Stewardship Annual Report

2023 | UBS Asset Management

Contents

Foreword

Aleksandar Ivanovic
President
UBS Asset Management

Last year was momentous for us. We announced and completed the acquisition of Credit Suisse, which marked a defining moment in our history. Now we are in the middle of the hard part; culturally and operationally merging two globally systemic financial institutions. This places us in unprecedented territory.

Amid the ongoing global conversation around sustainability, we remain firmly committed to doing our part. An important aspect of this journey is being an effective steward of the investments we hold on behalf of our clients.

Following the combination with Credit Suisse Asset Management, we have a continued focus on sustainability and innovation with an expanded offering that brings together the best of both organizations. We believe integration brings a more influential 'seat at the table' for our active ownership capability due to the increased asset base.

In 2023 we achieved positive progress on 56%[1] of corporate engagements against preset objectives at 373[1] companies and now have 35 net-zero portfolio offerings for clients across equities, fixed income, real estate and private markets. We also expanded our climate change engagement program from 45 to 75 companies and launched our natural capital engagement program. As the landscape for ESG continues to evolve, we will focus on staying close to our clients, listening to their needs, and being responsible stewards of their investments.

I hope you enjoy reading this year's report.

Aleksandar Ivanovic

1 Percent of engagements and number of companies are for the combined stewardship activities of UBS-AM and CS-AM in 2023

1

2023 Review / 2024 Outlook

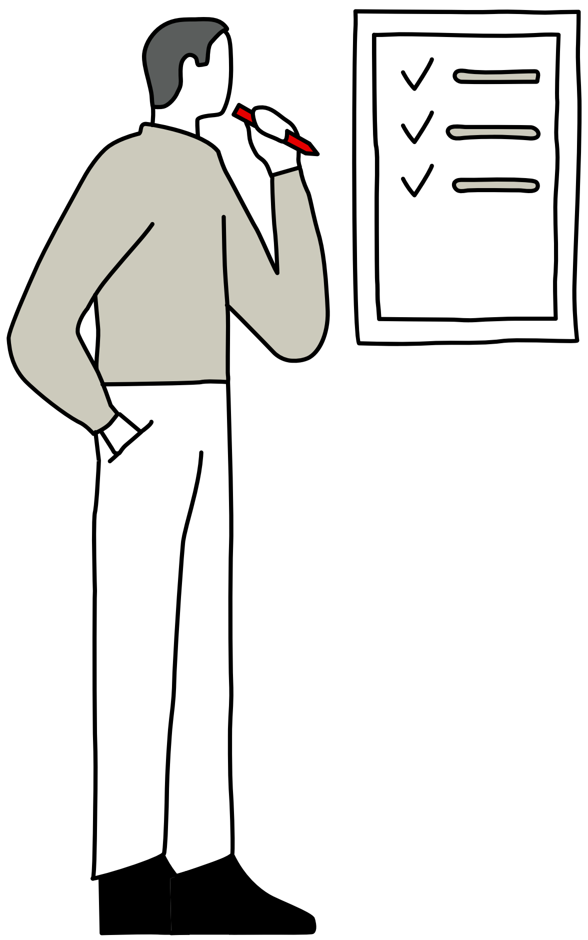
Year in review

2023 was an exceptional year in our firm's history with the acquisition of the Credit Suisse Group. We have made good progress in aligning our sustainability frameworks for the combined firm and will continue to do so in 2024. Throughout the year we also advanced our active ownership with outcomes we believe are beneficial for portfolios, people and planet.

Increased disclosure requirements continued at pace in 2023 including the European Union Corporate Sustainability Reporting Directive (CSRD) and the Deforestation Regulation (EUDR). The year also presented the challenges of market volatility and rising geopolitical tensions.

We continued to advance active ownership as a core part of our investment process. We believe the combined asset base through integration brings a more influential 'seat at the table' for our engagement activities. Our approach is focused, investment-led and outcomes-driven with the aim to realize positive change for companies, their investors and other stakeholders. We collaborate with our peers and clients, contribute to industry initiatives and provide input to policymakers, standard setters and regulators.

Our goal with this report is to provide transparency on our activities and outcomes in 2023 and to share, through more detailed case studies, some of the successes we have had across our major engagement themes – people and planet. The 2023 UBS Sustainability Report provides more information on our progress against our strategy in sustainable investing for Asset Management.



