeting, we felt the company was very receptive to our feedback. The head of IR acknowledged our concerns and mentioned that the company was aware of the issue, and that concerns around board independence and diversity had been raised by other investors, and that board-related issues were considered a priority, including by the CEO. Overall, we concluded the meeting on a positive note, being substantially reassured that the company was willing to embrace our feedback, and confident the company would take steps to meet our engagement objectives.

#### Outcome and next steps

The company's actions addressed our feedback and went beyond our expectations. On 30 September 2022, the company announced a number of changes to the board, including the appointment of four new directors, three of which were independent, female candidates, drawn from a variety of professional and educational backgrounds. With these appointments, the company not only refreshed the board significantly, but also met our expectations on gender diversity (35% of directors are now female, vs. only 20% at the 2021 AGM), and made substantial progress towards meeting our requirements in terms of board independence for controlled companies (board independence now stands at 30%, vs. our expectation of 33%).

Such a result is even more compelling when considering that the company is de facto controlled, with one shareholder owning more than 45% of the share capital.

# Case study

# Straumann

## Case study results

Refreshment of the board which is now fully in line with our independence requirements

**Sector** Health care

**Region** Europe

**Country** Switzerland

### ESG topics addressed

*Governance*

board composition

### Issue

At the 2021 AGM, we decided to vote against four directors on the board of Straumann, as the company did not meet our expectations in terms of overall board and committee independence. We considered some directors to be non-independent in light of their tenure on the board, previous roles with the company and significant shareholding.

### Action

The dialogue over the two years after the 2021 AGM has been very productive and has been followed by tangible improvements to board independence, to the extent that we expect the board to be fully in line with our independence expectations by the time of the 2023 AGM.

After the 2021 AGM, the company reached out to seek clarifications on the reason for our votes, and to explain their approach to director independence. On that occasion, we provided detailed feedback and rationales for our votes, and we agreed to follow up with a call with the chair of the board.

In a collaborative effort among sustainable investment analysts and portfolio managers holding the stock, we met with the board chair in February 2022 to discuss our approach to voting at the 2021 AGM. During the meeting, we reiterated our expectations in terms of board independence, and again outlined what changes would be needed for the company to meet them (i.e., board refreshment and/or appointment of new independent directors). The company was receptive to the feedback, and said they were already taking action on board refreshment: they confirmed that one long-tenured director would step down from the board, and be replaced by a fully independent director at the 2022 AGM. They also committed to further board refreshment in 2023.

### Outcome and next steps

In light of the productive engagement, and the commitments made by the company, we decided to support all directors at the 2022 AGM (except for one, whom we considered overboarded), despite the fact that a standard application of our voting policy would have led to a vote against some of them, as the company did not fully meet our independence thresholds yet. Since the chair had committed to improve independence further by the 2023 AGM, it appeared appropriate to override our policy at the 2022 AGM.

The company acted upon their commitment in August 2022, when they announced that another longstanding director would retire from the board at the 2023 AGM, to be replaced by a fully independent director, with very relevant, executive expertise in a similar industry. During a second meeting with the Chair in February 2023, we expressed our satisfaction to the company with the positive outcome, as we expect the board to be fully in line with our independence expectations as of the 2023 AGM.



# 4

## Thematic engagements



# Thematic focus on people and planet

Thematic engagements focus on specific social and environmental themes where we believe we can help to foster positive outcomes for company performance, people and the planet.

Using evidence-based research, we engage with the companies that we own through our equity and fixed income exposures across our active and index strategies.

Thematic engagements focus on macro themes we believe can influence the performance of companies and the markets in which they operate.

## People

- Human rights
- Human capital
- Health

## Planet

- Climate change
- Natural capital



# Planet

We continue to focus our thematic planet engagements to drive positive change for the climate transition and the journey to net zero. We are also developing a further thematic program which seeks to engage with companies on natural capital and how they could make changes to their operations that would lead to less degradation, or even, improvements in the earth's ecosystem.

## Climate Change

Climate change transition, the actions required to orient towards a low- and ideally net-zero carbon economy, requires many of the companies we invest in to transition their business models, manage the impacts of local regulation, reflect evolving customer demand and market positioning, and invest in new technology.

Based on our analysis of companies in the main investment benchmarks, more than one-third of companies are already communicating a commitment to net zero. However, achieving these goals requires a significant acceleration in the rate of decarbonization and the overall success of such commitments depends on the required shift being made by

a focused set of industries and companies. We have run a dedicated climate engagement program since early 2018 focused on companies in high emitting sectors.

This aims to drive stronger integration of climate risk management into business strategies. In the early period of our climate engagement, our objective was to build a strong foundation for transition planning in line with Task Force on Climate-related Financial Disclosure (TCFD) recommendations, including board governance, robust scenario analysis, integration into enterprise risk management, target setting, including net zero and interim targets and disclosure. We have engaged with companies directly and through investor coalitions as an active member of Climate Action 100+.

## How climate change engagement encourages action

In June 2022, the Swiss Finance Institute published an analysis that showed that active institutional ownership with targeted engagement strategies through initiatives like the Climate Action 100+ (CA100+) is associated with more specific commitments and disclosure.

The paper, based on 14,000 annual reports over a period of 10 years, assesses the impact of critical climate-related developments and reporting milestones, including the 2015 Paris Agreement, the launch of the Taskforce on Climate-related Financial

Disclosure (TCFD) and CA100+. The study found that engagement initiatives by institutional investors like the CA100+ have considerably increased the quality and decision-relevance of investees' disclosures of climate-related commitments and actions. While there is a time lag between the beginning of engagement and the more specific commitments of companies, the Institute's analysis shows the benefit of maintaining engagement and continuing to constructively support and encourage companies to build further on their commitments.

Reference: "Cheap Talk in Corporate Climate Commitments: The Effectiveness of Climate Initiatives", Swiss Finance Institute Research Paper Series N°22-54, June 2022

In November 2021, we communicated our net-zero interim target, committing to manage 20% of our total AUM by 2030 in alignment with the goal of achieving net zero by 2050. We are crucially aware that the transition of investment portfolios to meet this target will require real-economy emission reductions. We see our active ownership strategy on climate transition as a powerful tool to influence corporate behavior to achieve real-economy outcomes.

Over 2022, we continued to set more specific expectations for companies on target setting, quantified disclosures on decarbonization actions, capital deployment in line with a net zero pathway, as well as progress towards stated commitments. During 2022 we engaged with 141 companies in total on climate change, both through our thematic engagement program and as a natural extension of engagements in our investment processes, with 67% of companies showing positive progress.

Among the companies we engaged with we saw the following progress:

- In January, a US integrated oil major announced its ambition to achieve net-zero emissions for its operated assets as well as a series of 2030 targets.
- In February, two US utilities broadened their net-zero ambitions to include Scope 3 emissions.

In October, German energy company RWE announced it had reached agreement with the German government and other stakeholders enabling it to withdraw from coal-fired power by the earlier date of 2030.

Our thematic engagement on climate change is focused on net-zero alignment and the transition planning of companies. During the year, we developed a new net-zero research framework and sector-specific expectations that are designed to guide our engagements and provide the background for objective setting and tracking.

In the energy, utilities, chemicals and materials sectors alone, we are expanding the scope of the program to 75 companies from the initial 45 companies and continue to engage with other companies through our investment processes.

Our objective is to encourage companies to develop their transition planning and achieve emission reductions in line with a 1.5 °C net-zero pathway. Our net-zero engagement framework enables us to assess and engage issuers on the alignment of their transition plans. It is based on guidance from market-leading standards such as IIGCC's Net Zero Investment Framework<sup>1</sup>, Climate Action 100+ engagement process, and GFANZ's Expectations for Real-economy Transition Plans<sup>2</sup> report, and provides a consistent, cross-sector framework to assess and engage companies on their transition planning.

We have used the net-zero engagement framework to set our expectations on good transition planning for specific sectors. This enables us to baseline company performance against sector expectations to determine the alignment of transition plans and develop a holistic, granular view of the company's climate strategy, as well as performance compared to peers. We are using these outputs to inform detailed, evidence-based conversations with companies in engagements.

We ensure alignment between what we look for companies to do in our engagement activities and the requirements we use to guide our voting policy. Through our voting policy we provide a consistent indication to companies of our expectations as to how they manage climate change risks. We use voting as one lever to achieve engagement progress and ensure real-world outcomes against our objectives.

Our voting policy includes a provision to generally support proposals that require companies to report to shareholders (at a reasonable cost and excluding proprietary data) information concerning their potential liability from operations that contribute to global warming, their policy on climate risks and opportunities and specific targets to reduce emissions.

<sup>1</sup> [www.iigcc.org/resource/net-zero-investment-framework-implementation-guide](http://www.iigcc.org/resource/net-zero-investment-framework-implementation-guide)

<sup>2</sup> [www.gfanzero.com/press/gfanz-releases-report-to-provide-blueprint-for-real-economy-transition-plans](http://www.gfanzero.com/press/gfanz-releases-report-to-provide-blueprint-for-real-economy-transition-plans)

When we assess climate-related votes, we consider the following expectations as foundational elements of net-zero aligned transition planning:

1. A net zero ambition by 2050;
2. Disclose Scope 1, 2 and 3 emissions;
3. Have interim decarbonization targets (up to 2030) that cover relevant emission scopes and are aligned to a recognized 1.5C pathway, and where reliance on offsets is limited.
4. For companies in the banking sector, in addition to company decarbonization targets, we look for sector-based targets for the most carbon intensive sectors, and the use of PCAF/PACTA (or comparable) methodology to measure exposure.

## Natural Capital

We want to be the financial provider of choice for clients who wish to mobilize capital towards the achievement of the UN's 17 Sustainable Development Goals and the orderly transition to a low-carbon and nature-conserving economy. We recognize that the restoration and sustainable use of our planet's natural capital is critical to this goal. The adoption of the Kunming-Montreal Global Biodiversity Framework at the Fifteenth meeting of the Conference of Parties of the 2022 Convention on Biological Diversity (CBD COP15), and its global commitments, presents a historic opportunity to reverse global biodiversity loss by 2030 and build a nature-positive economy.

We recognize that biodiversity loss and degradation is a source of highly material financial risk, and how to best manage these systemic risks is important for investors to consider and understand. We also want to use the strength of our investments to promote actions that contribute to the preservation and restoration of the natural capital of our planet.

In 2022, we built out our foundation for a thematic engagement program to work with investee companies to ensure that natural capital is accounted for and included in their financial and economic decision making. During the year, the UBS Sustainability and Impact Institute paper "From Ozone to Oxygen"<sup>3</sup>, was an important input into this process of exploring the complexities of this theme, the science of natural capital and its rapid degradation, and the frameworks and tools that exist to help us move engagement forward over the next two years.

To evaluate our priorities and approach to natural capital, we have consulted with our clients, our investment teams and a wide array of external experts. 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. ENCORE is a web-based tool which maps biodiversity impacts and dependencies to production processes and industries. This process has led us to three specific areas which we are focusing on as the basis of our engagement program on natural capital risks and opportunities: forests, water, and the climate-diversity nexus.

### Forests

Forests are essential to life and human welfare. They provide clean water, food and medicines, support livelihoods and are the second largest storehouses of carbon (after oceans), containing 662 billion tons of carbon, which is more than half the global carbon stock in soils and vegetation<sup>4</sup>. They are home to local communities and indigenous peoples, while providing the habitat for 80% of amphibian species, 75% of bird species and 68% of mammal species.

The world's forest area is decreasing at an alarming rate, driven by human activities such as farming and mining. The UN Food and Agriculture Organization (FAO) estimates that since 1990, 420 million hectares of forest have been lost through conversion to other land uses. Even as the rate of loss has slowed over the last decades, tropical forests remain under severe pressure. The loss of tropical forests was estimated at 157 million hectares from 2000 to 2018 accounting for more than 90% of global deforestation<sup>5</sup>.

<sup>3</sup> [www.ubs.com/global/en/sustainability-impact/2022/sustainability-impact-natural-capital.html](https://www.ubs.com/global/en/sustainability-impact/2022/sustainability-impact-natural-capital.html)

<sup>4</sup> [www.fao.org/3/cb9360en/online/src/html/deforestation-land-degradation.html#:~:text=%E2%9E%94%20Forests%20are%20crucial%20for,are%20highly%20dependent%20on%20forests](https://www.fao.org/3/cb9360en/online/src/html/deforestation-land-degradation.html#:~:text=%E2%9E%94%20Forests%20are%20crucial%20for,are%20highly%20dependent%20on%20forests)

<sup>5</sup> [www.fao.org/newsroom/detail/global-deforestation-slowing-but-rainforests-under-threat-fao-report-shows-030522/en](https://www.fao.org/newsroom/detail/global-deforestation-slowing-but-rainforests-under-threat-fao-report-shows-030522/en)

Understanding how our investments impact forest loss and how forest loss impacts our portfolios is essential as we seek to reduce deforestation linked to key activities within the companies we own and to managing biodiversity risk to our investments.

### **Water**

A recent study has estimated that risks associated with water could cost \$1.3 trillion by 2030 and \$5.6 trillion by 2050<sup>6</sup>. The World Economic Forum has stated that “whether too much, too little or too polluted, our water systems are creeping toward a precipice as a result of mismanagement, under-investment and climate impacts.”<sup>7</sup> Climate change is exacerbating this risk, and without management, the world is at risk of growing water insecurity, which could cause both economic instability and social devastation.

Our engagements explore water-resource dependencies within our portfolios and how this contributes to water-resource insecurity at an issuer level. We work with partners to engage companies to better steward and protect freshwater resources within their business operations and global supply chains.

### **Climate-Biodiversity Nexus**

Climate change and the natural world, or biosphere, are complex and deeply interconnected. Actions taken in relation to climate have an impact on the biosphere, and vice versa. Given the current shortcomings in efforts to mitigate climate change, we believe it would be helpful to consider changes in climate policy approaches in parallel with the development of policies related to natural capital. As we discussed in “From Ozone to Oxygen”, a successful approach to global mitigation and adaptation to climate change begins with a recognition of the importance of the stewardship of natural capital.

Our natural capital engagement program will build out specific ways in which we can integrate biodiversity risks into our work on net zero transition planning as combining carbon sinks with a healthier ecosystem is also one of the key solutions to attaining climate goals.

<sup>6</sup> [aquanomics.ghd.com](http://aquanomics.ghd.com)

<sup>7</sup> [www.weforum.org/agenda/2022/09/how-we-manage-our-water-systems-sustainable-impact](http://www.weforum.org/agenda/2022/09/how-we-manage-our-water-systems-sustainable-impact)



## Case study

# Marathon Oil

### Case study results

The company adopted additional medium-term methane intensity and overall carbon intensity targets

### Next step

Press for adoption of a net zero target during an exclusion review process

**Sector** Energy  
**Region** Americas  
**Country** United States

**ESG topics addressed**  
*Environmental*  
Climate transition strategy

### Issue

This independent energy company specializes in exploration and production. Our initial assessment of the company showed they lagged peers on foundational elements of a climate strategy, including board governance, scenario analysis, and that it also lacked medium- and long-term decarbonization targets.

### Action

We added the company to our targeted engagement list in 2018, and opened a bilateral dialogue with the company. Over the course of 2019 and 2020, we met with the company periodically to discuss their climate strategy.

In 2021, we met with representatives from the company to finalize our further assessment following three years of engagement. While the company had moved forward in setting short-term carbon reduction targets and goals, it continued to lack long-term ambitions and did not address its Scope 3 emissions. Disclosure of scenario analysis, which can inform discussion of the overall strategy of the company, was also limited. Based on this information, we concluded that the company had achieved limited progress against our original engagement objectives and we decided to vote against the reelection of the CEO/board chair.

Later in 2021, UBS-AM excluded this company from certain UBS-AM sustainability strategies because of the lack of engagement progress. We communicated our expectations and reasons for exclusion with the company's chair and CEO.

In the context of our monitoring the actions of companies that have been excluded as a result of lack of engagement progress, we met again with management representatives in December 2022 for an update on their plans and ambitions.

### Outcome and next steps

The company has made progress and in 2022 it adopted additional medium-term targets for 2030, focussed on methane intensity and overall carbon intensity. The company also enhanced its disclosure by including a scenario analysis using a 1.5°C scenario.

While we have seen improvements, the lack of long-term net-zero targets remains a concern about the the company's approach. We have communicated to the company that adoption of a net-zero target will be an important input into our process for reviewing its exclusion from our Sustainable Investing strategies.

## Case study

# Rio Tinto plc

### Case study results

At the 2022 AGM we supported the company's enhanced scope 1 and 2 decarbonization targets and climate action plan which both addressed feedback we provided in earlier engagements

### Next step

Continue to engage seeking further progress on short- and medium-term scope 1 and 2 targets as well as scope 3 emissions

**Sector** Materials  
**Region** Asia/Europe  
**Country** Australia/  
United Kingdom

### ESG topics addressed

*Environmental*  
Carbon intensity, Scope 3 emissions and GHG reduction

### Issue

We have had an ongoing engagement with Rio Tinto since 2018, and the company was included in our climate engagement program when we expanded the number of sectors in focus from oil & gas and utilities to also include materials companies two years ago. Rio Tinto has a carbon intensity that is above its peer group, we also wanted to take the opportunity to address a substantial Scope 3 emissions footprint, and effectively expand the range of greenhouse gas (GHG) reduction targets and strengthen the credibility of their decarbonization strategy.

### Action

We are co-leads, with other investors in the Climate Action 100+ coalition in Europe. In this capacity we spoke with the company four times during 2022 with the board chair, climate specialists and Investor Relations. We also organized a coalition call ahead of the Say on Climate vote. Through Climate Action 100+ calls and in our bilateral engagements with the company we have provided feedback on its climate plans and the areas where we could see strengthening.

### Outcome and next steps

At the 2022 AGM, we supported the company's enhanced scope 1 and 2 decarbonization targets and climate action plan as we believe these provided a positive response to our earlier engagement discussions. In this we were part of a large majority of supportive shareholders, but we also saw a significant minority of shareholders choosing to vote against the plan. The main weakness was the company's inability to commit to a scope 3 downstream emissions reduction target as this depends heavily on the businesses of its customers in the steel industry.

We continue to engage with a view to sustaining progress towards the company's short- and medium-term scope 1 and 2 targets as well as seeking to find ways the company can move forward on reducing its scope 3 emissions by engaging with its customers.

# Case study

# Glencore

## Case study results

The company has published its climate change progress report, and outlined the completed and ongoing actions to address community concerns

## Next step

Continue to engage with the company, specifically focusing on the climate transition strategy and community relations

**Sector** Materials

**Region** Europe

**Country** Jersey

### ESG topics addressed

*Social*

Responsible community management

*Environmental*

Climate transition strategy

### Issue

The company has historically been identified with corporate governance and operational incidents which have impaired its reputation. As the company has brought its governance into line with best practice over the last four years, made significant changes to its executive management, enhanced its compliance functions, and improved sustainability performance within its operations, our broad-ranging engagement is focusing increasingly on the company's approach to climate change and social issues.

### Action

We have been engaging with the company on a variety of topics since 2019. This has included meetings with the board chair, CEO, CFO, general counsel, and business heads. We had five high level contacts with the company during 2022. This included providing feedback on the company's climate change progress plan. We also raised the topic of community relations at the Cerrejón coal mine in Colombia and provided feedback on the actions and disclosures required to demonstrate responsible management of a complex social situation. In other discussions we addressed the need to improve health and safety, with a particular focus on the above-average level of fatalities, as well as the settlement of bribery and corruption investigations.

### Outcome and next steps

At the 2022 AGM we voted against the company's climate change progress report. While the reporting of progress was consistent with the company's climate change strategy published the previous year, in our view it required greater clarity on the strategy for Glencore's coal division. We saw this as especially important given earlier strategy statements on coal and subsequent investments in ownership of coal mining operations. In our engagements the company has outlined the completed and ongoing actions to address community concerns at its Cerrejon operation. We continue to engage with the company, specifically focusing on the group's climate transition strategy and the direction of its coal activities. We also continue to engage on how Glencore is implementing the indicated actions to strengthen the management of community relations at Cerrejón.

# Case study

## RWE

### Case study results

The company announced it had agreed to an acceleration of lignite plant closures

### Next step

Continuing to engage with the company on its decarbonization target and its plan to upgrade its Science-based Targets Initiative (SBTi) verification

**Sector** Energy  
**Region** Europe  
**Country** Germany

**ESG topics addressed**  
*Environmental*  
Carbon intensity

### Issue

As we reported in our case study last year, the company was originally identified as a high carbon intensity electric utility and included in our thematic climate engagement program, which has the objective of improving the rate of climate transition of companies. While the company has a climate transition plan, the pace at which this can be implemented has been dependent on agreements with government and other stakeholders on the closure of its extensive hard coal power generation plants and lignite power stations. In the last year we have engaged with the company regarding the implications of European energy security for the company's decarbonization plans.

### Action

We have been the co-lead of the Climate Action 100+ coalition for the duration of our engagement with the company, which began in 2018, and have been in contact with company representatives including board members over the last four years. The company has made a substantial commitment to investing in renewable energy and closure of coal-fired power stations. During 2022 we met with the company three times, including the board chair, CFO and Investor Relations, to provide feedback on the management of these plans and the need to maintain decarbonization efforts where possible while addressing the challenges of energy security.

### Outcome and next steps

In previous years the company has announced closure of all its hard coal power generation by 2030, agreed a phaseout plan for its lignite power stations by 2038, and committed to carbon neutrality by 2040. We have been encouraging the company to explore an acceleration of its lignite power station retirements with its other stakeholders where feasible. During 2022, and despite the energy security challenges in the German market, the company announced it had agreed to an acceleration of lignite plant closures to 2030. We now expect the company to upgrade the Science-based Targets Initiative (SBTi) verification of its climate targets in the coming year. We continue to engage with the company as it seeks to raise the ambition of its decarbonization targets.



## Case study

# ExxonMobil

### Case study results

The company announced a 2050 net-zero target for its operated assets, a range of mid-term climate targets and announced an increase in its investment in lower emission investments

### Next step

We are reviewing the company's status on our exclusions list that impacts some sustainable strategies

**Sector** Energy  
**Region** Americas  
**Country** United States

**ESG topics addressed**  
*Environmental*  
Climate transition strategy

### Issue

As one of the largest publicly listed oil and gas producers in the world, the company plays a crucial role in the energy transition. We identified the company as a target for engagement in 2018 due to its inability to articulate a low-carbon business strategy and lack of commitment to a net-zero transition.

### Action

We assessed the company systematically against expectations set by the Task Force on Financial Related Disclosures (TCFD). We began a formal engagement with the company within the Climate Action 100+ investor coalition and through a series of bilateral engagements in 2018.

We noted that over the course of the engagement, the company was reluctant to address the key question of the changes it needs to make in order to reflect the pressures on its business model. At the 2021 AGM we voted against the election of the board chair/CEO for the second consecutive year, and took the need for more progress on climate change transition into account in other director elections.

In July 2021, following a systematic review of progress after three years of climate change engagements, UBS-AM excluded this company from certain UBS-AM Sustainable Investing strategies, as we did not see enough progress regarding our engagement objectives.

In April 2022, we engaged the company during proxy season to communicate our expectation on the need for better coverage of emissions (beyond operated to equity-owned) as well as inclusion of Scope 3 emissions in climate plans. In November 2022, we met with three independent board directors as part of a small group of investors. We also had a second bilateral engagement with the company's sustainability representatives. We pressed the company to justify the capital allocated to its low carbon business, as well as engaged the company on its methane performance and lobbying/political activities.

*Continued overleaf*

# ExxonMobil

## **Outcome and next steps**

At the end of 2020, the company announced GHG reduction targets to decrease carbon intensity of its upstream business. However, these targets were limited in scope and were weaker than most of its industry peers.

From mid-2021 onwards the company has been more open to engagement and our contact has increased. The company has also moved forward in terms of announcing a medium-term 2030 Scope 1 & 2 reduction target. It also enhanced its climate report. UBS-AM, through bilateral and collaborative engagements, emphasized the need for the company to signal its net-zero ambition.

In March 2022, the company announced a 2050 net-zero target for its operated assets, a range of mid-term climate targets and a \$15 billion investment in its transition activities.

In December 2022, the company announced an increase in its investment in lower emission investments from \$15B to \$17B. The company has continued to expand on its reporting on climate solutions through its Climate Solutions report. Based on these improvements, we are reviewing the company's status on our exclusions list for specific sustainability strategies. We will continue to engage the company in regard to the ambition and scope of their interim and net-zero targets.

# Case study

# Equinor

## Case study results

The company presented its first energy transition plan for shareholder vote and strengthened its targets to reduce operated scope 1 and 2 emissions

## Next step

Monitor progress and continue to press for stronger action to tackle value chain emissions

**Sector** Energy

**Region** Europe

**Country** Norway

### ESG topics addressed

*Environmental*

Climate transition strategy

### Issue

This state-owned oil company is one of the largest energy suppliers to Europe. Our initial engagement with the company in 2018 was driven by concerns over carbon emissions trends, fossil fuel exposure, weak disclosure levels, the absence of climate change policies and targets and the general lack of a more forward-looking strategic view to climate change risk. We have continued to engage with the company to encourage strengthening of its strategy since then.

### Action

In 2018, UBS-AM joined the Climate Action 100+ coalition to provide consistent and coherent messaging and committed to leading the Climate Action 100+ coalition for this company.

As part of collaborative and bilateral engagement with the company, we encouraged management to adopt a more ambitious and strategic approach to climate change and the energy transition. In 2019, we worked with management leading to a joint public statement between the company and the Climate Action 100+ co-leads on Equinor's climate-related ambitions. Since then, the company has announced progressively more extensive and ambitious carbon reduction targets.

In 2022, we welcomed the publication of the company's first energy transition plan and increased targets to reduce its operated scope 1 and 2 emissions by 50% by 2030. We met with the company's representatives to discuss the plan.

However, we voted against the company's transition plan at the AGM to convey our view that the plan's ambition and scope could be strengthened still further as transition planning is not in line with a 1.5°C alignment pathway.

We met with the company on two occasions in early 2022 to have a detailed discussion on their progress and reiterated our expectations for more aggressive action to tackle value chain emissions.

In late 2022, as part of the coalition, we drafted a letter with our concerns on the pace of transition to the state, which has a majority stake in the company. Our letter requested a meeting with policymakers, which we see as important to broaden and deepen our engagement efforts with the company. Along with other investors, we have met with government representatives to discuss how the country's climate policy and the company's strategy are aligned.

*Continued overleaf*

# Equinor

## **Outcome and next steps**

In 2019, the company issued a joint public statement with the investor coalition to set out climate-related ambitions beyond 2030 and assess its portfolio, including new material capital expenditure investments, towards a well below 2°C scenario. It has gone on to meet the commitments which were set out in this statement.

The company has continued to progress and, in early-2022, the presented its first energy transition plan for a shareholder vote and strengthened its targets to reduce operated scope 1 and 2 emissions by 50% by 2030.

We are continuing to engage on the ability of the company to raise its decarbonization targets still further. We also continue to explore the link between the government's climate policy and its majority investment in the company.

# People

We launched our thematic engagement approach toward people in 2022

The theory of change guides our social thematic engagements, helps us to focus on the issues we are looking to change, the activities we will undertake, and our preferred outcomes and impact of engagements. We focus on three selected key themes (Human Capital, Human Rights and Health). These themes have been selected due to their financial materiality as well as our belief that we, as an investor, can contribute towards positive outcomes through corporate engagement. We have joined collaborative initiatives who we see as being well placed to contribute to evidence-based research required for these engagements. Since launching our people program we

have experienced strong interest to engage with us from companies we have included in the program and where we have initiated engagements, and the changes we have made to our approach are aimed at driving the outcomes of our engagements in the next few years.

We continue to implement our people themed engagement programs in collaboration with other investors, as we believe that we can have a more effective influence on a larger number of companies this way. The focus on five sub-themes allows us to carry out in depth engagements and drive more specific outcomes.

Theme	Sub-theme	Collaborative initiative	Key characteristics
Human Capital	Diversity, equity and inclusion (DEI)	30% Club	A global campaign taking action to increase gender and ethnic diversity at board and senior management levels.
	Labor Rights	FAIRR	An initiative that produces and analyzes data to help drive change in the animal agriculture sector.
Human Rights	Human Rights	Investor Alliance for Human Rights	A collective action platform connecting institutional investors with the tools and strategies to promote human rights and responsible business.
Health	Nutrition	Access to Nutrition Foundation	An initiative that evaluates the world's largest food and beverage manufacturers' policies and performance related to nutrition challenges.
	Safe chemicals	Investor Environmental Health Network	A collaborative partnership advised by nongovernmental organizations, encouraging companies to reduce and eliminate toxic chemicals.

# Human Capital

The focus of our engagement is on businesses providing and promoting decent work. This includes a focus on diversity equity and inclusion (DEI) and labor rights.

DEI: Diversity has been linked to innovation, employee productivity, creativity and problem solving, better decision making and identification of opportunities; all contributing to enhanced financial performance. Inclusive and equitable working environments have shown to contribute to higher levels of employee satisfaction, retention, and engagement, leading to increased productivity, and ultimately leading to enhanced customer satisfaction, company reputation and potentially also enhanced financial performance. Engaging on DEI is therefore expected to benefit the engaged companies in all these areas.

We recognize that companies globally lack diversity and effective strategies to create diverse, equitable and inclusive working environments. In our activities we encourage companies lagging on DEI, globally, to enhance DEI policies, practices, and disclosure through collaborative/bilateral engagement. Having joined the 30% Club's UK Chapter, we are a member of the Race Equity Working Group while we also Chair the Global workstream; working to collaborate at the global level.

## Diversity and equity is not only fair, it's better for companies

In our DEI engagements we are looking for companies to acknowledge the benefits associated with DEI and commit to improving their DEI policies, practices, and disclosures. We want engaged companies to develop best-in-class DEI policies, practices, and publicly disclose on these: policies and practices to create diverse, equitable and inclusive working environments across boards, executive teams, the wider workforce and in the supply chain. Best in class policies and practices include initiatives in pipeline expansion, talent acquisition, promotion and retention, DEI assessments being part of employee surveys, DEI training sources, employee networks, grievance mechanisms, strong family leave policies, pay gap audits, and time-bound targets to enhance diversity at board and workforce level, to name a few.<sup>1</sup>

## Labor rights

Research suggests<sup>2</sup> that enforcement of labor rights contributes to the promotion of social progress, equality, and better standards of living for society. It also encourages employee productivity, through increased satisfaction and morale, which could impact on economic growth positively. Protection of labor rights is therefore seen as a core component of economic crisis avoidance and recovery: Labor rights protection and enforcement can encourage employee engagement and retention rates, while they can also potentially reduce business-related risks.

Companies globally lack policies and practices to protect labor rights, which can impair social progress, equality, and better standards of living for society. At the same time, companies miss out on system-wide benefits associated with advancing labor rights. Collaboration is a useful way to address this, for instance, we engage on labor rights through FAIRR's labor rights in the meat sector initiative.

We focus on global companies in the meat sector in the labor rights thematic engagement because the sector is especially exposed to material labor rights risks while it also employs a large number of people. Labor controversies are especially high in the meat packaging and processing industry. Measures must be taken to ensure greater protections for workers to strengthen the industry's resilience in the long and short term. Engagement with global companies is expected to yield material real-world outcomes.

## Protecting labor rights is key to sustainable social governance

In our labor-rights engagements we are looking for companies to acknowledge the need to protect labor rights and commit to improve their labor rights policies, practices, and disclosures. We want engaged companies to develop best-in-class labor rights policies, practices, and publicly disclose on these. Policies and practices should focus on three areas of labor rights: health and safety, fair working conditions and worker representation.

<sup>1</sup> Delivering through Diversity, McKinsey study, 2018. The Business Case for More Diversity, The Wall Street Journal research center, 2020. How Diverse Leadership Teams Boost Innovation BCG, 2018.

<sup>2</sup> OECD (2011), Divided WE Stand, Why Inequality Keeps Rising, OECD Publishing EPI Issue Brief, Rights Make Might, Ensuring workers rights as a strategy for economic growth, Josh Bivens and Christian Weller, 2033

## Human Rights

Research<sup>3</sup> suggests that enforcement of human rights contributes to the promotion of social progress, equality, and better standards of living for society. When human rights are protected, poverty and inequality may be reduced, and sustained and widespread economic growth may become more likely. Human rights protection and enforcement is fundamental to responsible business conduct and can reduce business-related risks.

The focus of our human rights engagement is on successful implementation of the UN Guiding Principles on Business and Human Rights (UNGPs), seeking to identify and remediate, prevent and mitigate human rights issues. Understanding how to best protect human rights in a business context can be very complex; it is linked to various standards; it has many facets across the value chain and can be abstract. Therefore, companies globally lack comprehensive policies and practices in alignment with international standards, to protect human rights, which can impair social progress, equality, and better standards of living for society. At the same time, companies miss out on system-wide benefits associated with advancing human rights.

Through our collaborative engagement on human rights with the Investor Alliance for Human Rights (IAHR) we are using the Corporate Human Rights Benchmark (CHRB) provided by the World Benchmarking Alliance. The CHRB assesses the human rights disclosures of global companies across five sectors identified as presenting a high risk of negative human rights impacts, including apparel, automotive, extractives, food and agricultural, ICT.

### Companies need to address human rights as a core component of their sustainability strategy

We aim for engaged companies to acknowledge the need to enforce human rights and commit to improve their human rights policies, practices, and disclosures. We want engaged companies to develop best-in-class human rights policies, practices, and publicly disclose on these, as evidenced by the CHRB results.

## Health

The focus of our health engagement is on businesses and their provision of products and services and how these contribute to a healthier society. The health theme includes a focus on nutrition and safe chemicals.

### Nutrition

Research<sup>4</sup> shows that unhealthy eating negatively impacts public health. Unhealthy eating contributes to diseases such as cardiovascular, musculoskeletal disorders, cancer, diabetes and obesity, to name a few. This poses a material risk to public health, while it has a major impact on our economy through reduced productivity and participation in the workforce and increased health care costs. Healthy eating, on the other hand, increases productivity, participation in the workforce and decreases future healthcare costs and therefore contributes to sustained and widespread economic growth. Improving nutrition can not only improve society in general, but can benefit companies (for instance, through fewer sick days) and can have a knock-on effect to investment portfolios. Companies globally have scope to enhance nutrition strategies. Enhancing nutrition strategies could unlock new business opportunities, drive customer engagement, and increase market share while reducing business risks. Best-in-class nutrition strategies can unlock new business opportunities and increase market share while reducing business risks.

This is driven by:

- Consumer trends; higher demand for healthy products and shrinking demand for unhealthy products
- Regulation: legal standards on composition labelling, claims and marketing
- Fiscal measures; sugar and salt content tax
- Innovation; demand for new products & emerging technological solutions

Engaging on nutrition can therefore lead to potentially unlocking new business opportunities, increase market share or reduce business risk.

We participate and lead collaborative engagements with the world's largest food manufacturers through Access to Nutrition Index (ATNI). The focus is on the world's largest

<sup>3</sup> UN. 2020. World Social Report 2020, Peres da Costa, S., & Chandler, P. 2019. Active Ownership 2.0

<sup>4</sup> McKinsey Global Institute, How prioritizing health could help rebuild economies, July 8, 2020. Dame Carol Black's Review of the health of Britain's working age population, Working for a healthier tomorrow, March 2018

food manufacturers as these are more likely to have the capacity and resources needed to implement improvements, and their activities can set the paradigm for the whole industry and potentially have a spillover effect. In addition, the products of these companies reach millions of people every day, so even an incremental improvement in their practices has potential to make a significant impact.

We want engaged companies to acknowledge the benefits associated with enhanced nutrition strategies and commit to improving their nutrition policies, practices, and disclosures. We aim for engaged companies to improve their nutrition policies, practices and publicly disclose on these, as evidenced by ATNI's indices (two-year assessment cycle). ATNI's Global Index focuses on the following areas: governance, products, accessibility, marketing, lifestyles, labelling and engagement.

### Safe chemicals

Chemicals of high concern (CoHCs) are found in a wide range of everyday products, such as cosmetics and toys, even as their use can have severe negative implications for our public health system, the environment as well as our economy. Economic studies<sup>5</sup> link CoHC's to loss of corporate revenues, higher health care costs for workers, lower productivity, increased risk of supply chain disruptions and negative impacts on the environment. Their substitution with safer alternatives as well as appropriate chemical management in general can have health benefits not only for consumers but also for employees, can increase worker productivity, participation in the workforce and decrease in healthcare costs, as well as reduce environmental harm.

Research shows that appropriate chemical management practices and substitution of CoHCs with safer alternatives could unlock new business opportunities and increase market share while reducing business risks. This is driven by:

- Consumer trends; higher demand for products with safer chemicals and shrinking demand for products with CoHCs
- Regulation, redesign, and reputational risks; legal standards on phasing out of harmful chemicals are on the rise. Also, removing these chemicals reduces long term legal and reputation risks should one of these chemicals be found to have larger health impacts than currently believed.
- Innovation; demand for new products and emerging technological solutions

Companies globally use CoHCs in their operations, supply chain and end products. Phasing these out and substituting them with safer alternatives can unlock new business opportunities and increase market share while reducing business risks. We conduct engagement through collaborative engagements with consumer-facing companies as they are under pressure from consumers and are well positioned to drive demand changes through a partnership with the Investor Environmental Health Network / The Chemical Footprint Project ("CFP").

### Better chemical management practices are essential

We aim for engaged companies to acknowledge the need to adopt appropriate chemical management practices and substitute CoHCs with safer alternatives, participate in the CFP Survey and commit to improve policies, practices and disclosures as indicated by the Survey. We want engaged companies to improve their chemical management policies, practices and publicly disclose these as evidenced by the CFP Survey results.

<sup>5</sup> Environ. Sci. Technol. 2022, 56, 16, 11172–11179, Publication Date: August 2, 2022





## Case study

# Inner Mongolia Yili Industrial Group Co.

### Case study results

The company was receptive to our recommendations and said they would have internal discussion aimed at enhancing policies, practices and disclosure

### Next step

We will reconvene with the company and the collaborative investor group in the second half of 2023

**Sector** Consumer staples

**Region** Asia

**Country** China

### ESG topics addressed

*Social*

Human rights

### Issue

Yili is a Chinese dairy producer and was assessed by the Corporate Human Rights Benchmark (CHRB) in 2020 and 2022. In both years, the company received a low score, while scoring 0 on all the Human Rights Due Diligence underlying indicators. The Investor Alliance for Human Rights (IAHR) tried to initiate an engagement with Yili without success.

### Action

We volunteered to take the lead in the IAHR collaborative engagement with Yili right after we joined the IAHR, as we already had a strong existing relationship with the company (through our APAC team), and we were able to set up a meeting and initiate the engagement specifically focused on human rights and the CHRB score. During our meeting with the investor relations and ESG experts at Yili, the company told us that they are committed to the UN Global Compact Principles, however, due to internal limitations on disclosure, they had not been able to publicly provide granular information on their policies and practices relating to human rights.

They appeared receptive to our explanations as to why we, as investors, would like to see disclosure on policies and practices on human rights, and seemed committed to working on enhancements. They requested detailed information on our expectations, which we shared with them, including: 1) human rights policy, 2) board oversight and senior day-to-day responsibility for human rights, and 3) human rights due diligence. We shared details on recommendations, according to the United Nations Guiding Principles on Business and Human Rights.

### Outcome and next steps

The company was receptive to our recommendations and confirmed that they would discuss these internally, with the view to enhance policies, practices and disclosure. We will reconvene with the company and the collaborative investor group in the second half of 2023, to discuss progress.

## Case study

# Advanced Drainage Systems (ADS)

### Case study results

The company was receptive to our feedback and committed to enhancing their disclosures

### Next step

Monitor company's future reporting to confirm whether the changes have been made

**Sector** Industrials  
**Region** Americas  
**Country** United States

**ESG topics addressed**  
*Social*  
Human capital

### Issue

Advanced Drainage Systems is a pipe and water management solutions provider based in the US. We identified the company as one of the companies with opportunities for improvement in human capital management practices based on publicly available disclosures which lacked depth.

### Action

In May 2022 we met with the investor relations team at Advanced Drainage Systems to discuss our findings and to encourage the company to enhance human capital management practices and disclosure.

During our meeting, we were told that human capital management, including diversity, health and safety and labor management are a high priority for ADS, even though there was little information on these topics available in the public domain.

We encouraged the company to disclose diversity data, such as their EEO-1 report and gender breakdown for the corporate office headcount and to set targets on female representation. We learned the company was making progress on health and safety practices, introducing a time-bound target to reduce their Total Recordable Incident Rate and developing a strategy to achieve it, including the appointment of a dedicated health and safety team.

We also encouraged the company to disclose employee turnover rate data, which we believe can be an indication of the effectiveness of human capital management practices.

### Outcome and next steps

The Company was receptive to our feedback and committed to enhancing their disclosures to include more detailed information on their human capital practices. We will monitor their future reporting to confirm whether the changes have been made.

# 5

## Our escalation approach



Our active ownership approach considers financially material issues that are linked to long-term value creation. We assess company responsiveness and progress in addressing these issues of concern that we have raised to management and/or the board to determine whether escalation is required.

We recognize that change or progress does not happen overnight and is not always straight forward. Successful engagement is typically not a one-time discussion, and encouraging companies to implement improvements or develop in key areas usually requires a series of interactions over time. The effectiveness of engagement can often only be judged over a period of time and for this reason we monitor the progress of our engagements against objectives. We expect companies to demonstrate tangible progress toward meeting our engagement objectives after two years.

There may be occasions when, despite discussions with companies over a specific period that there has been no progress on engagement objectives have not been met, or our concerns have not been sufficiently addressed, and we consider shareholder value to be at risk.

In such cases escalation may be necessary. We have a clear process in place for situations where an engagement does not achieve our objectives or if we are not satisfied with the information and explanations provided by the company. In the first instance, we will seek to highlight and discuss our concerns through further direct interactions with senior executives and non-executives, or the board Chair. We may also contact the company's advisers.

In making decisions as to whether to further escalate our engagement we will consider the following:

- The circumstances which have led to our concern;
- The materiality of the potential negative impact that could arise if we do not address it;
- Best practice standards, including where the company has breached established global norms;
- Explanations provided by the company;
- The significance of the issue for our clients;
- Any pattern of concerns over a period of time; and
- The likelihood of future success for our engagement.

If a company consistently fails to meet our expectations, if there is a continued lack of response, or if a company's ESG disclosures are insufficient to allow for investors to gain an appropriate understanding of a company's sustainability-related risks, there are further steps we may choose to take. Our escalation strategies may include:

- Voting against management proposals at the shareholder meeting, including the election of board candidates, or items correlating to our concerns, for example relating to climate.
- Supporting shareholder resolutions.
- Writing to senior executives or the board of the company to formalize our concerns.
- Presenting a statement at the AGM.
- Seeking collective engagement, including through industry groups and investment fora.
- Exercising other shareholder rights, such as filing a resolution individually or with other shareholders.
- Eventually, decreasing or exiting a position.

In doing so we are acting to protect the value of our client's investment, which is paramount in our approach.

In some cases, the risks identified may have an impact on our ability to invest in the company for specific investment strategies.

## Action on controversies and related risks

We pay close attention to companies that are involved in serious breaches of international standards, with a focus on companies that potentially violate the any of the 10 principles of the UN Global Compact, as well as companies flagged in the UBS sustainability and climate (SCR) risk watchlist. We believe that these companies represent an investment risk.

For companies flagged in these categories we review

- The nature and cause of the breach or highlighted risk
- The responsibility of the corporate
- The time elapsed, and the actions taken to date.
- Public reporting on the issue, communications by the company involved, reports by NGOs and other third parties, and the results of investigations by other investors, where these are available.

Where it is identified that the case is material or represents a systematic management failure then we engage with the company on their plan to resolve the ESG risks they present.

In doing so we seek to ensure that companies effectively close and remedy the breaches we have identified, communicate with stakeholders, and ensure they have addressed any management failures.

Our main objectives for these engagements are to ensure the companies:

1. Remediate the breach or issue
2. Have defined plans to address and compensate for any negative impacts
3. Identify and implement processes to prevent repetitions
4. Communicate effectively with stakeholders

We monitor and track progress through public communications and making direct contact with the companies. We recognize that given the nature of the issues facing many companies any changes will not necessarily occur immediately. Therefore, we expect that many such cases may be ongoing.

Where we identify through our assessment that a company has not taken credible corrective action to adequately remediate the issue, or where companies on the UBS SCR list present an ongoing risk, the details are presented to our Stewardship Committee, which oversees progress from our engagement.

The Stewardship Committee will review the circumstances and status and may decide it is necessary to exclude a company from the investable universe for actively managed Sustainability-Focused and Impact fixed income and equities strategies under the direct management of UBS-AM until progress is identified. Such action is often a last resort once all other avenues have been explored.

In 2022 our review and escalation process resulted in 25 companies being withdrawn from the investable universe for specific sustainability strategies, including companies in breach of the UNGC Principles where we did not consider sufficient action had been taken.

Additional details can be found in the UBS-AM Sustainability Exclusion Policy.

## Case study

# Original equipment manufacturer

### Case study results

We classified the governance concerns as Severe ESG Risk, which ultimately led to exclusion of the company from the investable universe for some sustainable portfolios

### Next step

Continue to monitor company status on various corporate governance issues

**Sector** Consumer discretionary  
**Region** Americas  
**Country** United States

**ESG topics addressed**  
*Governance*  
board independence and effectiveness, shareholder interests, remuneration and controversy

### Issue

Not all engagements are successful. However even a 'failed' engagement can demonstrate the value of stewardship. We believe the strength of our ESG Integration practices at UBS-AM comes through our research approach.

In April 2022 an original equipment manufacturer started flagging on our proprietary ESG Risk Dashboard for corporate governance concerns. The concerns were broad-based and centered around governance, including: misalignment of minority shareholder interests, questions surrounding board independence, board effectiveness in oversight, board skillset, share pledging, CEO remuneration, CEO focus and controversies.

The internal research we undertook to review the ESG Risk Flag sparked insightful debate between our equities and sustainable investment teams. The respective equities analyst covering the company and the SI analyst initially disagreed on the materiality of the concerns regarding share pledging, skill set of the board, CEO focus and remuneration, as well as minority shareholder interests.

### Action

We escalated this debate to our internal review forum where the sustainable analyst and equities investment team combined to review the materiality of these governance factors. We concluded that further due diligence on these factors was necessary and requested an engagement meeting with the chair of the board. Our efforts proved unsuccessful as we received no response from the company.

### Outcome and next steps

Subsequent news flow and share price pressure resulted in a growing convergence of views over the reputational impact of CEO actions and lack of board oversight, resulting in an agreement to designate the issue as 'Severe ESG Risk', which removed the company from the investable universe for some sustainable portfolios. We are continuing to monitor the company's governance.

This 'failed' engagement case exemplifies the strength of combining independent sustainable analyst research with traditional equity analyst investment research. While illustrating the limits of engagement, this case does highlight some of the potential benefits of stewardship and a focus on ESG risks.

# 6

## Proxy voting

Consistent and focused voting decisions, underpinned by engagement insights



We have been exercising voting rights on behalf of our clients consistently for over 30 years and voting remains a core part of our approach to active ownership, underpinning and supporting all our stewardship activities.

Exercising voting rights allows us to voice our opinion to a company on a broad range of topics and further enables us to escalate any concerns, including where our engagement may not be resulting in positive outcomes.

We have a clear link between our voting decisions and our investment research process. Where holdings are held across different portfolios and strategies, we will vote consistently to maximize the outcome of our voting activities, leveraging the weight of our aggregated holdings. Only in exceptional circumstances will we split our vote for individual strategies, for example where an M&A transaction may financially impact one strategy differently to another.

Our voting decisions are coordinated and managed by our experienced voting analysts in our stewardship team. They work closely with our fundamental analysts and portfolio managers in our investment teams to decide how to vote, based on the principles in our voting policy and considering any insights from engagement we may have undertaken, as well as our knowledge of the investee company.

Not only does this unified approach strengthen our decision making, it also enables us to present a consistent view to companies, as we can take into account all information available to us.

We disclose all our voting actions on our public website on a quarterly basis, including an explanation for all votes that are not in support of management, to facilitate further engagement.

## Stewardship Committee oversight

Our voting activities are overseen by our stewardship Committee, which is chaired by the Head of Investments. In cases where our proposed final intended voting action differs from our policy guidelines, the stewardship Committee will review and consider the reason for this. A majority of committee members must approve the proposed vote. All voting actions reviewed by the Committee are recorded, tracked, and used to inform our future policy reviews. This additional governance strengthens our decision-making process and ensures that votes remain aligned to our principles, with a consistent approach.

During 2022 our stewardship Committee reviewed the decisions for 94 shareholder meetings, 0.75% of all votes cast. Of those proposals reviewed, the committee elected to support the change in voting recommendation for 90 shareholder meetings and decided not to approve a change in our voting decision for 4 shareholder meetings.

During 2022 we voted on

123,229

separate resolutions globally

## Voting policy

The principles outlined in our global Proxy Voting Policy provide the foundation for our voting decisions. We have a single global framework as opposed to regional or strategy-level policies, to encourage all companies to adopt strong corporate governance standards in all markets in which we invest for clients. Our voting policy was first introduced in 2002 and is based on best practice outlined in the OECD (Organisation for Economic Co-operation and Development) Principles of Corporate Governance, ICGN (International Corporate Governance Network) Corporate Governance Principles and requirements of various national and global governance codes.



Our policy explains in detail those principles and topics we believe to be important to deliver on good governance across all investments, as well as information on when we might choose to abstain or not vote on an item. Our guidelines cover the board of directors, shareholders' rights, capital allocation and management, audit and risk oversight, remuneration, environmental and social factors, including disclosure and reporting expectations. They also provide details of our proxy voting process, how we use of third-party service providers, and identify and manage conflict of interests.

Our latest proxy voting policy is available on our dedicated webpage at [www.ubs.com/global/en/assetmanagement/capabilities/sustainable-investing.html](http://www.ubs.com/global/en/assetmanagement/capabilities/sustainable-investing.html)

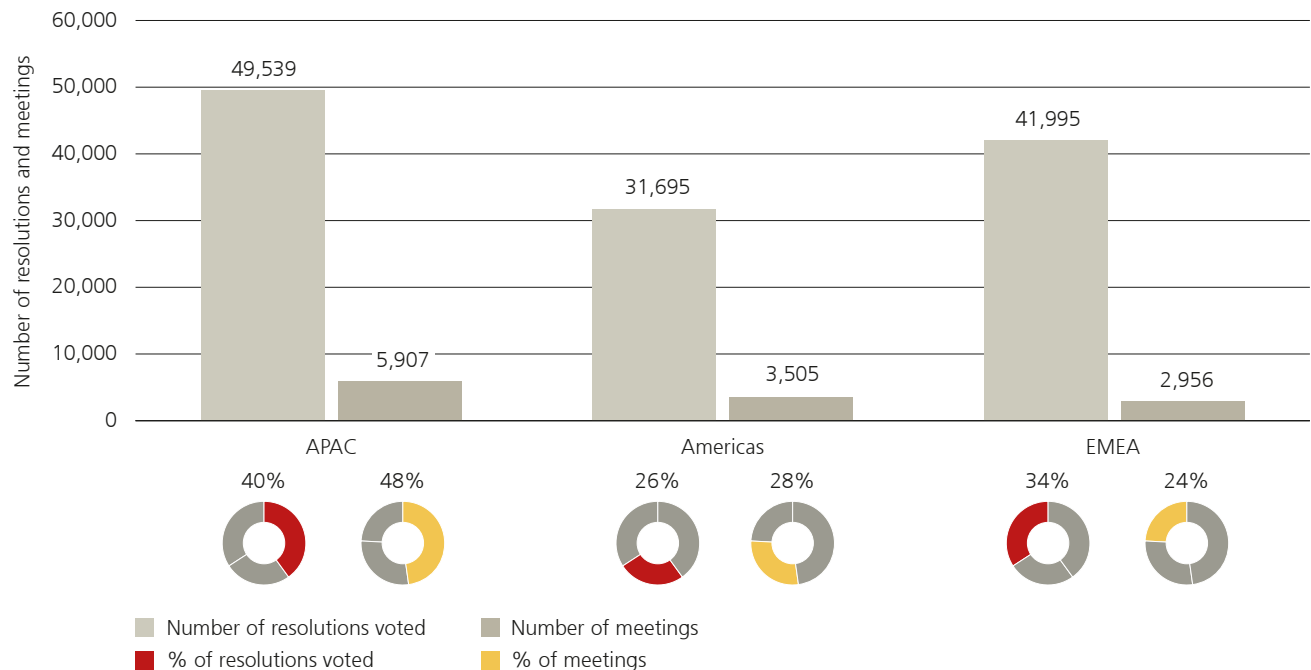
We monitor changes to best practice on an ongoing basis, and perform an annual review of the policy, considering market updates, trends we have identified from our activities during the year, as well as feedback from our clients and other stakeholders. Proposed changes to our voting principles are drafted by our stewardship team and shared with our investment teams for comment and feedback. All final proposed updates are then reviewed by our stewardship Committee, who must approve all amendments. The changes are also provided to the

appropriate boards of our internally managed mutual funds, so that they can confirm that the board accepts the changes made.

During Q4 2022, we contacted some of our clients across different regions to get their direct feedback on our policy, via a survey and through in-person discussions. We will consider the feedback as part of our future policy reviews.

## Exercising rights and responsibilities

### Meetings and resolutions voted by region



Source: UBS Asset Management 2022

## Policy updates

In 2022 we made a limited number of revisions to our voting policy. Key changes were focused on DE&I and Climate Change.

### **Gender Diversity**

For all developed markets, we expect companies with at least 10 board seats, or market cap equivalent of  $\geq$ \$10bn, to have at least 30% female representation. Where our policy is not met, we will vote against the chair of the Nomination Committee or lead director responsible for this process where a committee is not in place.

### **Ethnic Diversity**

We are seeking to ensure that boards comprise of at least one director from an ethnically diverse background for companies, where disclosure is made available. For 2022 this requirement applied in the US for the S&P 500 index, and UK for FTSE 100 companies.

### **Climate Change**

We may choose to vote against the board chairman of a company when we determine that sufficient progress has not been made on specific topics raised during our engagement with companies, in particular in relation to climate change matters discussed as part of our climate-related engagement program.

## Proxy voting advisors

Our proxy voting process is supported by a third-party proxy advisor, Institutional Shareholder Services (ISS). ISS is responsible for issuing voting recommendations to UBS-AM based on the principles and guidelines within the UBS-AM Proxy Voting Policy.

We use the research and recommendations provided to supplement the assessments undertaken by our dedicated stewardship team; we do not delegate our voting responsibilities to ISS. We retain full discretion when determining how to vote for shares held for our clients and funds.

ISS deliver their services through their dedicated online research and voting execution tool, ProxyExchange. This enables us to view research alongside client voting positions, and our voting decisions are executed via the

platform, as outlined below. This provides us with an efficient and consistent global process for our clients. The database is available to all investment teams and integrated within our workflow process.

We constantly review and monitor the quality of services provided to us by ISS and other third parties via our internal Vendor Management Assessment Program, which is a formal due diligence process focused on the compliance of policies, controls and procedures and quality of content. This includes a review of how vendors manage any conflicts of interest that may arise through certain affiliations or business practices.

## Supporting clients to exercise voting rights

We recognize that some of our clients with directly managed portfolios, or clients for whom we provide single investor mutual funds, may prefer to implement a consistent voting outcome across different investment managers. We offer a number of different options to support our clients.

We have sought client feedback over the last year in respect of future demand for directed voting, across different products, and we are continuing to review and monitor additional options for clients that are invested via our multi-investor mutual funds, including the implementation of a 'expressions-of-wish' at platform level.

### **Option 1**

Delegate voting rights to UBS-AM, in which case voting decisions will be based upon UBS-AM voting policy. Voting will be performed consistently, as part of UBS-AM stewardship activities, with regular reporting and insights. Within this option a client may instruct UBS how to vote for their portfolio for particular companies or topics that are of interest, on a case-by-case basis.

### **Option 2**

Clients can manage voting rights directly with their selected custodian, based on their own policy, or a selected market policy.

### **Option 3**

Clients may appoint a 3rd party specialist provider to vote in line with the client guidelines, or the policy from the provider.

## Voting activity in 2022

During 2022 we voted globally at 12,368 shareholder meetings on 123,229 separate resolutions. We voted against the recommendation of the specific company on 19,795 of those resolutions, being just over 16% of votes cast. At 64% of the meetings voted at least one resolution was cast as a vote against management. These voting actions are broadly consistent with 2021.

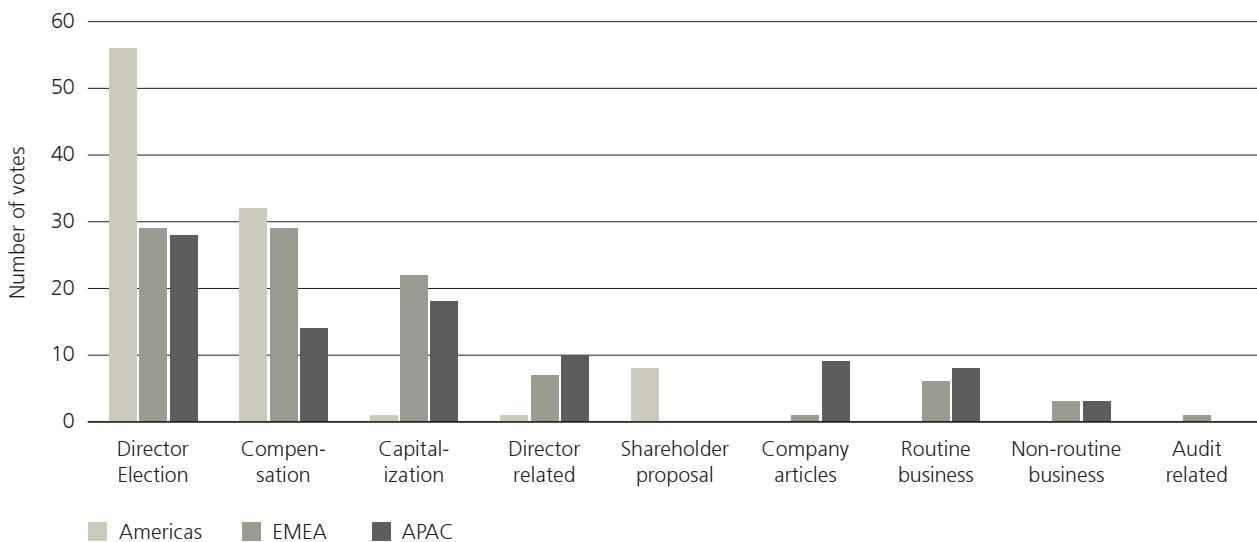
A significant percentage of resolutions are proposed by company management and relate to business management and corporate governance. However, we have seen a 33% increase in 2022 in the number of proposals filed by shareholder in respect of environmental and social topics. Climate related proposals are still uncommon and limited to a small number of markets and companies, representing

just 0.1% of our votes during the year. We expect this number to increase in 2023 and future years, as market practice evolves, and more companies seek shareholder approval on their climate strategy.

Voting upon social topics is also limited but represents a higher number of votes than environmental matters. This is due to the wider range of topics covered, such as diversity, human rights and health and safety.

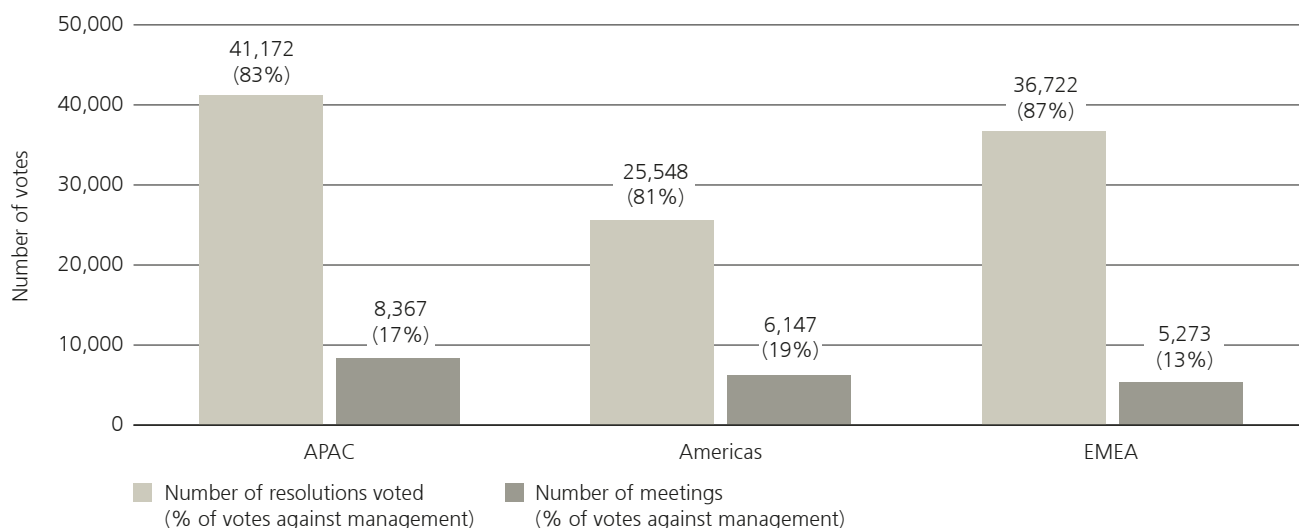
In total we voted upon 276 social proposals filed by shareholders, and 170 related to environmental topics, which included 111 proposals related to climate change. Details of our voting actions per region and topic can be found below.

### Votes against management by region



Source: UBS Asset Management 2022

## Number of votes with and against management



Source: UBS Asset Management 2022

## Resolutions relating to ESG issues

In 2022 we voted on 1,530 resolutions globally which were related to ESG topics, of which 1,116 were proposed by shareholders, and 414 by companies directly.

170 shareholder proposals voted related to environmental issues (including 111 focused on climate change), 276 related to social issues and 670 governance issues. Overall, we supported 58% of all shareholder resolutions. In deciding how to vote we review the merits and details of each resolution and may choose not to support resolutions that are too vague or prescriptive in nature, do not address material issues, or which request companies to introduce policies and practices that had already been adequately addressed.

We voted on 49 company proposals related to environmental issues (all of which were climate related), and 365 on issues we classify to be social topics. Overall, we supported 90% of all these management proposed resolutions, however we chose not to support 11 company proposed climate resolutions, at the following companies:

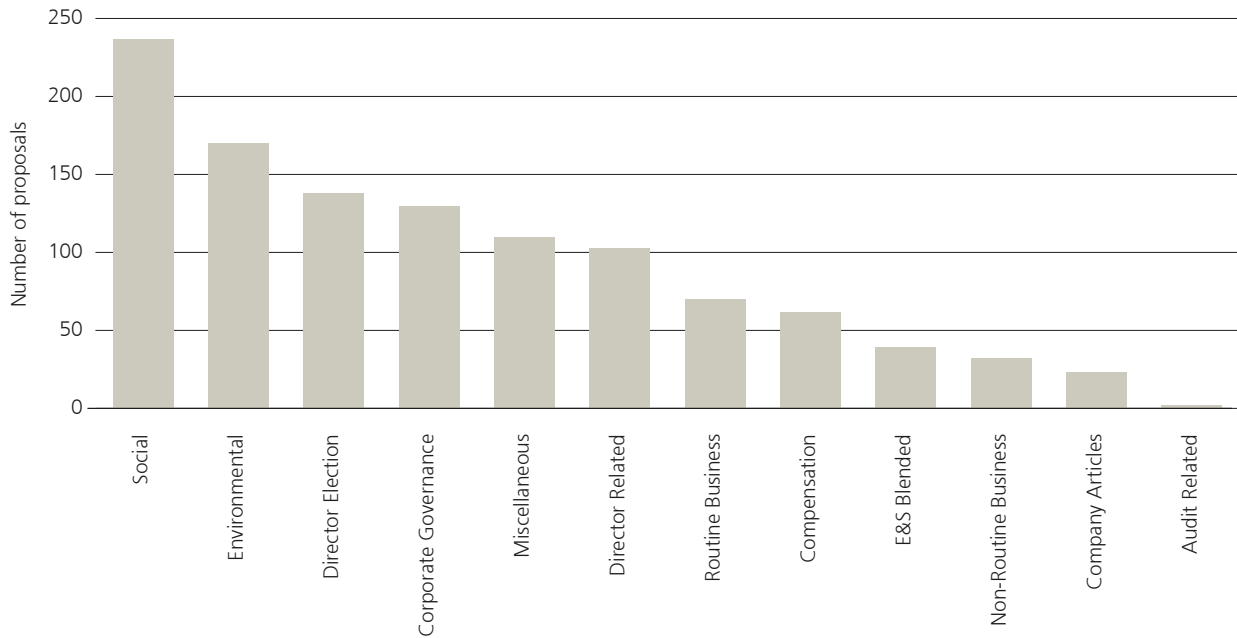
- APA Group
- Carmila SA
- ENGIE SA
- Equinor ASA
- Glencore Plc
- M&G Plc
- Repsol SA
- Santos Limited
- South32 Ltd.
- Standard Chartered Plc
- Woodside Petroleum Ltd.

During 2022 we voted on

# 1,530

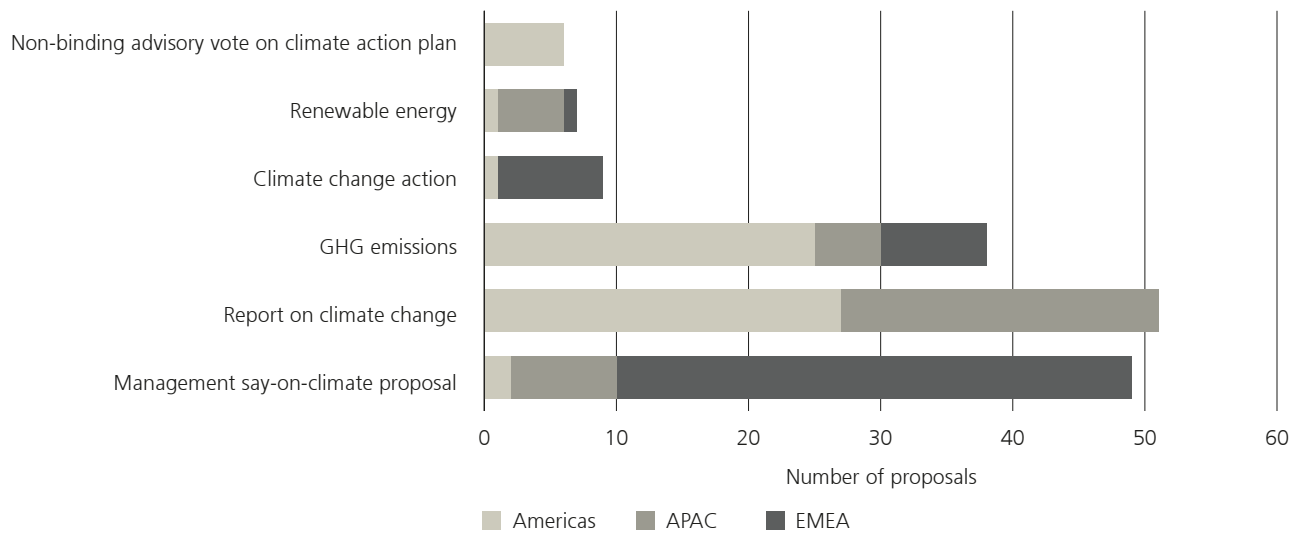
resolutions related to ESG topics

### Shareholder proposals breakdown by category



Source: UBS Asset Management 2022

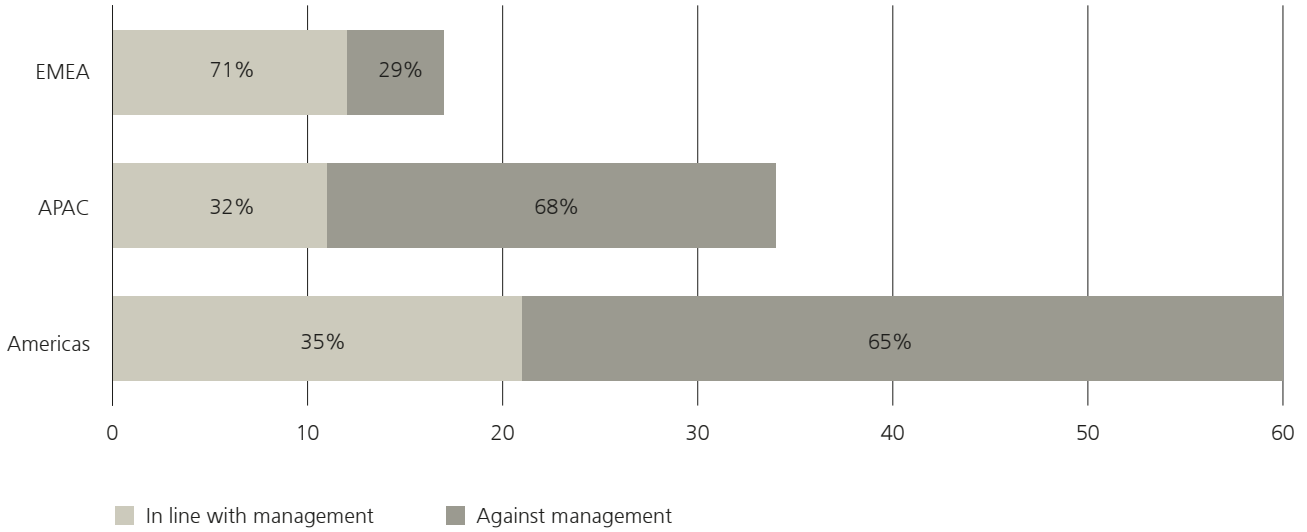
### Number of climate-related proposals (by category and region)



Source: UBS Asset Management 2022

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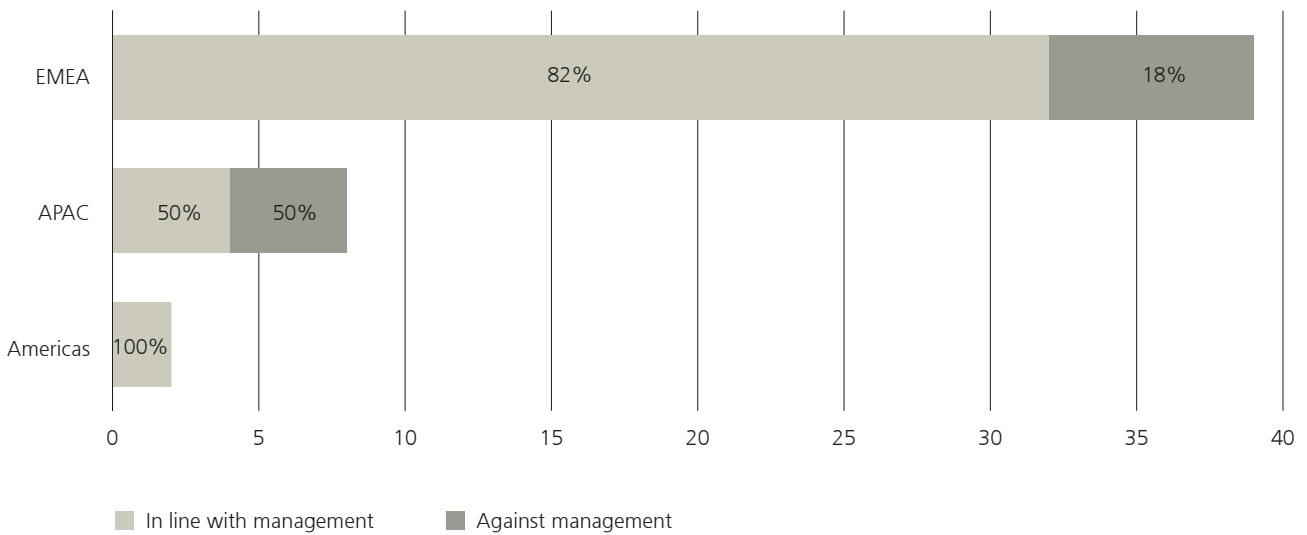
### Votes on climate-related shareholder proposals



Source: UBS Asset Management 2022

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### Votes on climate-related management proposals



Source: UBS Asset Management 2022

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## Conflicts of interest

In line with our conflicts of interest process, we identified a potential conflict of interest for 195 shareholder meetings in 2022. Of these meetings, 76 related to meetings convened in respect of UBS mutual funds. In accordance with our policy, where a UBS mutual fund convenes a meeting, it is the underlying investors who are requested to vote directly, and no voting action is taken directly by UBS-AM.

For listed equity securities where a conflict of interest was identified, votes were cast strictly in line with the recommendation received from our voting agent ISS and no internal voting decision is taken on such meetings, in order to avoid any conflict of interest through the decision process.

## Stock lending

Stock lending can be beneficial to a fund or portfolio by providing an additional income stream. It can also benefit the market by providing liquidity. Many of our mutual funds include the provision for stock lending, in some cases with a specific limit of the percentage of the fund which can be used for lending purposes at any one time. The income derived from this activity is invested back into the respective fund to support its growth and generate further investment opportunity.

However, we recognize that there can be a trade-off, particularly when it comes to exercising voting rights. Voting rights linked to equity positions are not retained by the lending party and are transferred under the control of the borrower: therefore, when shares are on loan, we are contractually unable to exercise voting rights on that lending position.

Through our voting process we monitor eligible share positions where a loan position impacts an upcoming shareholder meeting. Given our range of strategies we will always retain a position in a company that enables us to vote. If we judge an upcoming vote to be particularly contentious, or where we believe it is in our client's best interests to do so, we may choose to recall stock out on loan in order to vote the maximum position available to us. This is generally in exceptional cases. We do not borrow shares for the purpose of gaining additional voting rights and do not vote upon any equity collateral positions that are held as a result of a lending agreement.

The decision to recall shares in order to vote for a higher percentage of shares under management is generally dependent upon the following criteria:

- The issuer represents a significant holding; and/or
- The issuer is subject to our focused proxy voting/ engagement program; and/or
- The agenda for the shareholder meeting contains a proposal regarded as controversial according to our Proxy Voting policy or other circumstances, particularly where allowing shares to remain on loan may cause a risk to the long-term value of the holding.

In adopting this approach, we seek to maximize our voting positions alongside the additional income stream, balancing the benefits of lending alongside our stewardship commitments.

In 2022 we elected not to recall any shares for voting purposes. This did not impact upon any voting actions or prevent us voting where we had eligibility to vote. In the coming year we will implement further improvements to our approach, including the automatic recall of shares for specific funds.

## Case study

# Berkeley Group Holding

### Case study result

Supported controversial pay scheme after explanation of company, sector and management team dynamics

**Sector:** Real Estate  
**Region:** Europe  
**Country:** United Kingdom

**ESG topics addressed**  
Governance  
Remuneration

#### Issue

Berkeley Group, the property developer, put forward a non-standard UK remuneration structure at the 2022 AGM, which was controversial given the upside it provided to executives. On the surface, this structure would not be something we would support, but we took the opportunity to engage on the issue.

#### Action

Ahead of the AGM in September we met with the chair of the Remuneration Committee to discuss the proposed alterations.

The chair explained the business case for the structure, and how the framework aligned to the overall cyclical nature of the sector, but also discussed the nuances around management behavioral habits at the company, and also at its peers. In particular, the chair pointed to the use of grants of longer-term restricted stock units (RSUs) and options (with a premium exercise price) in lieu of an annual bonus.

During the discussion the chair explained that in order to achieve the upside of the plan the company would have to effectively double in size, which would in turn represent a large increase in value for investors, and urged investors not to focus on the headline quantum, but the underlying details of the plan.

We also raised concerns about the change-in-control provisions which were not aligned to UK best practice and allowed for accelerated vesting.

#### Outcome and next steps

While there were many elements of the pay framework that would usually raise a flag under our voting policy, we left the engagement with a better understanding of the structure, and how the framework was adopted to the company's culture and strategy.

We escalated these findings to the UBS-AM Stewardship Committee who took these factors into consideration and decided to support the proposal.

We believe RSUs and options (with a premium exercise price) instead of an annual bonus aligns the executives' incentives with long-term performance. Furthermore, ahead of the AGM the company amended the terms of the plan to align its change-of-control provision with market best practice and the Investment Association Principles.

While we chose to support the proposal, it received 40% of votes against. In the wake of the vote results, the company said it would canvas investor views on the reason for opposition.

Finally, in 2022 we were pleased to see the appointment of a new female director to the board, which was an issue for us at the 2021 AGM, where we voted against the chair for not meeting our voting guidelines of a minimum of 33% female representation at board level.



## Case study

# Microsoft

### Case study results

Enhanced the company's awareness of the need to address investor concerns over social issues

### Next step

Monitor company progress on DE&I and fairness issues

**Sector** Technology  
**Region** Americas  
**Country** United States

**ESG topics addressed**  
*Social*  
DE&I, fairness

### Issue

Like many other US companies, and some of its 'megacap' peers, Microsoft saw a sharp rise in the number of socially-themed shareholder proposals filed at their 2021 AGM. A number of these proposals received significant support from shareholders, including UBS-AM. We believe this is due to investors' increased focus on social issues such as diversity, equity and inclusion and internal fairness.

### Action

We engaged with representatives of Microsoft investor relations with a positive call focused on those shareholder proposals which received strong support at the 2021 AGM in December. Specifically, we discussed with Microsoft the shareholder proposal seeking disclosure on gender pay median, as we believe it is a valuable metric for investors to assess progress on fair pay and overall diversity across the organization. In addition, we discussed the shareholder proposal asking the company to assess the effectiveness of its workplace sexual harassment policies.

Microsoft responded positively to requests of investors, including UBS-AM, by committing to provide additional reporting on gender/ethnic pay gap and on workplace sexual harassment policies.

### Outcome and next steps

Overall, company management gave us the impression they were fully aware of investors' concerns and expectations and trying to be proactive with regards to addressing concerns relating to human capital, discrimination and labor management.

We will continue to monitor Microsoft's progress on those topics related to DE&I which we regard as material for the company and for which shareholders showed most support at previous AGMs.

## Case study

# Constellation Brands

### Case study results

Declassification of dual-class share structure

### Next step

Monitor company's progress with CHRB rating

**Sector** Consumer staples  
**Region** Americas  
**Country** United States

### ESG topics addressed

*Governance*  
Share classes, board composition  
*Social*  
Human rights  
*Environmental*  
Water management

### Issue

We have long been concerned about some of Constellation's governance arrangements, including its dual-class share structure. Moreover, the company is exposed to water management and human rights risks.

### Action

UBS-AM engaged with Constellation's investor relations representatives in February, May and December 2022 in order to address governance concerns, including dual-class shares, share pledging, and board refreshment.

On 9th November 2022 the company called an EGM (extraordinary general meeting) to approve the declassification of its stock and introduce other governance improvements such as majority voting for directors' elections and an anti-pledge policy.

We also held a call to discuss non-governance topics, in particular its risk exposure to water management and human rights, encouraging the company to improve its approach, given its relatively low score on the 2022 Corporate Human Rights Benchmark (CHRB) assessment. For both topics we felt that the company is taking genuine steps to improve its approach.

Earlier in the year, we emailed the company in light of the forthcoming new assessment of the Corporate Human Rights Benchmark, as we noted that CBI's previous assessment could be significantly improved and we saw the updated assessment as an opportunity for the company to improve its profile. We communicated to the company a low score can be driven by lack of disclosure and not related to actual practices.

### Outcome and next steps

We supported the EGM's proposals which address a number of our concerns about the company's governance arrangements, and at a call with the company's IR Team held before the EGM we encouraged the company to appoint a dedicated lead director rather than having annual rotations. We are particularly pleased about the declassification of the dual-class share structure.

We also encouraged the company to connect with the CHRB research team and provide input for the new assessment cycle in order to improve their rating, and we will monitor the progress on this.

# Case study

# Intel Corp

## Case study results

Raised concerns on remuneration through our vote and directly with the board which committed to improving the CEO's package

## Next step

Monitor improvements to the remuneration package

**Sector** Technology  
**Region** Americas  
**Country** United States

**ESG topics addressed**  
Governance  
Remuneration

### Issue

We have been engaging with Intel's board chair and investor relations since 2021, due to concerns over executive pay quantum for the new CEO appointed in 2020. While we do value the contribution the CEO brings to Intel, we did not believe the Remuneration Committee showed sufficient restraint in determining the pay quantum for him and other executives.

### Action

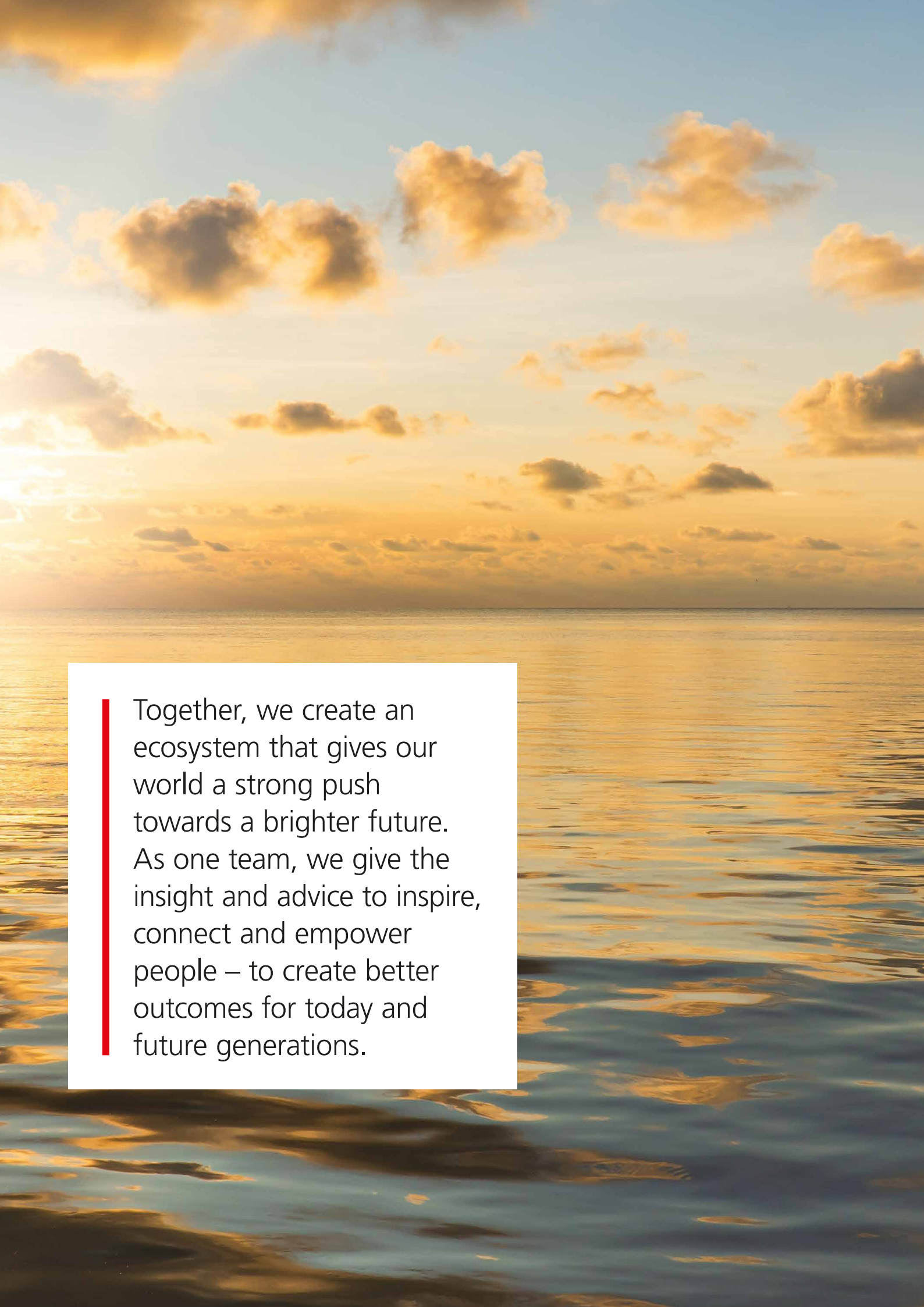
Upon further engagement with UBS-AM following the 2022 AGM, Intel's board showed some responsiveness to investors' concerns on remuneration, such as adding ESG metrics to their annual bonus and incorporating a relative total shareholder return (TSR) modifier to their long-term equity incentive plan. However, we considered it did not fully address investors' concerns, especially over the overall pay opportunity which remained significant mainly due to large one-off hiring/retention awards combined with high value of awards under the annual bonus plan.

We met again with the Intel's Chair and IR, during the post-season engagement cycle, in a meeting focused on executive pay, discussing those concerns which led us not to support the say-on-pay vote at the 2022 AGM. We also covered some potential changes to Intel's executive pay framework for 2023, including a cap on the long-term incentive plan in case of negative TSR performance, making the LTIP majority performance-based, and increasing transparency of non-financial metrics.

### Outcome and next steps

Through the exercise of our votes together with direct engagement on remuneration we clearly raised our concerns about CEO pay at Intel. Intel's say-on-pay item failed to receive support from a majority of the shares voted at the 2022 AGM, after it failed to do so at the 2021 AGM, an indication of how broad-based these concerns were.

After the AGM, Intel communicated to us their commitment to improving the CEO's remuneration package to meet at least some of investors' expectations, by introducing a provision limiting overall pay quantum and strengthening the link between compensation and performance. We will continue to monitor progress on this.

A sunset over the ocean with a white text box containing a quote. The sky is filled with golden clouds, and the sun is low on the horizon, casting a warm glow over the water. The text is centered in the white box, which has a red vertical bar on its left side.

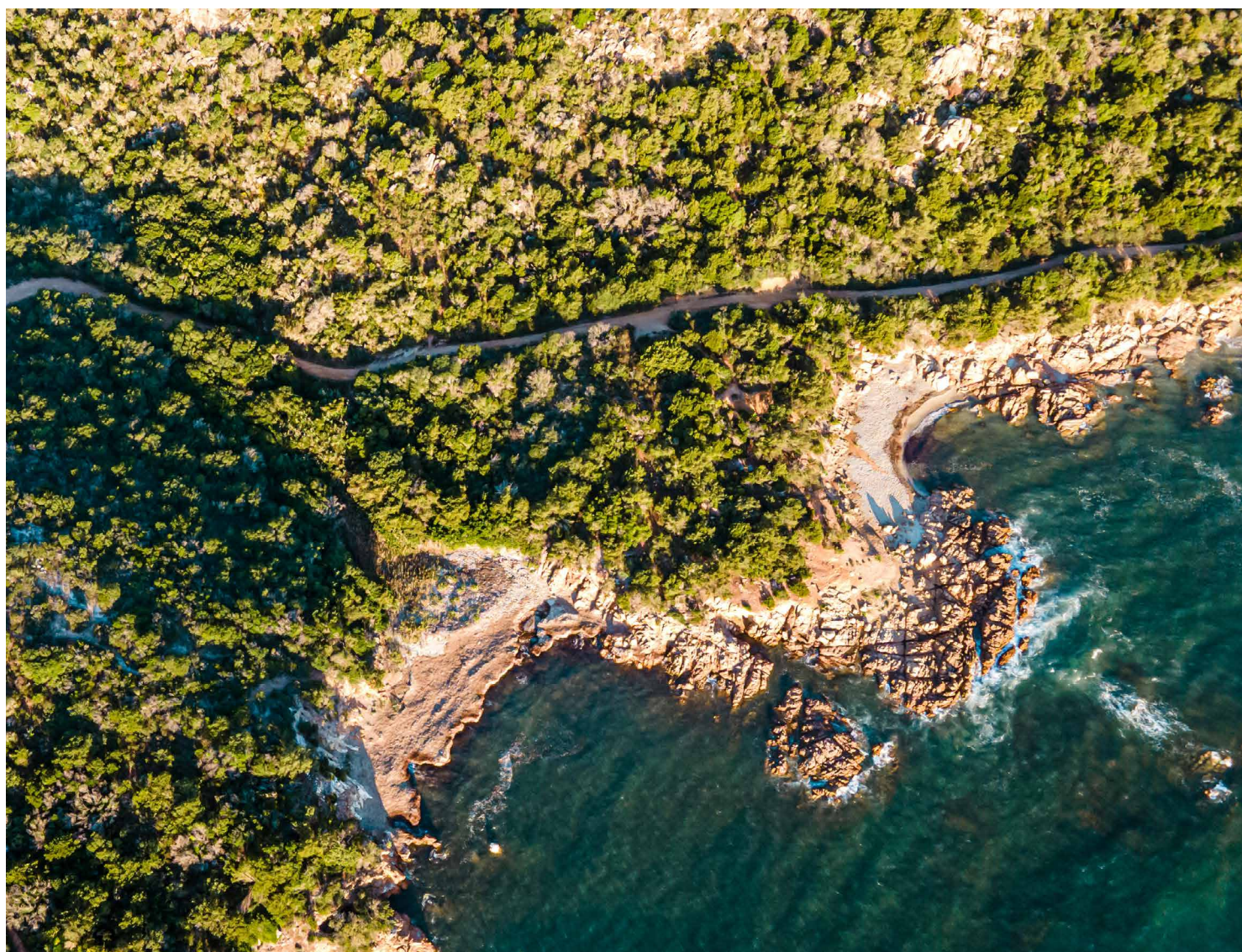
Together, we create an ecosystem that gives our world a strong push towards a brighter future. As one team, we give the insight and advice to inspire, connect and empower people – to create better outcomes for today and future generations.

Appendix

# 1

## Who we are

For over two decades we have been at the forefront of sustainable finance



# UBS Group AG

Reimagining the power of investing. Connecting people for a better world.

When done right, purpose becomes the single most powerful statement in the company. It is the force that sets our organization and our people in motion and guides their decisions. In doing so, purpose directs the course for UBS

At UBS, we reimagine the power of people and capital, to create a better world for all of us – a world that's fair, sustainable and gives everyone the opportunity to thrive. This is our purpose.

From our Swiss roots to our global reach and with 160 years of history, we know the true meaning of long-term commitment. It's about creating stability and prosperity. It's about helping people to achieve their ambitions – in life, business and beyond. It's about creating a legacy that spans generations.

Making connections is at the heart of what we do. Every day, our global, 70,000-strong team connects people with other people and to ideas and opportunities that make a real difference:

Ideas that deliver results and drive progress and innovation.

Opportunities that change people's lives and help to forge a fairer society.

Together, we create an ecosystem that gives our world a strong push towards a brighter future. As one team, we give the insight and advice to inspire, connect and empower people – to create better outcomes for today and future generations.

## Firm description and strategy

UBS provides financial advice and solutions to wealthy, institutional and corporate clients worldwide, as well as private clients in Switzerland. Our strategy is centred around our clients: how we can make the most of our capabilities across the firm to help them achieve their financial goals, whether they are wealthy individuals, retail clients, or corporations and institutions. We aim to drive attractive shareholder returns by growing and leveraging our unique, integrated and complementary business portfolio and geographic footprint. UBS is the largest truly global wealth manager, and a leading personal and corporate bank in Switzerland, with a large-scale and diversified global asset manager and a focused investment bank. We concentrate on capital-efficient businesses in targeted markets where we have a strong competitive position and an attractive long-term growth or profitability outlook. We view capital strength as the foundation of our strategy.

UBS is present in all major financial centres worldwide. It has offices in more than 50 regions and locations, with about 30% of its employees working in the Americas, 30% in Switzerland, 19% in the rest of Europe, the Middle East and Africa and 21% in Asia Pacific. UBS Group AG employs over 72,000 people around the world. Its shares are listed on the SIX Swiss Exchange and the New York Stock Exchange (NYSE).

# UBS Asset Management

A global large-scale and diversified asset manager, with a presence in 23 markets.

## Firm description

UBS Asset Management is a global large-scale and diversified asset manager, with a presence in 23 markets. We offer investment capabilities and styles across all major traditional and alternative asset classes – from active to rules-based including a comprehensive sustainable investing offering – as well as advisory support to institutions, wholesale intermediaries and Global Wealth Management clients.

Our goal is to bring our clients the ideas, understanding and clarity to help them deliver on their investment priorities and values, without compromise. Our global capabilities include equity, fixed income, currency, real estate, infrastructure, private equity and hedge fund investment capabilities that can be combined into customized solutions and multi-asset strategies.

Complementing our investment offering, we provide professional white labelling services including fund set-up, accounting, asset valuation, NAV calculation and reporting elements for traditional and alternative funds. We also offer our innovative modular platform, UBS Partner, which provides banks with powerful tools and analytics to support their advisory offering and enable them to significantly enhance their end clients' experience.

To meet investors' financial and sustainability goals, we offer sustainable and impact investing strategies across a range of asset classes, from environmental, social and corporate governance integration to impact investing, including renewable energy, environmental stewardship, social integration, health care, resource efficiency and demographics. We also offer tailored solutions that span the sustainability spectrum, including ESG integration, tilt toward a specific E, S or G factor, thematic, positive screening, impact or exclusions.

Sustainability is also an intrinsic part of the investment decision-making process across many of our active strategies. ESG factors are considered using our proprietary ESG Risk Dashboard. This information also feeds into our stewardship process where we actively monitor and engage with any flagged companies to help them make progress towards transitioning to a lower carbon future.

Invested assets totalled USD 1,064 billion as of 31 December 2022. We cover the main asset management markets globally, and have a local presence in 23 markets across four regions: the Americas; Europe, the Middle East and Africa; Switzerland; and Asia Pacific. We have nine main hubs: Chicago, Hong Kong SAR, London, New York, Sydney, Zurich, Tokyo, Singapore, Shanghai.

See our latest Annual Report [FY2022 report website](#).

## Our vision

We aspire to provide our clients with the best ideas and superior investment performance by drawing on the breadth and depth of our insights and capabilities to deliver high-quality solutions and services.

We provide investment management products and services to a broad range of clients around the world including: corporate and public pension plans; sovereign institutions such as governments and central banks; supranationals; endowments, municipalities and charities; insurance companies; wholesale intermediaries; financial institutions; and private clients.

## History

We have a deep-rooted heritage and expertise in combining investment knowledge with the latest in portfolio construction, risk management and product development. The asset management business division was formed through the merger of Union Bank of Switzerland and Swiss Bank Corporation in 1998. In July 2000, the merger culminated in the integration of the investment teams of the respective asset management businesses, UBS Asset Management, Brinson Partners (whose Chicago origins date back to the early 1970s) and Phillips & Drew (established in London in 1895). In April 2002, with the integration completed, we re-branded as UBS Global Asset Management. In October 2015, UBS Global Asset Management changed its name to UBS Asset Management to align with the naming of UBS's other business divisions.

## Products and services

Whatever our clients' investment profile or time horizon, UBS Asset Management offers a diverse range of investment capabilities and investment styles designed to meet their needs across all major traditional and alternative asset classes. We provide equity, fixed income, currency, real estate, infrastructure, private equity and hedge fund investment capabilities that can be combined into customized solutions and multi asset strategies.

Investment management is offered in the form of segregated, pooled and advisory mandates, as well as through a variety of registered investment funds in a variety of jurisdictions.

Over

USD 97bn

sustainable focused AuM

## Sustainable and impact investing

Sustainable and Impact Investing is a key area, as clients increasingly seek solutions that combine their investment goals with sustainability objectives. We are continuing the expansion of our world-class capabilities in areas such as climate-aware solutions. We do this through: product and service innovation; dedicated research; the integration of environmental, social and governance factors into our investment processes, leveraging our proprietary analytics; and active corporate engagement. At the start of 2020, we launched our new Climate Aware framework, and innovative solution that can be customized to clients' objectives to support them in their own climate-change transition. Designed to protect assets against climate risks, this approach considers a company's forward-looking commitment to carbon reduction and is underpinned by our climate engagement strategy, investing in companies at the heart of the shift to a climate-smart future. Alongside this, we launched a suite of active Climate Aware products, building on our award-winning passive offering. Our Climate Aware assets under management (AuM) have grown to more than USD 15 billion, while our wider sustainable-focused AuM have reached over USD 97 billion.

In addition, reflecting our commitment to support investor networks and drive the ESG agenda in financial markets, in 2020 we joined the "One Planet Asset Managers" initiative and became one of the founding members of the "Net Zero Asset Managers" initiative.



Appendix

# 2

## UBS Group's commitment to sustainability



# Sustainability is high on our clients' agendas and we want to help them on this journey

## Suni Harford

Group Executive Board Lead for Sustainability and Impact  
President UBS Asset Management

We want to be the financial provider of choice for clients who wish to mobilize capital towards the achievement of the UN's 17 Sustainable Development Goals and the orderly transition to a low-carbon economy.

So we're focusing on three key areas to drive that transition and these are some of the ways that we'll get there.

### Partnership

**Working with other thought leaders to achieve impact on a truly global scale**

2025

Provide best-in-class sustainability thought leadership and an expert forum to engage clients and standard setters in discussion

### Planet

**Making climate a clear priority as we shift towards a low-carbon future**

2025

Achieve net-zero scope 1 and 2 emissions from our own operations

2050

Net zero across our activities (scopes 1, 2 and 3) - in line with fiduciary duties

### People

**Addressing societal challenges through client and corporate philanthropy as well as employee engagement**

2025

Raise USD 1 billion in donations and reach 25 million beneficiaries through client philanthropy

## Net zero

We are aiming to achieve net zero across our activities (scopes 1, 2 and 3)  
– in line with fiduciary duties – by 2050

We've established milestones along the way to make sure our progress can be transparently tracked.

## Addressing societal challenges

Our aim is to connect people for a better, fairer, more prosperous world.

We've set some ambitious goals to reach by 2025:

- Raise USD 1 billion in donations to our client philanthropy foundations and funds and reach 25 million beneficiaries by 2025 (cumulative for years 2021–2025).

## Supporting a diverse workforce

Gender, race and ethnicity, LGBTQ+, disability, veterans, mental health matters.

Our strategy is to continue to shape a diverse and inclusive organization that is innovative, provides outstanding service to our clients, offers equitable opportunities and is a great place to work for everyone. By 2025, we aspire to

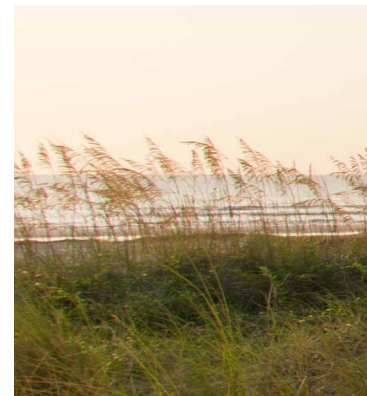
- Increase the percentage of women in our director level and above population to 30%.
- Reach a 26% representation of underrepresented ethnicities at the director level and above in the US and to increase our ethnic minority senior management (directors and above) headcount by 40% in the UK.

## Partnerships for a better world

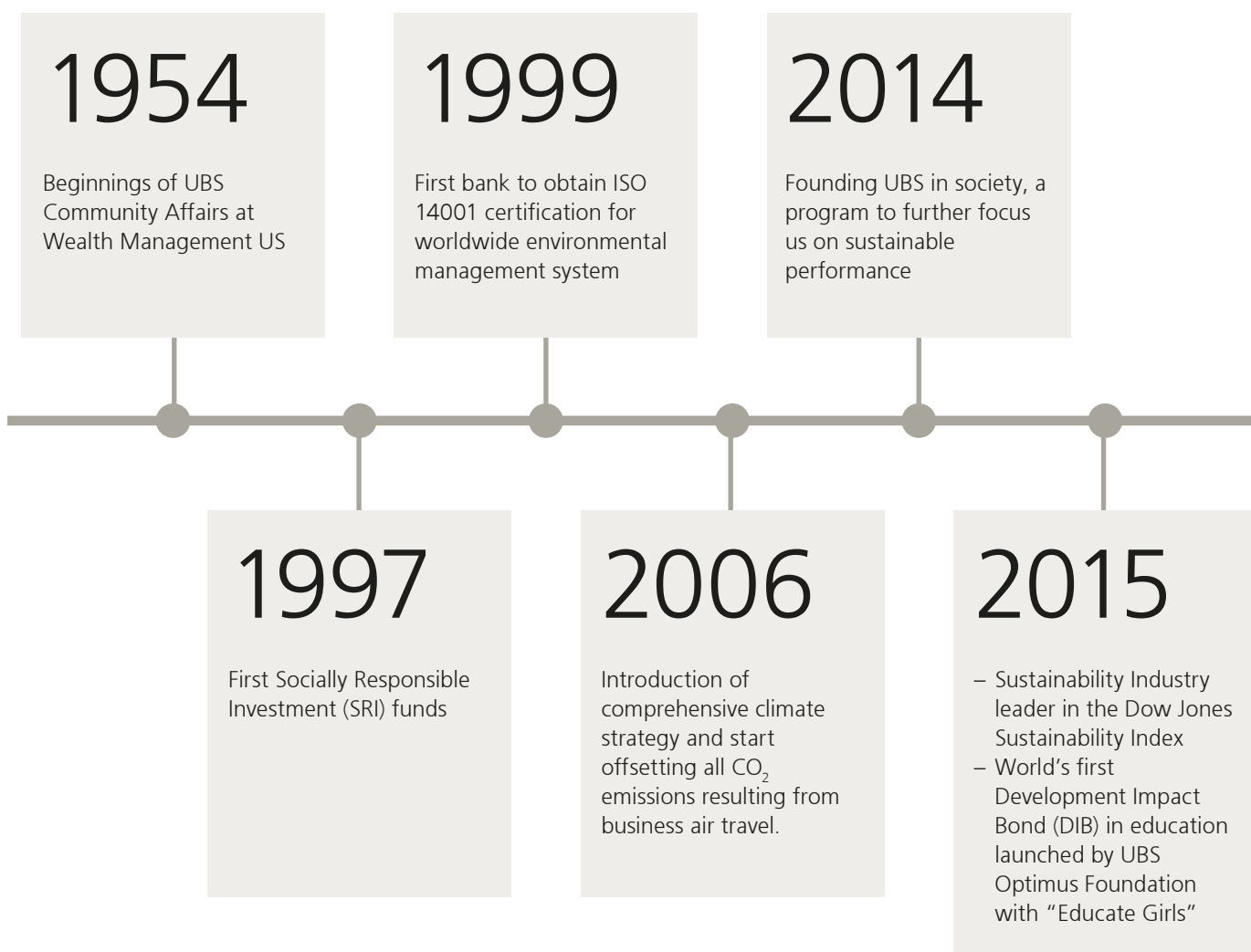
Together we can achieve systemic change.

- We will continue to share best practices and engage with regulatory authorities, central banks, policymakers, academia and peers to facilitate the development of robust methodologies to help leverage the potential of the financial services sector potential to drive change.
- We will engage with standard setters to help develop and support policies, standards and regulations that will enable the necessary transition of the whole economy.

UBS is not new to sustainability: we started on this path decades ago. There have been many important milestones along the way.



For almost 70 years...



Source: UBS Asset Management 2022.



2016

Launching the UBS Oncology Impact Fund

2019

Banning project-level financing on new coal-fired power plants

2021

Committed to net zero by 2050

2018

- First 100% sustainable cross-asset portfolio for private clients
- Reaching 2.8 million children through the UBS Optimus Foundation

2020

Founding signatory of the Net Zero Asset Managers initiative

2022

Established the Swiss TNFD national consultation group

Whether you're an institutional investor, corporate client, or private client, we want to help you reimagine the power of investing.



Appendix

# 3

## Our commitment, leadership and governance



# We are proud to be an approved signatory of the UK Stewardship Code and are supporters of various global stewardship codes.

## Leadership and governance

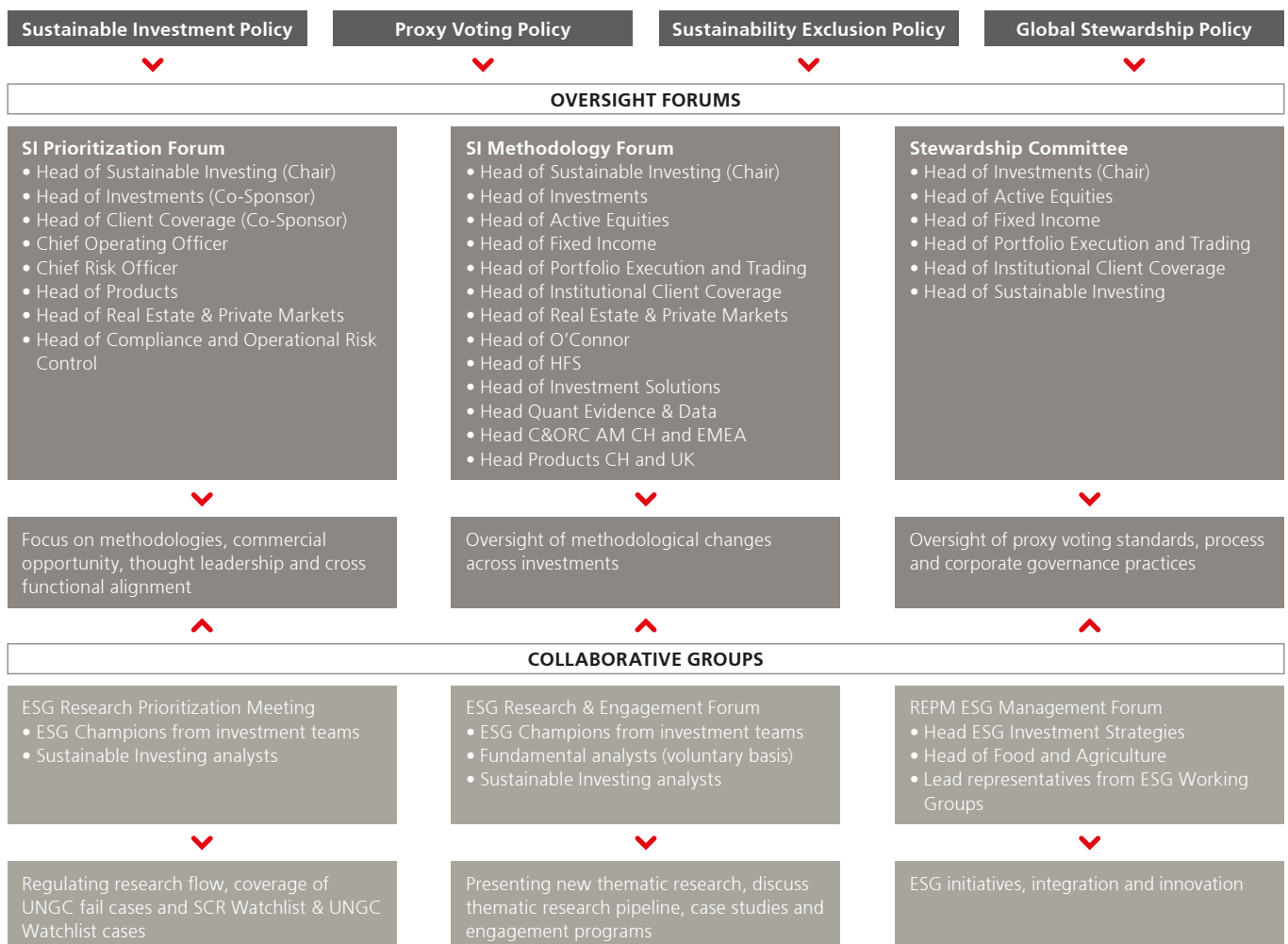
Responsibility for sustainability at UBS begins with the board of Directors. The Corporate Culture and Responsibility Committee, chaired by the board Chairman of UBS Group AG, has responsibility for approving the Group Sustainability and impact strategy.

Within UBS-AM we have established a clear structure for planning and execution of our sustainability approach and stewardship responsibilities.

The Stewardship Committee oversees and coordinates our stewardship responsibilities and supports our Executive Team on all topics related to stewardship matters.

It also oversees the engagement progress for issuers with severe ESG risk and has the ultimate decision authority regarding whether an issuer's engagement progress is sufficient to justify maintaining a holding in any issuer flagged for severe ESG risks.

## Robust governance architecture in place





## Stewardship codes of best practice

### We are signatories to several codes of stewardship best practice. These include:

- The International Corporate Governance Network (ICGN) Global Stewardship Principles
- The UK and Japanese Stewardship codes
- We also support the Securities and Futures Commission of Hong Kong Principles of Responsible Ownership, the investor-led ISG Stewardship Framework in the USA and meet the requirements of the Australian Financial Services Council Standard 23 on Principles of Internal Governance and Asset Stewardship.
- Details on the principles of the codes above are provided in Appendix 8.

Where a fund specific board has underlying responsibility for voting rights, the Stewardship Committee informs the relevant fund board of the decisions and actions taken, upon request.

The Committee is the executive forum for all relevant legal entities of the traditional business of UBS-AM globally. The Committee meets quarterly with ad-hoc meetings at the

discretion of the Chair should matters arise that warrant Committee review. The Committee can also perform duties on ad-hoc basis via email, as required, in respect of voting approvals that are required to be escalated for committee review.

The core committee responsibilities and duties are outlined in the table below.

Category	Responsibility
<b>ESG Integration/ Stewardship</b>	<ul style="list-style-type: none"> <li>– Oversees engagement progress for issuers with severe ESG risk and approves related exclusion where necessary</li> <li>– Approves investments in companies identified as breaching global norms, where credible corrective actions have been evidenced</li> <li>– Reviews and approves membership of any organization or collaborative efforts with other investors in relation to ESG/stewardship</li> </ul>
<b>Engagement</b>	<ul style="list-style-type: none"> <li>– Ensures alignment of our engagement activities with our Stewardship Policy across strategies</li> <li>– Reviews and approves requests to escalate our engagement activities through letters to the board, AGM statements and/or public communications</li> </ul>
<b>Proxy voting</b>	<ul style="list-style-type: none"> <li>– Reviews and approves our Proxy Voting policy, including updates as required and/or scope changes of country coverage</li> <li>– Approves all proposed proxy voting decisions which deviate from UBS Proxy Voting Policy guidelines, including where we vote upon shares held in UBS Group on behalf of client portfolios</li> <li>– Reviews and determines voting decisions where a consensus has not been reached among our sustainable investing team and portfolio management teams</li> </ul>
<b>Others</b>	<ul style="list-style-type: none"> <li>– Supports our efforts to send a clear message to companies based on all our holdings across index and active strategies</li> <li>– Reviews and approves requests to participate in the filing of a shareholder resolution</li> </ul>

## Sustainable Investing and Impact Team

The Sustainable Investing and Impact (SI) Team is an integrated function within our Investments team and is led by Lucy Thomas, who reports directly to the Head of Investments, Barry Gill, who is a member of UBS-AM's Executive Committee, reporting to Suni Harford, President of UBS-AM.

The goal of this governance structure is to provide clear oversight from the President of UBS-AM through to our dedicated SI team and alignment across investment areas.

We have continued to build out our SI team during 2022. The SI team consists of 35 professionals with an average of 12 years' investment industry experience. The team's background is very diverse and includes professionals who have worked in the asset management, finance, services industries and for asset owners. Team members are located in Zurich, London, Amsterdam, Krakow, Hong Kong, Singapore, New York and Chicago.

<b>Head of Sustainable Investing</b>	<b>Lucy Thomas</b> Head of Sustainable Investing SI Experience: 16 yrs		
<b>Stewardship</b> Driving active ownership outcomes through proxy voting execution, corporate engagement and participation in industry standards initiatives	<b>Paul Clark</b> Head of Stewardship SI Experience: 23 yrs	<b>Emiliano Torracca</b> Stewardship Analyst SI Experience: 15 yrs	<b>Rachael Atkinson</b> Proxy Voting Analyst SI Experience: 12 yrs
	<b>Jason Rambaran</b> Stewardship Analyst SI Experience: 9 yrs	<b>Matteo Passero</b> Stewardship Analyst SI Experience: 6 yrs	<b>Robert Keehn</b> Stewardship Analyst SI Experience: 2 yrs
	<b>Joseph Insirello</b> Proxy Voting Analyst SI Experience: 2 yrs		
<b>Sustainable Thematic Engagement</b> Driving active ownership outcomes through evidence-based sustainability-themed research and engagement programs	<b>Francis Condon</b> Head of Thematic Engagement & Collaboration SI Experience: 19 yrs	<b>Aarti Ramachandran</b> Environmental Engagement Lead SI Experience: 16 yrs	<b>Derek Ip</b> Research Analyst – Sustainable Investing SI Experience: 12 yrs
	<b>Karianne Lancee</b> Social Engagement Lead SI Experience: 10 yrs	<b>Henry Russell</b> Research Analyst – Sustainable Investing SI Experience: 1 yrs	<b>Yuan-Ning Mock</b> Research Analyst – Sustainable Investing SI Experience: 4 yrs
	<b>Christiana Tsiligianni</b> Research Analyst – Sustainable Investing SI Experience: 2 yrs	<b>Chloe Zhou</b> Research Analyst – Sustainable Investing SI Experience: 2 yrs	

<b>Sustainable Investment Specialists</b> Supporting our client interactions by working with teams across AM to provide client-focused sustainable investing advice and solutions	<b>Dr. Karsten Guettler</b> Head of Sustainable Investment Specialists SI Experience: 13 yrs	<b>Juliette Vartikar</b> Investment Specialist – Sustainable Investing SI Experience: 15 yrs	<b>Jiang Yuan</b> Investment Specialist – Sustainable Investing SI Experience: 15 yrs
	<b>James Thompson</b> Investment Specialist – Sustainable Investing SI Experience: 8 yrs	<b>Emily McDonald</b> Investment Specialist – Sustainable Investing SI Experience: 4 yrs	<b>Melissa Amler</b> Investment Specialist – Sustainable Investing SI Experience: 3 yrs
	<b>Eveline Maechler</b> Investment Specialist – Sustainable Investing SI Experience: 3 yrs	<b>Nickael Tan</b> Investment Specialist – Sustainable Investing SI Experience: 2 yrs	<b>Sabine Bierich</b> Investment Specialist – Sustainable Investing SI Experience: 2 yrs
	<b>Benjamin Dennis</b> Investment Specialist – Sustainable Investing SI Experience: 1 yrs	<b>David Lewandowski</b> Investment Specialist – Sustainable Investing SI Experience: 5 yrs	
<b>Impact Engagement</b> Advanced corporate engagement to drive portfolio and real-world outcomes supporting clients' return and impact objectives.	<b>Dr. Hans-Christoph Hirt</b> Head of Impact Engagement SI Experience: 21 yrs		
<b>Impact Investing</b> Leading expansion of UBS-AM's impact investing offering, research and impact measurement capabilities	<b>Narina Mnatsakanian</b> Head of Impact Investing SI Experience: 16 yrs		
<b>Impact Investing Governance</b> Developing and implementing best practice sustainable investing policies and methodologies across asset classes	<b>Anne Ackermann Amar</b> Head of Sustainable Investing Governance SI Experience: 12 yrs		
<b>Sustainable Investment Quant Analytics</b> Driving quantitative assessment of ESG risks and opportunities, as well as supporting analyses of sustainability-related regulatory requirements	<b>Rajdip Gosh</b> Head of Sustainable Investment Quant Analytics SI Experience: 5 yrs	<b>Michael Klene</b> Investment Data Scientist – Sustainable Investing SI Experience: 1 yrs	<b>Radek Ogrodnik</b> Investment Data Scientist – Sustainable Investing SI Experience: < 1 yrs
	<b>Kalliroi Prassa</b> Investment Data Scientist – Sustainable Investing SI Experience: 2 yrs	<b>Katerina Papamihail</b> Investment Data Scientist – Sustainable Investing SI Experience: 2 yrs	

## The SI team's responsibilities are organized around the following core activities:

Our SI analysts collaborate with our investment teams to provide guidance, research, data and expertise on best practices around the use of sustainability data to support the integration of ESG in the investment process. Research includes deep dive on sustainability themes, developing sector materiality frameworks and issuer level analysis.

The team is responsible for leading our stewardship activities, including the corporate engagement program and proxy voting. SI analysts are organized by theme, and with regional focus for governance and proxy voting activities. This dual coverage enables us to identify a broad range of sustainability and governance factors at investee companies from both a relative sector level and absolute country-specific level.

The SI specialists are responsible for the design of SI characteristics of SI products and creating customized sustainable investment strategies for clients. Our SI specialists collaborate closely with the SI analysts, our portfolio managers, the products function as well as our client coverage teams. Working closely with client-facing teams is key to better understanding current and developing client needs and identifying market practices. The SI Specialists team also provides education and training on selected topics in the context of sustainability to clients as well as UBS-AM staff to ensure that sustainability fluency is embedded throughout the organization.

SI capability extends beyond the SI team and is embedded in multiple business areas.

Our SI Quant Analytics team drives quantitative assessment of ESG risks and opportunities, as well as supporting analyses of sustainability-related regulatory requirements.

- Risk Analytics & Modelling resources calculate ESG metrics for portfolio management, risk management and reporting.
- Dedicated sustainability related regulatory resources identify regulatory requirements and facilitate regulatory implementations with impacted business areas.
- Real Estate and Private market ESG experts

Across UBS-AM, we have dedicated "SI Ambassadors" representing each of our business areas including Investments, Products, Client Coverage, Data & Research, and our Chief Operating Office. The Ambassadors are points of contact within business areas for training on best practices. They share trends and tools as well as disseminate updates on our SI strategy. In addition, the Ambassadors support the business area's alignment with our SI strategic objectives.

## Training and education

We actively engage in education and awareness raising for employees on corporate responsibility and sustainable investing topics. Through employee onboarding, continuing education, and awareness training, we ensure that our employees understand their responsibilities in complying with our policies and the importance of our sustainability commitments.

**We offer internal and external training on sustainable investing to all employees across the UBS-AM business areas to support and develop our expertise.**

Trainings include foundational courses for all employees as well as role-specific modules on topics such as biodiversity, human rights, and the sustainable investing regulatory landscape. Case studies are included in the training materials as well guidance on implementing the materials into role-specific practices. The SI team also provides investment teams with training on ESG integration, impact investing, and stewardship, including engagement and proxy voting.

Training is recorded and available on-demand and delivered as live teach-in workshops. Our internal training program also includes educational sessions with external speakers, such as the CFA Institute, the IFRS Foundation, the Principles for Responsible Investment (PRI) and MSCI, to ensure we provide an external view on best practices. At a group level our in-house UBS University offering includes a broad range of topics that support ESG awareness and expertise such as inclusive leadership, sustainable investing, health and wellbeing topics. In 2022 UBS launched a firm-wide sustainability training available to all employees. The program was designed by the Chief Sustainability Office to enhance employees understanding of sustainability-related topics and how UBS approaches these topics.

In addition to internal trainings, UBS-AM supports and encourages the attainment of external ESG certificates in particular the CFA ESG Investing Certificate and the EFFAS Certified ESG Analyst. As of end of 2022, 41 colleagues achieved these external ESG certifications.

## Supporting Clients

Through the year we met with clients to provide educational sessions on various sustainability topics such as Net Zero and Climate as well as Sustainability Regulation.

### Incentivizing effective stewardship

Portfolio managers, fundamental analysts and Sustainable Investing (SI) analysts, have specific KPIs included in their performance assessment frameworks which may include:

- Conducting ESG research (metrics on quantitative numbers of reports and qualitative view of quality/relevance)
- ESG integration into the investment process (metrics on maintaining up to date ESG views on issuers, quality of justification of ESG recommendations)
- Progress achieved against engagement objectives (proportion of engagements where progress has been made against set objectives)
- Proxy voting outcomes and sustainability training and education (number of trainings delivered and participation rate metrics)

These incentives were established to ensure the successful implementation of the sustainable investment integration strategy both in relation to research and engagement with investee companies and portfolio management.

In the interest of aligning the objectives of the portfolio managers with the objectives of our clients, there is a strong emphasis on generating long-term sustainable performance.

# Developing ESG expertise throughout our organisation – enablement through education

## ESG Expertise



### Training

### UBS University

### External Certifications

1,600

AM employees participated in Internal Training Program “ESG Talks” in 2022

300

UBS-AM employees participated in Internal Training Sessions customized for Business Area-needs in 2022

50

UBS-AM Graduate Talent Program employees participated in Internal SI training in 2022

400

UBS-AM employees participated in CFA Institute “ESG Masterclass Program” during 2H 2022

41

Employees achieved the following ESG certifications in 2022: CFA ESG Investing Certificate and EFFAS Certified ESG Analyst

35

SI Ambassadors across business areas

# Plus

Firm-wide sustainability training available to all employees

### External speakers series

(PRI, MSCI, IFRS Foundation) to share best practices and update on trends

Source: UBS Asset Management 2022.

Appendix

# 4

## Key policies



# Our Stewardship and Proxy Voting policies provide a reference framework for our stewardship activities.

We review both policies annually and update as necessary in relation to market regulations, client feedback, as well as industry practices, sustainability and stewardship developments. We also consider any regular voting actions we have taken during the year and lessons learned from voting outcomes to identify enhancements to our policy that would add clarity or consistency in the voting process.

We endeavor to capture client feedback received during the period, through formal and informal consultations with our clients and their consultants. This helps us identify the topics that are most important to our clients and also helps us improve the information we provide. For example, we sought and received feedback from our clients supporting the expansion of our thematic engagement approach to include social topics.

## Stewardship policy

UBS-AM's Stewardship Policy outlines the definition of engagement and its inter-relationship with our integration and proxy voting processes, including:

- The integral role of engagement in our fiduciary duty towards our clients
- The importance of engagement as a key constituent in the investment process across both index and active strategies

The policy outlines the following:

- the way in which we prioritize engagement cases.
- an overview of our research process, the sources we use, the topics we address and the company representatives we normally interact with.
- the system we use for defining engagement objectives and tracking progress against those objectives.
- the escalation process we will follow when our dialogue with companies has not produced the required level of success.

Our policy is available on [our dedicated webpage](#).

## Managing potential conflict of interests

Within UBS-AM, our principal objective when considering how to vote, or whether to engage with a company, is to ensure that we fulfil our fiduciary duty by acting in the interests of our clients at all times. UBS and UBS-AM have outlined clear policies for identifying and managing any perceived or actual conflicts of interest. Regular training is provided to all employees in regard to these policies. Our compliance teams manage oversight of our policies. Situations where potential or actual conflicts of interest may arise in connection with our stewardship activities include where:

- The interests of one client conflict with those of another client of UBS-AM;
- UBS-AM invests on behalf of our clients in publicly listed shares of UBS Group AG;
- The listed company whose shareholder meeting is being voted upon is a client of UBS-AM;
- Affiliates within the wider UBS Group act as advisor to the company engaged or we vote on;
- board members or employees of UBS Group AG serve on the board of an external company, where UBS-AM will be voting upon their election to the board;
- The interests of an employee of UBS-AM directly conflict with the interests of a client of UBS-AM.

We have implemented the following guidelines to address these potential conflicts of interest:

- We exercise voting rights in line with UBS-AM guidance and principles and retain a record of any deviation from UBS-AM policies.
- Where UBS-AM is aware of a conflict of interest in voting a particular proxy, a vote will be cast in line with UBS-AM policy guidelines, unless it is identified that such a vote would not be in the best interests of our clients. In that event the Stewardship Committee will review the case.
- As it relates to the voting of UBS shares, we will vote in accordance with our internal conflict process, as with all other companies we invest in for clients. We will document the rationale for our vote. Exceptions to this policy may be appropriate or necessary where the Stewardship Committee determines that it is prudent to engage an independent fiduciary to manage the voting decision and/or process.



We endeavor to capture client feedback received during the period, through formal and informal consultations with our clients and their consultants. This helps us identify the topics that are most important to our clients and also helps us improve the information we provide.

- In the event that UBS-AM is responsible for voting rights over a client portfolio that is invested into units of a publicly traded UBS-AM investment or mutual fund, any such voting rights will not be exercised if the fund announces a meeting of unitholders. In such cases, any voting rights must be exercised directly by the external client or end beneficiary.
- Under no circumstances will our proxy voting decisions be influenced by our general business, sales or marketing, with impacted functions remaining outside of our voting decision process.
- UBS-AM and its affiliates engaged in banking, broker-dealer and investment banking activities (“Affiliates”) have policies in place prohibiting the sharing of certain sensitive information. UBS officers are not permitted to discuss voting intentions with an Affiliate, and if they are contacted by an Affiliate, contrary to our policy, this will be referred to our Compliance and Operational Risk group. The chair of the Stewardship Committee will also be advised, who may advise the President of UBS-AM.
- Where UBS Group has provided seed capital to a fund of UBS-AM any voting rights arising from such capital will not be exercised.
- We provide specific and periodic training for employees outlining their responsibilities in relation to conflicts of interest.
- In seeking to undertake engagement with a listed company we will follow the factors outlined in our prioritization process. Information about the companies we have targeted within our engagement program and progress of dialogue will not be released to other UBS divisions, with the only exception of cases where a public statement is planned. In such cases, we have established a process to share the nature of the statement to be released and the company of interest with an identified UBS AG department entitled to receive such information. However, final decisions to make public statements on investee companies remain at the discretion of UBS-AM.

We report on the number of conflicts identified in 2022 and how they were mitigated in Section 6 of this report.

## External service providers and vendors.

### Use of ESG research service providers

In order to conduct our research and identify companies with high ESG risks and opportunities, we use various third parties which specialize in overall ESG assessments and/or thematic research on specific topics and sectors. Many of these sources are formally included in our ESG Dashboard covering both our listed equity and fixed income holdings. Others are accessed by our SI and investment analysts, complementing quantitative insights with their own in-depth research on specific stocks.

When selecting ESG service providers to work with we take into consideration:

- Years of experience in the industry
- Universe of coverage both from a sector and geographic perspective
- Number and expertise of researchers
- Transparency and quality of the underlying methodology for ESG assessments
- Clarity on conclusions achieved and underlying data used
- Ability to provide information tailored for our (and our clients’) needs
- Complementarity and added value in comparison with similar offerings by other peers.

Third-party research is available and used by our analysts. However, our final conclusions on a company ESG profile and areas for engagements might differ with the opinions of individual service providers. During our meetings with management, we often clarify how we evaluate and use external research.

## Client communication

Client reporting is generally provided quarterly.

Quarterly investment reports include quantitative and qualitative information related to the portfolio, including trading and holding information.

Stewardship activity, being engagement case studies and voting information, is reported quarterly, but is also available for different reporting periods and formats to meet individual client requirements.

In our stewardship reports we provide case studies across regions and sectors, with information related to those companies we decided to engage with, the issues addressed and progress made. Where possible we will disclose case studies include company names.

Portfolio specific voting information includes all voting activity during the reporting period, including explanations for reasons where we did not support company management, as well as statistical analysis.

Many of our clients across different regions have expanded reporting obligations to their beneficiaries.

We are able to report in accordance with the format introduced by the PLSA (Pensions and Lifetime Savings Association), including details of significant votes, as well as engagement reporting following the guidance of the Investment Consultant Sustainability Working Group (ICSWG).

## External assurances

### **UBS Group AG**

#### *ISO 14001 Audit*

UBS is globally certified according to ISO 14001, the international environmental management system standard.

The environmental management system covers the entire scope of UBS products, services and in-house operations that may give rise to an environmental impact.

In 1999, UBS was the first bank to obtain ISO 14001 certification for its worldwide environmental management system. Since then, we have successfully passed the ISO 14001 audits every year.

Within the scope of this audit are also UBS-AM's engagement and proxy voting activities. The implementation of the environmental management system requires each division to set clear, actionable goals against which they must report and are subsequently audited. Our stewardship activities fall within the scope of that goal setting.

#### *GRI Audit*

As part of UBS Group AG's annual reporting, a sustainability report is published in accordance with GRI reporting standards. Within this report, UBS-AM discloses its engagement and proxy voting activities, with a specific focus on E and S topics. The sustainability report is audited externally to ensure that all data provided, including UBS-AM's stewardship data, is free from material misstatements.

Further information regarding the ISO 14001 audit and GRI audit can be found in the most recent [UBS sustainability report](#).

### **UBS Asset Management**

#### *Internal audit*

In addition to the Stewardship Committee's oversight, we review our stewardship approach annually, in order to take into account regulatory updates and changes to best practice.

An internal audit of our approach took place in 2022. As explained in our 2021 Stewardship report, we do not consider external validation of our activities to be required at this stage. However, we continue to monitor the opportunities available in this area and would welcome client feedback on this particular topic.

Appendix

# 5

## Promoting well-functioning markets



# We recognize that we have a role in shaping market improvements and developments, through collaboration with peers and discussions with policy makers and standard setters.

It is our ambition to support the development of regulatory standards globally. We achieve this through interaction with our trade associations, regulators, and other policymakers. The UBS-AM Regulatory Management function is focused on SI regulatory oversight and implementation. The Regulatory Management team stays abreast of regulatory developments, identifies regulatory requirements, conducts impact assessments to identify required business and system changes, and facilitates regulatory implementations with impacted business areas.

The SI team additionally participates in working groups and initiatives aimed at enhancing standard setting, related to sustainability, ESG and stewardship topics.

This governance structure provides practical insights into the fast-moving regulatory landscape and helps to identify and respond to market-wide consultations, as well as identify risks posed to the financial system. In this section we expand on some of the key initiatives in which we participated through 2022.

## Regional initiatives

While our engagement in the EU has continued during 2022 given its leadership in developing a comprehensive SI framework, regulatory developments have continued to grow across jurisdictions.

The main initiatives that we have worked on are outlined in the table below.

### European Union

- Further Guidance and Developments under the Sustainable Finance Disclosure Regulation (SFDR) including the detailed Level 2 Requirements.
- Proposals for the Corporate Sustainability Disclosure Reporting Directive (CSRD) and Corporate Sustainability Due Diligence Directive (CSDDD).
- ESMA's Consultation on Guidelines for Funds using ESG/ Sustainability Terms in their Name.

### United Kingdom

- Implementation of UK Climate-related Disclosures Requirements for Asset Managers and Life Insurers.
- FCA's Consultation Paper on Sustainability Disclosure Requirements and Investment Labels.

### United States

- SEC's Proposed Rules on ESG Disclosures for Asset Managers and Amendments to Names Rule.

### Switzerland

- AMAS Self-Regulation on Transparency and Disclosure for Sustainability-related Collective Assets.
- Guidelines of the Swiss Bankers' Association for the Integration of ESG-preferences and ESG-risks into Investment Advice and Portfolio Management.
- UBS provided input to the Swiss State Secretariat for International Finance (SIF) on how to Mainstream Impact investments.
- UBS provided input to the new ESG reporting standard of the trade association of Swiss pension funds.
- UBS provided input to the Swiss State Secretariat for International Finance (SIF) on the Future Swiss Sustainable Finance framework, with a focus on climate reporting and metrics.

### APAC

- Taiwan FSC ESG Risk Management and Disclosure Regime.
- Singapore MAS Disclosures Requirements for Retail ESG Funds.
- Japan Financial Service Agency's Consultation on Proposed ESG Fund Disclosures Requirements.
- Australia Treasury Consultation on Climate-Related Financial Disclosure.

Appendix

# 6

## Working together



# Schedule of group initiatives

UBS-AM is currently a member of, or supporting, the following global groups and initiatives:

- 30% Club
- Access to Medicine Index
- Access to Nutrition Index
- Asset Management Association Switzerland (AMAS)
- Asian Corporate Governance Association (ACGA)
- Asia Securities Industry and Financial Markets (ASIFMA)
- CDP
- Climate Action 100+
- DNB SDG Impact Assessment Working Group
- European Fund and Asset Management Association (EFAMA)
- Farm Animal Investment Risk and Return (FAIRR) initiative
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Hong Kong Green Finance Association (HKGFA)
- IFC Operating Principles for Impact Management
- Institutional Investors Group on Climate Change (IIGCC)
- International Corporate Governance Network (ICGN)
- Investor Alliance for Human Rights
- Investor Environmental Health Network
- Investor Stewardship Group Switzerland
- Italian Sustainable Investment Forum - Forum for the Finanza Sostenibile
- Leading Harvest Farmland Management Standard
- National Association of Real Estate Investment Managers
- Net Zero Asset Managers Initiative
- One Planet Asset Manager Initiative
- Principles for Responsible Investment (PRI)
- Sustainability Accounting Standards board (SASB)
- Swiss Sustainable Finance (SSF)
- Taskforce on Climate Related Financial Disclosure (TCFD)
- The Biopharma Investor Initiative
- The Chemical Footprint Project
- Transition Pathway Initiative (TPI)
- UK Governance Forum
- UK Investment Association (IA)
- UK Investor Forum
- ULI - Urban Land Institute
- US Green Building Council
- Value Reporting Foundation

**For a full list of initiatives supported by UBS AG, please refer to the Supplementary information document of UBS' Sustainability Report 2022.**



# Collaboration

As part of our commitment to support investor networks and drive the ESG agenda in financial markets, we see a clear benefit in working with other investors and stakeholders, including collective engagement with investee companies.

Where we believe the effectiveness of engagement and the chance of success can be increased, we are keen to work both formally and informally with collective bodies, or to collaborate with other shareholders. By speaking to companies with a unified voice, investors can communicate their views more effectively while allowing the companies to focus on a smaller and more coordinated number of requests from the financial community.

Collaboration with peers and our clients can bring clear benefits, such as building knowledge and skills, sharing resources and increasing attention from corporate management. However, there is a chance that negotiation and coordination costs might hamper the advantages of collaboration.

Therefore, at the outset, we always confirm that:

1. Working with other investors is permitted by law and/or regulation. This leads our decision.
2. A general alignment of views and agreement on issues of concern and potential solutions exists.
3. Dialogue will be undertaken privately.
4. We have the resources to effectively contribute to the research of, and dialogue with, selected companies.

We assess the outcomes of the collective engagements we participate in by using the same criteria we apply to our individual engagements. These assessments focus on progress against agreed engagement objectives .

Collective engagements are not the only channel for us to work with other stakeholders. We are active members of industry working groups and advisory committees to advance standard setting on key ESG strategic issues. We assess the effectiveness of these initiatives through the quality of final deliverables and alignment with our internal positions.



# Groups that we worked with in 2022

## Industry collaborations

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### **Climate Action 100+**

Climate Action 100+ is a collaborative engagement initiative coordinated by five partner organizations: Asia Investor Group on Climate Change (AIGCC); Ceres; Investor Group on Climate Change (IGCC); Institutional Investors Group on Climate Change (IIGCC) and Principles for Responsible Investment (PRI).

We are currently directly involved in 26 coalitions of investors within Climate Action 100+ and leading 6 company engagements.

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### **UK Investor Forum**

We are a founding member of the UK Investor Forum, a not-for-profit organization founded in 2014 following the findings from the Kay Review. We strongly support the ethos and objectives of the Forum. The Forum supports investors to work collectively to escalate material issues with the board of UK-listed companies, with the aim to help build and restore trust between companies and their shareholders, which leads to better informed boards and a stronger level of trust and understanding – ultimately resulting in sustainable long-term return for savers.

Their annual review for 2022 can be found at <https://www.investorforum.org.uk/annual-review-2022/>, including specific case studies of engagement undertaken during the year and forum discussion panels on a range of topics.

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### **Asset Management Association Switzerland (AMAS)**

We are members of the Asset Management Association Switzerland/Swiss Sustainable Finance (SSF) Working Group on Sustainable Asset Management

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### **UK Investment Association (IA) working groups on climate change**

We participate in the UK Investment Association (IA) Working Group on climate change, which has the following main objectives:

- Working with asset owners, investors and savers to make informed choices
  - Integrity, quality and consistency in climate disclosure
  - Supporting UK policy action to achieve net zero and set a global example
- 

### **Institutional Investors Group on Climate Change (IIGCC)**

We participated in the Institutional Investors Group on Climate Change Roundtable on a Net Zero Standard for the Diversified Mining sector.

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### **Access to Nutrition (ATNI)**

We signed the Investor Expectations on Diets, Nutrition and Health and engage collaboratively with companies in the Access to Nutrition Index since Q2 2021. The Access to Nutrition Foundation is an independent not-for-profit organization based in the Netherlands. They focus on developing tools and initiatives that track and drive the contribution made by the food and beverage sector to addressing the world's global nutrition challenges.

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**Investor Alliance for Human Rights**

We joined the Alliance in Q4 2021. The Investor Alliance provides institutional investors with a platform to engage companies on human rights risks and responsible management of those risks. We have joined the collaborative engagement that calls on Companies to Improve Performance on the Corporate Human Rights Benchmark

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**FAIRR**

Farm Animal Investment Risk & Return (FAIRR) initiative is a collaborative investor network that raises awareness of the material ESG risks and opportunities caused by intensive livestock production. We are members of the initiative and are actively involved in the collaborative sustainable protein supply chain engagement program.

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**SFAMA**


We are members of the Asset Management Association Switzerland/Swiss Sustainable Finance (SSF) Working Group on Sustainable Asset Management.

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**Principles for Responsible Investment**

As are signatories to the UN PRI. Our latest reports can be found on the website, at [www.unpri.org](http://www.unpri.org). During the year we participated in various PRI workshops and provided input to a PRI consultation focusing on the passive investment market and its influence on responsible investment.

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 Collective discussions are not the only channel for us to work with our peers and raise awareness on sustainable investing.

We are also active members of industry association's working groups and advisory committees to advance standard setting on key ESG strategic issues for UBS Asset Management. We assess the effectiveness of these initiatives through the quality of final deliverables and alignment with our internal positions.

**Trade Associations (SI Specific)***Global*

ICI Global  
International Capital Markets Association (ICMA)  
Impact Management Project

*Europe*

Association of the Luxembourg Fund Industry (ALFI)  
Asset Management Association Switzerland (AMAS)  
Bundesverband Investment und Asset Management (BVI)  
European Fund and Asset Management Association (EFAMA)  
The UK Investment Association (IA)  
De Nederlandsche Bank Sustainable Development Goals  
Swiss Bankers Association (SBA)  
Swiss Sustainable Finance (SSF)

*United States*

The Investment Company Institute (ICI)

*APAC*

Asia Securities Industry and Financial Markets (ASIFMA)  
Hong Kong Investment Funds Association (HKIFA)  
Investment Management Association of Singapore (IMAS)



Appendix

# 7

## Schedule of companies we engaged with in 2022



# Companies listed A–Z

Company name	Topics
3i Group plc	Leadership; Proxy Voting Procedure; Strategy/purpose
ABB Ltd.	Remuneration
Abbott Laboratories	Public Health; Board effectiveness: Independence/Oversight; Shareholder rights
Abrdn plc	Strategy/purpose
Accenture Plc Class A	Board effectiveness: Other; Proxy Voting Procedure; Risk Management
Activision Blizzard, Inc.	Human and labor rights; Human capital management; Remuneration; Board effectiveness: Independence/Oversight; Board effectiveness: Other; Strategy/purpose
Admiral Group plc	Strategy/purpose
Advanced Drainage Systems, Inc.	Pollution, Waste; Human capital management
AGCO Corporation	Climate Change; Human capital management; Board effectiveness: Other; Impact revenue/opex/capex/R&D; Supply chain management
AGL Energy Limited	Climate Change
AIA Group Limited	Proxy Voting Procedure
AIB Group plc	Human and labor rights; Impact revenue/opex/capex/R&D; Climate Change
Air Products and Chemicals, Inc.	Climate Change; Capital Allocation
Aker Carbon Capture ASA	Climate Change; Strategy/purpose
Alcon AG	Conduct, culture, ethics; Human capital management; Board effectiveness: Other; Impact revenue/opex/capex/R&D
Alibaba Group Holding Ltd.	Climate Change; Remuneration; Board effectiveness: Independence/Oversight; Proxy Voting Procedure; Reporting; Conduct, culture, ethics; Board effectiveness: Other; Leadership; Human capital management;
Allstate Corporation	Climate Change; Natural resource use/Biodiversity; Human and labor rights; Supply chain management; Capital Allocation; Financial Performance; Strategy/purpose; Risk Management
Ally Financial Inc	Human and labor rights; Human capital management; Capital Allocation; Financial Performance; Risk Management; Strategy/purpose
Alpha Bank SA	Climate Change
Amazon.com, Inc.	Conduct, culture, ethics; Human capital management; Remuneration; Reporting; Human and labor rights; Board effectiveness: Other
America Movil SAB de CV Class L	Human capital management; Impact revenue/opex/capex/R&D
American Electric Power Company, Inc.	Climate Change
Ameriprise Financial, Inc.	Human capital management; Remuneration; Capital Allocation; Financial Performance; Strategy/purpose; Leadership
Amsted Industries Incorporated	Climate Change; Natural resource use/Biodiversity; Pollution, Waste; Human and labor rights; Human capital management; Reporting
ANDRITZ AG	Human and labor rights; Human capital management
Anglo American plc	Climate Change
Antin Infrastructure Partners	Remuneration; Board effectiveness: Independence/Oversight; Shareholder rights

Company name	Topics
Aon Plc Class A	Human and labor rights; Human capital management; Remuneration; Capital Allocation; Risk Management; Reporting
APA Corp.	Climate Change; Capital Allocation; Impact revenue/opex/capex/R&D
Apple Inc.	Remuneration; Board effectiveness: Other
Aptiv PLC	Climate Change; Supply chain management; Capital Allocation; Strategy/purpose; Impact revenue/opex/capex/R&D
Aroundtown SA	Climate Change; Natural resource use/Biodiversity; Pollution, Waste; Reporting; Financial Performance
Ascent Resources LLC	Pollution, Waste; Remuneration; Board effectiveness: Independence/Oversight; Reporting
Ashtead Group plc	Board effectiveness: Diversity; Remuneration; Proxy Voting Procedure; Capital Allocation
Assicurazioni Generali S.p.A.	Remuneration
AstraZeneca PLC	Remuneration; Leadership; Proxy Voting Procedure
Aurizon Holdings Ltd.	Climate Change; Pollution, Waste; Strategy/purpose
Ausgrid Finance Pty Ltd.	Climate Change; Conduct, culture, ethics; Human and labor rights; Human capital management; Remuneration; Reporting; Shareholder rights; Capital Allocation; Strategy/purpose; Risk Management; Impact revenue/opex/capex/R&D
Autodesk, Inc.	Human capital management; Impact revenue/opex/capex/R&D
AvalonBay Communities, Inc.	Human and labor rights; Financial Performance
Aviva plc	Capital Allocation; Strategy/purpose
AXA SA	Conduct, culture, ethics; Remuneration; Financial Performance; Capital Allocation; Strategy/purpose
Baloise-Holding AG	Remuneration
Banco Santander, S.A.	Climate Change; Remuneration
Banque Cantonale de Fribourg	Climate Change; Conduct, culture, ethics
Barclays PLC	Climate Change; Board effectiveness: Diversity; Proxy Voting Procedure; Board effectiveness: Independence/Oversight; Risk Management
Barry Callebaut AG	Board effectiveness: Diversity; Board effectiveness: Independence/Oversight
Befesa SA	Climate Change; Natural resource use/Biodiversity; Remuneration; Board effectiveness: Other; Reporting
Berkeley Group Holdings plc	Remuneration; Proxy Voting Procedure
BHP Group Ltd	Climate Change
Bloomin' Brands, Inc.	Climate Change; Conduct, culture, ethics; Remuneration; Board effectiveness: Independence/Oversight; Shareholder rights
BNP Paribas S.A. Class A	Climate Change; Remuneration; Proxy Voting Procedure
BP p.l.c.	Remuneration
Brambles Limited	Remuneration; Proxy Voting Procedure

Company name	Topics
Bunge Limited	Climate Change; Natural resource use/Biodiversity; Human and labor rights; Board effectiveness: Diversity
Burckhardt Compression Holding AG	Climate Change; Remuneration; Board effectiveness: Independence/Oversight; Board effectiveness: Other
Burkhalter Holding AG	Strategy/purpose
California Resources Corporation	Climate Change; Reporting; Capital Allocation; Strategy/purpose; Impact revenue/opex/capex/R&D; Reporting
Canadian Pacific Railway Limited	Climate Change; Human capital management; Risk Management; Impact revenue/opex/capex/R&D
Capital One Financial Corp	Conduct, culture, ethics; Human and labor rights; Human capital management; Capital Allocation; Financial Performance; Risk Management
Carnival Corporation	Remuneration
Carvana Co.	Conduct, culture, ethics; Human capital management; Remuneration; Board effectiveness: Independence/Oversight; Shareholder rights
Centuria Industrial REIT	Climate Change
CF Industries Holdings, Inc.	Climate Change; Natural resource use/Biodiversity; Pollution, Waste; Impact revenue/opex/capex/R&D
Chevron Corporation	Climate Change
China Medical System Holdings Ltd.	Board effectiveness: Independence/Oversight; Proxy Voting Procedure; Shareholder rights
China Mengniu Dairy Co., Ltd.	Climate Change; Pollution, Waste; Public Health
China Vanke Co., Ltd	Reporting
Chocoladefabriken Lindt & Spruengli AG	Remuneration; Board effectiveness: Independence/Oversight; Leadership
Chugai Pharmaceutical Co., Ltd.	Human capital management; Board effectiveness: Diversity; Impact revenue/opex/capex/R&D
Cie Generale des Etablissements Michelin SA	Remuneration; Capital Allocation
Citizens Financial Group, Inc.	Human capital management; Capital Allocation
Coca-Cola Company	Public Health
COMET Holding AG	Conduct, culture, ethics; Human capital management; Strategy/purpose; Leadership
Commerzbank AG	Climate Change; Remuneration; Reporting; Risk Management
Commonwealth Bank of Australia	Climate Change; Remuneration; Leadership; Proxy Voting Procedure
Community Health Systems, Inc.	Pollution, Waste; Human and labor rights; Reporting
Compagnie Financiere Richemont SA	Remuneration; Board effectiveness: Independence/Oversight; Board effectiveness: Other
Constellation Brands, Inc.	Natural resource use/Biodiversity; Human and labor rights; Human capital management; Climate Change; Board effectiveness: Independence/Oversight; Reporting; Shareholder rights
Coronado Global Resources Inc.	Climate Change; Pollution, Waste; Capital Allocation; Strategy/purpose
Costco Wholesale Corporation	Climate Change; Remuneration; Board effectiveness: Independence/Oversight
Country Garden Services Holdings Co. Ltd.	Board effectiveness: Diversity; Proxy Voting Procedure; Capital Allocation

Company name	Topics
Coursera Inc	Board effectiveness: Independence/Oversight; Board effectiveness: Other; Impact revenue/opex/capex/R&D
Credit Agricole SA	Conduct, culture, ethics; Capital Allocation
Credit Suisse Group AG	Climate Change; Conduct, culture, ethics; Remuneration; Capital Allocation; Strategy/purpose
Croda International Plc	Remuneration
CSL Limited	Human capital management; Inequality; Remuneration; Proxy Voting Procedure
CSPC Pharmaceutical Group Limited	Board effectiveness: Diversity; Remuneration; Proxy Voting Procedure
Dai-ichi Life Holdings, Inc.	Climate Change; Conduct, culture, ethics; Reporting; Strategy/purpose; Impact revenue/opex/capex/R&D
Danone SA	Remuneration, Public Health
Dell Technologies, Inc.	Conduct, culture, ethics; Human and labor rights; Human capital management; Remuneration; Board effectiveness: Independence/Oversight; Leadership; Capital Allocation; Strategy/purpose
Denali Therapeutics Inc.	Remuneration; Board effectiveness: Independence/Oversight; Board effectiveness: Other
Derichebourg SA	Board effectiveness: Independence/Oversight
Diamondback Energy	Climate Change
Digital Realty Trust, Inc.	Climate Change; Natural resource use/Biodiversity; Board effectiveness: Diversity; Remuneration
DigitalOcean Holdings, Inc.	Human capital management; Remuneration; Board effectiveness: Independence/Oversight; Leadership; Reporting; Shareholder rights; Risk Management
Diversey Holdings, Ltd.	Climate Change; Human and labor rights; Human capital management; Strategy/purpose; Remuneration; Board effectiveness: Independence/Oversight; Board effectiveness: Other; Shareholder rights; Risk Management; Natural resource use/Biodiversity; Supply chain management
Dollar General Corporation	Board effectiveness: Diversity; Remuneration; Board effectiveness: Independence/Oversight; Leadership, Reporting
Dominion Energy Inc	Climate Change; Capital Allocation; Natural resource use/Biodiversity
dormakaba Holding AG	Board effectiveness: Diversity; Remuneration
Duke Energy Corporation	Climate Change
Ecolab Inc.	Climate Change; Board effectiveness: Independence/Oversight; Impact revenue/opex/capex/R&D
Ecopro BM Co., Ltd.	Board effectiveness: Independence/Oversight; Reporting
EDP-Energias de Portugal SA	Climate Change; Capital Allocation
Electronic Arts Inc.	Human capital management; Remuneration; Board effectiveness: Independence/Oversight; Reporting
Enact Holdings Inc	Strategy/purpose
Enel SpA	Climate Change; Remuneration; Board effectiveness: Independence/Oversight; Shareholder rights
Eni S.p.A.	Climate Change
EnQuest PLC	Climate Change; Capital Allocation; Strategy/purpose; Impact revenue/opex/capex/R&D

Company name	Topics
Equinor ASA	Climate Change
ERAC USA Finance LLC	Climate Change; Pollution, Waste; Conduct, culture, ethics; Human and labor rights; Human capital management; Remuneration; Board effectiveness: Independence/Oversight; Shareholder rights
Evoqua Water Technologies Corp	Human and labor rights; Human capital management; Reporting; Risk Management; Supply chain management; Shareholder rights
Extra Space Storage Inc.	Climate Change; Natural resource use/Biodiversity; Pollution, Waste; Reporting; Financial Performance
Exxon Mobil Corporation	Climate Change; Remuneration; Board effectiveness: Independence/Oversight, Capital Allocation
Farmland Partners Inc	Natural resource use/Biodiversity; Pollution, Waste; Conduct, culture, ethics; Human capital management; Inequality; Public Health; Leadership; Shareholder rights; Capital Allocation; Financial Performance; Strategy/purpose
Faurecia Societe europeenne	Strategy/purpose; Risk Management
Federal Farm Credit Banks Funding Corp.	Pollution, Waste; Human and labor rights
Fertiglobe Plc	Climate Change; Strategy/purpose; Impact revenue/opex/capex/R&D
First Republic Bank	Human and labor rights; Human capital management; Board effectiveness: Other; Leadership; Reporting; Capital Allocation; Financial Performance
Fluidra, S.A.	Financial Performance
Fortum Oyj	Climate Change
Galapagos NV	Human capital management; Public Health; Impact revenue/opex/capex/R&D; Remuneration; Board effectiveness: Independence/Oversight; Leadership
Galenica AG	Remuneration; Board effectiveness: Other; Reporting
Galp Energia, SGPS S.A. Class B	Climate Change; Natural resource use/Biodiversity; Impact revenue/opex/capex/R&D
Genmab A/S	Public Health; Remuneration; Strategy/purpose
Georg Fischer AG	Remuneration; Proxy Voting Procedure
Glencore plc	Climate Change; Pollution, Waste; Human and labor rights; Board effectiveness: Diversity
Globe Life Inc.	Inequality; Public Health; Reporting; Capital Allocation; Financial Performance; Risk Management
Goldman Sachs Group, Inc.	Conduct, culture, ethics; Reporting; Strategy/purpose; Risk Management
Goodman Group	Board effectiveness: Diversity; Remuneration; Proxy Voting Procedure
Goosehead Insurance, Inc. Class A	Human and labor rights; Human capital management; Remuneration; Financial Performance
GSK plc	Reporting; Public Health; Remuneration
Guardant Health, Inc.	Remuneration; Board effectiveness: Other; Shareholder rights; Risk Management
H. Lundbeck A/S	Board effectiveness: Independence/Oversight; Shareholder rights
Haleon PLC	Remuneration
Halma plc	Board effectiveness: Diversity; Remuneration; Proxy Voting Procedure
Hana Materials Inc.	Climate Change; Pollution, Waste; Board effectiveness: Independence/Oversight; Reporting



Company name	Topics
Hansol Chemical Co., Ltd	Natural resource use/Biodiversity; Pollution, Waste; Reporting
Hargreaves Lansdown plc	Remuneration
Hartford Financial Services Group, Inc.	Human capital management; Public Health; Financial Performance
Helvetia Holding Ltd	Climate Change; Strategy/purpose
Hess Corporation	Climate Change
Hitachi,Ltd.	Reporting
Holcim Ltd	Climate Change; Human and labor rights
Home Depot, Inc.	Natural resource use/Biodiversity
Hon Hai Precision Industry Co., Ltd.	Human and labor rights
HSBC Holdings Plc	Remuneration; Climate Change; Strategy/purpose
Hyundai Motor Company	Climate Change; Pollution, Waste; Human and labor rights; Inequality; Supply chain management; Board effectiveness: Diversity; Remuneration; Board effectiveness: Independence/Oversight; Reporting; Strategy/purpose; Impact revenue/opex/capex/R&D
Iberdrola SA	Climate Change; Remuneration; Capital Allocation
ICL Group Ltd.	Climate Change; Pollution, Waste
Idorsia Ltd.	Remuneration
Imperial Brands PLC	Capital Allocation
Imperial Oil Limited	Climate Change
Infineon Technologies AG	Human and labor rights; Human capital management
Informa Plc	Remuneration
Ingersoll Rand Inc.	Climate Change; Pollution, Waste; Human and labor rights; Human capital management; Strategy/purpose
Inner Mongolia Yili Industrial Group Co., Ltd.	Human and labor rights; Public Health; Climate Change; Natural resource use/Biodiversity; Pollution, Waste; Board effectiveness: Independence/Oversight; Reporting; Strategy/purpose
Insurance Australia Group Ltd	Board effectiveness: Diversity
Intel Corporation	Board effectiveness: Other; Remuneration
International Business Machines Corporation	Conduct, culture, ethics; Human and labor rights; Human capital management; Board effectiveness: Diversity; Remuneration; Shareholder rights
International Container Terminal Services, Inc.	Conduct, culture, ethics; Human and labor rights; Board effectiveness: Diversity; Remuneration; Board effectiveness: Independence/Oversight; Reporting; Risk Management
International Petroleum Corp.	Climate Change
Interroll Holding AG	Climate Change; Human capital management; Leadership; Strategy/purpose
Invitation Homes, Inc.	Reporting
Italmobiliare S.p.A.	Climate Change
Ithaca Energy Holdings (UK) Ltd.	Climate Change; Natural resource use/Biodiversity; Shareholder rights
ITV PLC	Board effectiveness: Independence/Oversight; Leadership; Reporting; Capital Allocation; Financial Performance; Strategy/purpose

Company name	Topics
IWG Plc	Board effectiveness: Independence/Oversight; Leadership
J Sainsbury plc	Inequality
Jardine Cycle & Carriage Limited	Climate Change; Capital Allocation; Strategy/purpose
Jardine Matheson Holdings Limited	Climate Change; Natural resource use/Biodiversity; Capital Allocation
Johnson & Johnson	Conduct, culture, ethics; Public Health; Remuneration; Risk Management; Inequality; Leadership
JPMorgan Chase & Co.	Conduct, culture, ethics; Human capital management; Remuneration; Board effectiveness: Other; Leadership; Proxy Voting Procedure; Reporting; Shareholder rights; Capital Allocation; Financial Performance; Strategy/purpose; Risk Management
JTOWER, Inc.	Human capital management; Board effectiveness: Independence/Oversight; Reporting; Shareholder rights
Julius Baer Gruppe AG	Human capital management; Remuneration; Board effectiveness: Other; Strategy/purpose
KBC Group N.V.	Remuneration; Shareholder rights
Kingsoft Corp. Ltd.	Board effectiveness: Independence/Oversight; Proxy Voting Procedure
Kingspan Group Plc	Proxy Voting Procedure
KLA Corporation	Climate Change; Board effectiveness: Independence/Oversight; Board effectiveness: Other
Knorr-Bremse AG	Board effectiveness: Independence/Oversight; Board effectiveness: Other; Leadership; Shareholder rights; Capital Allocation; Strategy/purpose; Financial Performance; Impact revenue/opex/capex/R&D
Koninklijke Philips N.V.	Remuneration; Financial Performance; Human capital management; Supply chain management; Leadership; Strategy/purpose; Risk Management
Korea Electric Power Corporation	Climate Change
Laboratory Corporation of America Holdings	Human capital management; Board effectiveness: Diversity; Board effectiveness: Independence/Oversight; Impact revenue/opex/capex/R&D
LANXESS AG	Climate Change
Lazard Ltd	Conduct, culture, ethics; Human and labor rights; Leadership; Shareholder rights; Capital Allocation
LifePoint Health, Inc.	Climate Change; Human capital management; Board effectiveness: Independence/Oversight; Reporting
Linde plc	Climate Change; Natural resource use/Biodiversity; Public Health; Human and labor rights; Human capital management; Impact revenue/opex/capex/R&D
London Stock Exchange Group plc	Conduct, culture, ethics; Human capital management; Strategy/purpose
Longfor Group Holdings Ltd.	Board effectiveness: Diversity; Board effectiveness: Independence/Oversight; Proxy Voting Procedure
Majorel Group Luxembourg S.A.	Board effectiveness: Other; Shareholder rights; Strategy/purpose
Manila Water Co. Inc.	Climate Change; Conduct, culture, ethics; Board effectiveness: Diversity; Board effectiveness: Other; Reporting; Risk Management
Marathon Oil Corporation	Climate Change
Maravai Lifesciences Holdings, Inc.	Human and labor rights; Human capital management; Board effectiveness: Independence/Oversight; Reporting; Shareholder rights; Risk Management

Company name	Topics
Marlowe Plc	Remuneration; Leadership; Proxy Voting Procedure
Marqeta, Inc. Class A	Human and labor rights
Medical Properties Trust	Climate Change; Remuneration
Mediobanca - Banca di Credito Finanziario S.p.A.	Climate Change; Remuneration
Meituan Class B	Human and labor rights
Micron Technology, Inc.	Climate Change, Impact revenue/opex/capex/R&D
Microsoft Corporation	Climate Change; Human and labor rights; Board effectiveness: Diversity; Remuneration
Mondelez International, Inc.	Human and labor rights; Public Health; Supply chain management; Board effectiveness: Diversity; Remuneration; Board effectiveness: Other
Monster Beverage Corporation	Board effectiveness: Independence/Oversight
Montrose Environmental Group Inc	Climate Change; Natural resource use/Biodiversity; Pollution, Waste; Human capital management; Remuneration; Board effectiveness: Independence/Oversight; Reporting; Strategy/purpose; Risk Management; Impact revenue/opex/capex/R&D; Proxy Voting Procedure; Shareholder rights
MPLX LP	Supply chain management; Remuneration; Board effectiveness: Independence/Oversight; Board effectiveness: Other; Reporting; Risk Management
MSA Safety, Inc.	Human and labor rights
MSCI Inc.	Capital Allocation; Human and labor rights
National Australia Bank Limited	Climate Change
National Express Group PLC	Remuneration
NatWest Group Plc	Climate Change; Remuneration
Nestle S.A.	Inequality; Public Health; Remuneration; Capital Allocation; Strategy/purpose
Netflix, Inc.	Remuneration; Board effectiveness: Independence/Oversight; Reporting; Shareholder rights
New World Development Co. Ltd.	Board effectiveness: Independence/Oversight; Board effectiveness: Other
NEXUS AG	Remuneration; Board effectiveness: Independence/Oversight; Risk Management
NIKE, Inc.	Supply chain management; Board effectiveness: Diversity; Remuneration; Board effectiveness: Independence/Oversight; Board effectiveness: Other; Human and labor rights; Human capital management
Nissan Motor Co., Ltd.	Climate Change; Pollution, Waste; Board effectiveness: Independence/Oversight; Leadership; Financial Performance; Risk Management
Novartis AG	Public Health
OBIC Business Consultants Co., Ltd.	Board effectiveness: Independence/Oversight
OC Oerlikon Corporation AG	Remuneration; Board effectiveness: Independence/Oversight
Occidental Petroleum Corporation	Climate Change; Capital Allocation; Impact revenue/opex/capex/R&D
OCI NV	Climate Change; Capital Allocation; Strategy/purpose
Okta, Inc.	Remuneration; Board effectiveness: Independence/Oversight; Leadership; Shareholder rights

Company name	Topics
On Holding AG	Pollution, Waste; Supply chain management; Board effectiveness: Independence/Oversight; Shareholder rights; Strategy/purpose; Climate Change; Remuneration; Leadership; Proxy Voting Procedure; Financial Performance; Impact revenue/opex/capex/R&D
Origin Energy Limited	Climate Change; Human and labor rights
Orpea SA	Conduct, culture, ethics; Human and labor rights; Public Health; Financial Performance; Impact revenue/opex/capex/R&D
Osisko Development Corp	Climate Change; Pollution, Waste
Paprec Holding SA	Board effectiveness: Independence/Oversight; Reporting
Partners Group Holding AG	Remuneration
Persimmon Plc	Conduct, culture, ethics; Remuneration; Leadership; Strategy/purpose
Petrofac Limited	Climate Change; Impact revenue/opex/capex/R&D
Petroleo Brasileiro SA	Climate Change
Phillips 66	Climate Change; Pollution, Waste; Remuneration; Board effectiveness: Independence/Oversight; Leadership
Pinterest, Inc.	Conduct, culture, ethics; Human and labor rights; Human capital management; Remuneration; Board effectiveness: Independence/Oversight; Leadership; Reporting
PNC Financial Services Group, Inc.	Climate Change; Board effectiveness: Diversity; Board effectiveness: Independence/Oversight
Power Corporation of Canada	Climate Change; Natural resource use/Biodiversity; Pollution, Waste; Human capital management; Remuneration; Leadership; Shareholder rights; Capital Allocation; Strategy/purpose; Risk Management
PrairieSky Royalty Ltd	Climate Change; Financial Performance
Procter & Gamble Company	Human and labor rights; Human capital management
Prosus N.V.	Remuneration; Proxy Voting Procedure
Prudential plc	Board effectiveness: Independence/Oversight; Leadership; Proxy Voting Procedure; Capital Allocation
Prysmian S.p.A.	Remuneration; Climate Change
PT Bank Mandiri (Persero) Tbk	Human and labor rights; Impact revenue/opex/capex/R&D; Shareholder rights
Pure Storage, Inc.	Impact revenue/opex/capex/R&D; Climate Change; Pollution, Waste; Supply chain management
Qantas Airways Limited	Remuneration; Proxy Voting Procedure
Raiffeisen Bank International AG	Strategy/purpose; Capital Allocation
Recruit Holdings Co., Ltd.	Climate Change; Human capital management; Impact revenue/opex/capex/R&D; Board effectiveness: Diversity
Regal Rexnord Corporation	Climate Change; Pollution, Waste; Inequality; Supply chain management; Board effectiveness: Diversity; Board effectiveness: Independence/Oversight; Impact revenue/opex/capex/R&D
Reliance Industries Limited	Climate Change; Capital Allocation
Rio Tinto plc	Climate Change; Conduct, culture, ethics
Rivian Automotive, Inc.	Remuneration; Board effectiveness: Independence/Oversight; Shareholder rights

Company name	Topics
Roche Holding Ltd Dividend Right Cert.	Public Health
Rocket Companies, Inc.	Climate Change; Human and labor rights; Inequality; Reporting
RWE AG	Climate Change
S&P Global, Inc.	Human and labor rights
S.P.C.M. SA	Reporting
Sampo Oyj	Climate Change; Board effectiveness: Diversity; Remuneration; Board effectiveness: Other; Reporting; Capital Allocation; Strategy/purpose
Samsung Electronics Co., Ltd.	Board effectiveness: Diversity; Board effectiveness: Independence/Oversight; Proxy Voting Procedure; Climate Change
Santos Limited	Climate Change; Pollution, Waste; Risk Management
SAP SE	Remuneration; Leadership
Sappi Limited	Climate Change; Natural resource use/Biodiversity; Pollution, Waste; Human capital management; Board effectiveness: Diversity
Schaeffler AG	Conduct, culture, ethics; Human and labor rights; Remuneration; Board effectiveness: Independence/Oversight; Shareholder rights; Strategy/purpose
Schneider Electric SE	Remuneration; Conduct, culture, ethics; Human and labor rights
Schweiter Technologies AG	Human capital management; Remuneration
Sea Ltd.	Shareholder rights
Serica Energy PLC	Climate Change; Capital Allocation; Strategy/purpose; Risk Management
Shell Plc	Climate Change; Human Capital Management
SIG plc	Climate Change; Human capital management; Board effectiveness: Diversity; Remuneration; Shareholder rights
Sika AG	Board effectiveness: Independence/Oversight
Singtel Optus Pty Ltd.	Climate Change; Conduct, culture, ethics; Human and labor rights; Human capital management; Board effectiveness: Diversity; Remuneration; Reporting; Shareholder rights; Capital Allocation; Strategy/purpose; Risk Management; Impact revenue/opex/capex/R&D
Skyworks Solutions, Inc.	Remuneration; Shareholder rights
SLC Agricola S.A.	Climate Change; Natural resource use/Biodiversity; Pollution, Waste
SLM Corp	Human capital management; Reporting; Risk Management; Impact revenue/opex/capex/R&D; Remuneration; Human and labor rights; Inequality; Public Health; Capital Allocation; Financial Performance; Strategy/purpose; Conduct, culture, ethics; Climate Change; Natural resource use/Biodiversity; Pollution, Waste; Board effectiveness: Other; Shareholder rights
SMC Global Power Holdings Corp.	Climate Change; Conduct, culture, ethics; Remuneration; Reporting; Risk Management
Snowflake, Inc.	Climate Change; Conduct, culture, ethics; Human capital management; Reporting
Societe Generale S.A.	Capital Allocation, Remuneration
SoftwareONE Holding Ltd.	Conduct, culture, ethics; Capital Allocation; Strategy/purpose
South32 Ltd.	Climate Change

Company name	Topics
Southern Company	Climate Change
Spartan Delta Corp	Climate Change; Pollution, Waste; Capital Allocation; Strategy/purpose
Spectris plc	Climate Change; Human capital management; Capital Allocation; Strategy/purpose
Splunk Inc.	Human capital management; Remuneration; Leadership
Sprouts Farmers Market, Inc.	Human and labor rights; Supply chain management; Natural resource use/Biodiversity; Risk Management
SSAB AB	Climate Change; Capital Allocation; Strategy/purpose; Impact revenue/opex/capex/R&D
SSY Group Limited	Board effectiveness: Diversity; Board effectiveness: Independence/Oversight; Proxy Voting Procedure
Standard Chartered PLC	Climate Change
Starbucks Corporation	Human and labor rights
Straumann Holding AG	Remuneration; Board effectiveness: Independence/Oversight
Suzano S.A.	Climate Change; Natural resource use/Biodiversity
Sweetgreen, Inc.	Natural resource use/Biodiversity; Conduct, culture, ethics; Human capital management
Swiss Life Holding AG	Conduct, culture, ethics; Board effectiveness: Diversity; Remuneration; Strategy/purpose; Leadership
Talos Energy, Inc.	Climate Change; Capital Allocation; Strategy/purpose; Impact revenue/opex/capex/R&D
Taylor Wimpey plc	Leadership; Risk Management
Team17 Group PLC	Reporting
Teleperformance SA	Remuneration
Tellurian Inc.	Climate Change; Capital Allocation; Impact revenue/opex/capex/R&D
Tencent Holdings Ltd.	Board effectiveness: Diversity; Remuneration; Board effectiveness: Independence/Oversight; Risk Management
Terna S.p.A.	Remuneration
TP ICAP Group plc	Leadership; Financial Performance; Strategy/purpose
TPG Inc	Climate Change; Conduct, culture, ethics; Human and labor rights; Human capital management; Remuneration; Leadership; Reporting; Shareholder rights; Capital Allocation; Financial Performance; Strategy/purpose; Risk Management; Impact revenue/opex/capex/R&D
Transurban Group Ltd.	Remuneration
Travelers Companies, Inc.	Conduct, culture, ethics; Human and labor rights; Human capital management; Supply chain management; Capital Allocation; Financial Performance; Risk Management
Trimble Inc.	Climate Change; Supply chain management; Impact revenue/opex/capex/R&D
U.S. Bancorp	Climate Change; Board effectiveness: Diversity; Remuneration; Board effectiveness: Independence/Oversight
Ubisoft Entertainment SA	Board effectiveness: Independence/Oversight; Board effectiveness: Other; Leadership; Reporting; Financial Performance; Strategy/purpose; Conduct, culture, ethics; Human capital management; Board effectiveness: Diversity; Risk Management; Shareholder rights

Company name	Topics
UBS Group AG	Climate Change; Conduct, culture, ethics; Remuneration; Capital Allocation; Strategy/purpose; Board effectiveness: Diversity
Unilever PLC	Board effectiveness: Other; Leadership; Strategy/purpose, Public Health
UnipolSai Assicurazioni S.p.A.	Natural resource use/Biodiversity
UnitedHealth Group Incorporated	Board effectiveness: Independence/Oversight; Board effectiveness: Other; Leadership; Proxy Voting Procedure; Risk Management; Public Health; Remuneration; Reporting
Universal Display Corporation	Human capital management; Remuneration; Board effectiveness: Other Reporting
Univision Communications Inc.	Remuneration; Board effectiveness: Independence/Oversight; Leadership; Risk Management
Vale S.A.	Human and labor rights; Board effectiveness: Other
VERBUND AG	Remuneration
Vertex Pharmaceuticals Incorporated	Human capital management; Impact revenue/opex/capex/R&D; Remuneration; Board effectiveness: Independence/Oversight; Board effectiveness: Other; Public Health
VINCI SA	Climate Change
Visa Inc.	Board effectiveness: Independence/Oversight; Risk Management
Vivendi SE	Remuneration
VMware, Inc.	Human capital management; Shareholder rights; Impact revenue/opex/capex/R&D
Vodacom Group Limited	Climate Change
Volkswagen AG Pref	Human and labor rights
VZ Holding AG	Strategy/purpose
Wayfair, Inc.	Climate Change; Conduct, culture, ethics; Human capital management; Board effectiveness: Independence/Oversight; Shareholder rights; Risk Management
Webjet Limited	Remuneration
Wells Fargo & Company	Climate Change; Conduct, culture, ethics; Human and labor rights; Human capital management; Inequality; Remuneration; Reporting; Financial Performance; Strategy/purpose; Risk Management; Impact revenue/opex/capex/R&D
Westpac Banking Corporation	Climate Change; Remuneration; Proxy Voting Procedure
WillScot Mobile Mini Holdings Corp.	Climate Change; Supply chain management; Leadership; Reporting; Shareholder rights
Wizz Air Holdings Plc	Human and labor rights; Human capital management; Board effectiveness: Diversity; Remuneration; Proxy Voting Procedure
Woodside Energy Group Ltd	Climate Change; Pollution, Waste
Yara International ASA	Climate Change; Capital Allocation; Impact revenue/opex/capex/R&D
Yelp Inc	Climate Change; Human capital management; Shareholder rights; Risk Management
Zee Entertainment Enterprises Limited	Human capital management
Zur Rose Group AG	Financial Performance; Strategy/purpose
Zurich Insurance Group Ltd	Human capital management; Board effectiveness: Other; Strategy/purpose

Appendix

# 8

## Stewardship code principles





International Corporate Governance Network Global Stewardship Principles	Addressed in:
Principle 1: Internal governance: the foundation of effective stewardship: Investors should keep under review their own governance practices to ensure consistency with national requirements, taking into account the ICGN Global Stewardship Principles and their ability to serve as fiduciary agents for their beneficiaries and clients.	Section 1: 2022 review and 2023 outlook Appendix 3: Our commitment, leadership and governance
Principle 2: Developing and implementing stewardship policies: Investors should develop and implement stewardship policies which outline the scope of their responsible investment practices.	Appendix 3: Our commitment, leadership and governance Appendix 4: Key policies
Principle 3: Monitoring and assessing investee companies: Investors should exercise diligence in monitoring companies held in investment portfolios and in assessing new companies for investment.	Section 2: Our global approach
Principle 4: Engaging companies and investor collaboration: Investors should engage with investee companies with the aim of preserving or enhancing value on behalf of beneficiaries or clients and should be prepared to collaborate with other investors to enhance engagement outcomes.	Section 2: Our global approach Section 3: Our engagement activities Section 4: Thematic engagements Case studies Appendix 6: Collaboration Appendix 7: Schedule of companies we engaged with in 2022
Principle 5: Exercising and protecting voting rights: Investors with voting rights should seek to vote shares held and make informed and independent voting decisions, applying due care, diligence, and judgement across their entire portfolio in the interests of beneficiaries or clients.	Section 6: Proxy voting
Principle 6: Promoting long-term value creation and integration of environmental, social and governance (ESG) factors: Investors should promote the long-term performance and sustainable success of companies and should integrate material environmental, social and governance (ESG) factors in investment decision-making and stewardship activities.	Section 2: Our global approach
Principle 7: Meaningful transparency, disclosure, and reporting: Investors should publicly disclose their stewardship policies and activities and report to beneficiaries or clients on how they have been implemented so as to be fully accountable for the effective delivery of their duties.	Section 2: Our global approach Section 3: Our engagement activities Section 6: Proxy voting Appendix 4: Key policies

UK Stewardship Code Principles	Addressed in:
Principle 1: Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	Appendix 1: Who we are Appendix 2: UBS Group's commitment to sustainability
Principle 2: Signatories' governance, resources and incentives support stewardship.	Appendix 3: Our commitment, leadership and governance
Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	Section 6: Proxy voting Appendix 4: Key policies
Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	Section 4: Thematic engagements Appendix 5: Promoting well-functioning markets
Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.	Section 6: Proxy voting Appendix 3: Our commitment, leadership and governance Appendix 4: Key policies
Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	Section 1: 2022 review and 2023 outlook Section 3: Our engagement activities Section 6: Proxy voting
Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	Section 2: Our global approach
Principle 8: Signatories monitor and hold to account managers and/or service providers.	Section 6: Proxy voting Appendix 4: Key policies
Principle 9: Signatories engage with issuers to maintain or enhance the value of assets.	Section 3: Our engagement activities Section 4: Thematic engagements Case studies Appendix 7: Schedule of companies we engaged with in 2022
Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.	Section 4: Thematic engagements Case Studies Appendix 6: Collaboration
Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers.	Section 5: Our escalation approach
Principle 12: Signatories actively exercise their rights and responsibilities.	Section 1: 2022 review and 2023 outlook Section 2: Our global approach Section 3: Our engagement activities Section 6: Proxy voting

Japanese Stewardship Code Principles	Addressed in:
Principle 1: Institutional investors should have a clear policy on how they fulfill their stewardship responsibilities, and publicly disclose it.	Appendix 3: Our commitment, leadership and governance Appendix 4: Key policies
Principle 2: Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.	Section 6: Proxy voting Appendix 4: Key policies
Principle 3: Institutional investors should monitor investee companies so that they can appropriately fulfill their stewardship responsibilities with an orientation towards the sustainable growth of the companies.	Section 2: Our global approach
Principle 4: Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.	Section 2: Our global approach Section 5: Our escalation approach
Principle 5: Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.	Section 6: Proxy voting Appendix 4: Key policies
Principle 6: Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.	Section 2: Our global approach Section 3: Our engagement activities Section 6: Proxy voting
Principle 7: To contribute positively to the sustainable growth of investee companies, institutional investors should develop skills and resources needed to appropriately engage with the companies and to make proper judgments in fulfilling their stewardship activities based on in-depth knowledge of the investee companies and their business environment and consideration of sustainability consistent with their investment management strategies.	Appendix 3: Our commitment, leadership and governance

**Hong Kong Securities and Futures Commission  
Principles of Responsible Ownership**

**Addressed in:**

Principle 1:	Investors should establish and report to their stakeholders their policies for discharging their ownership responsibilities.	Appendix 3: Our commitment, leadership and governance Appendix 4: Key policies
Principle 2:	Investors should monitor and engage with their investee companies.	Section 2: Our global approach Section 3: Our engagement activities Case studies
Principle 3:	Investors should consider and establish clear policies on when they will escalate their engagement activities.	Section 5: Our escalation approach
Principle 4:	Investors should have clear policies on voting guidance.	Section 6: Proxy voting Appendix 4: Key policies
Principle 5:	Investors should be willing to act collectively with other investors where appropriate.	Section 4: Thematic engagements Case Studies Appendix 6: Collaboration
Principle 6:	Investors should report to their stakeholders on how they have discharged their ownership responsibilities.	Section 2: Our global approach Section 3: Our engagement activities Section 6: Proxy voting
Principle 7:	When investing on behalf of clients, investors should have policies on managing conflicts of interests.	Section 6: Proxy voting Appendix 4: Key policies

**Investor Stewardship Group Principles**

**Addressed in:**

Principle A:	Institutional investors are accountable to those whose money they invest.	Section 2: Our global approach
Principle B:	Institutional investors should demonstrate how they evaluate corporate governance factors with respect to the companies in which they invest.	Section 2: Our global approach Case studies
Principle C:	Institutional investors should disclose, in general terms, how they manage potential conflicts of interest that may arise in their proxy voting and engagement activities.	Section 6: Proxy voting Appendix 4: Key policies
Principle D:	Institutional investors are responsible for proxy voting decisions and should monitor the relevant activities and policies of third parties that advise them on those decisions.	Section 6: Proxy voting
Principle E:	Institutional investors should address and attempt to resolve differences with companies in a constructive and pragmatic manner.	Section 5: Our escalation approach
Principle F:	Institutional investors should work together, where appropriate, to encourage the adoption and implementation of the Corporate Governance and Stewardship principles.	Section 4: Thematic engagements Case Studies Appendix 6: Collaboration

**The Australian Financial Services Council Standard 23  
Principles of Internal Governance and Asset Stewardship**

**Addressed in:**

Organisational and Investment Approach:	Asset Managers should clearly state the purpose, values and underlying investment philosophy or approach of their organisation. Asset Managers should be transparent about their organisation's ownership, structure, internal governance and experience and competencies of its key staff.	Appendix 1: Who we are Appendix 2: UBS Group's commitment to sustainability Appendix 3: Our commitment, leadership and governance
Internal governance:	Asset Managers should either publicly disclose their policies or provide a clear description of their approach to key aspects of internal governance and management of business activities which could impact client assets.	Appendix 3: Our commitment, leadership and governance Appendix 4: Key policies
Asset Stewardship:	Asset Managers should provide a description of their approach to asset stewardship and exercise effective asset stewardship on behalf of their clients.	Section 2: Our global approach
Asset Stewardship:	Asset Managers should encourage the companies in which they are invested to meet the highest standards of governance, as well as ethical and professional practices. They should provide a description of their approach to monitoring and engaging with investee companies and the connection between monitoring, engagement, proxy voting and investment decision-making.	Section 2: Our global approach Section 6: Proxy voting Case Studies
Asset Stewardship:	Asset Managers should endeavour to hold boards and management accountable where they fail to maintain acceptable standards.	Section 5: Our escalation approach Case Studies

**For investor educational purposes only: not an investment recommendation.**

Source for all data (if not indicated otherwise): UBS Asset Management.  
The key symbol and UBS are among the registered and unregistered trademarks of UBS.  
UBS Group AG has agreed to acquire Credit Suisse Group AG.



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