Highlights

1. We achieved positive progress on 64%[2] of corporate engagements against preset objectives at 320[2] companies
2. Expanded our five-year Climate Engagement Program to cover seven sectors and increase focus from 45 to 75 companies
3. Launched our Natural Capital Engagement Program and joined Nature Action 100 collaborative initiative
4. Convened investee companies from across the shipping industry for value chain engagement on decarbonization
5. Co-filed resolutions at two shareholder meetings on board diversity and deforestation
6. Made 35 net zero aligned portfolio offerings available to clients
7. Contributed thought leadership through Panorama: The SI Edition

2 Percent of engagements and number of companies are for UBS-AM only

Active ownership

Active ownership covers all asset classes, although the mechanisms of driving change, timeframes and level of influence can differ, depending on the unique characteristics of each asset class. Responding to the active ownership needs of our clients is important to us as we strive to continuously improve our approach.

During the year, we introduced the top requests we received from clients in 2022 including:

Conducting thematic engagement in collaboration with clients

Further expanding our market and policy engagement activities

Increasing our focus on deforestation and land use change with the launch of our dedicated natural capital engagement program

Engagement

We believe that engagement can contribute to value creation and protection at the company specific and systemic levels by addressing risks and identifying and leveraging opportunities. We seek to build relationships with company management and boards to foster constructive dialogue and to enhance performance on a variety of business strategy and sustainability-related issues, such as capital structure, culture, corporate governance, renumeration, environmental management and human capital.

In 2023, UBS Asset Management achieved 64% positive progress in our engagement interactions against preset objectives[3]. We conducted 471 company engagements. In 2022 UBS Asset Management held 461 engagements and recorded 62% progress. Further information is provided in the 'Our engagement activities' section, with outcomes highlighted through case studies. Positive examples of outcomes at companies with which we engaged include:

- Set and disclosed GHG emissions reduction and gender diversity targets
- Board refreshment, increased diversity and independence
- Strengthened and aligned executive pay to long-term performance
- Enhanced sustainability policies and disclosures
- Increased transparency of communications around corporate action

We also strengthened our engagement process by:

- Evolving the research and oversight process for companies where we identify a breach of global norms or where a controversy occurs that impacts the ESG profile of a company
- Improving our process for setting and tracking engagement objectives to enable better measurement and reporting of engagement outcomes
- Extending the range of escalation options we may consider using when we are not seeing progress against engagement objectives (please refer to escalation section 6)

This year we facilitated value chain engagement by convening investee companies and non listed companies from across the shipping industry to address the challenges and opportunities of decarbonizing this carbon-intensive sector. (See Unlocking green shipping). By fostering dialogue and aligning interests among diverse industry players within a value chain, we aim to contribute towards tackling the roadblocks currently hindering the adoption of climate positive technology and practices.

We continue to strengthen our engagements on climate change, expanding our company profile analysis with physical climate risk assessment and increasing the program's focus from 45 to 75 companies. Through our integration with Credit Suisse Asset Management, we expect to continue our membership of ChemSec, a collaborative engagement for chemicals companies. Investors can address portfolio transition risk in high-emissions sectors, such as cement, steel and shipping, by advocating a risk-based approach to assessing hazardous substances used in chemicals and innovation in finding nature-based alternatives. We continue to progress our social engagement program launched in 2022, covering human capital, human rights and nutrition themes.

3 The stewardship and engagement statistics on this page and all the following pages in sections 1-7 are for UBS-AM stewardship and engagement activities. Additional statistics for CS-AM can be found in the Credit Suisse Asset Management section at the end of the report.

Voting

UBS Asset Management voted at 11,445 shareholder meetings, covering 117,512 individual resolutions. Of the votes cast, 19,180 were against the recommendation of company management, with 68% of meetings having at least one vote against management.

In 2023, we voted on 1,611 resolutions globally which were related to ESG topics. 1,188 were proposed by shareholders. Of these shareholder proposals, 198 were related to environmental topics including 129 related to climate. We supported 68% of shareholder climate proposals.

Private Markets

In our Real Estate and Private Markets investment teams, we continue to evolve our asset class specific engagement strategy:

- In 2023, a focus was to build out and harmonize the active ownership approach, including the provision of a green lease best practice guidance
- Extending sustainability-oriented goals in employee annual objectives
- Conducted a study of New York and London office property markets finding strong evidence for a 'green premium'

Macro stewardship

We believe a bottom-up company and asset level stewardship approach should be complemented with a macro stewardship approach to address issues that exist across assets, such as consistent disclosure of financially material factors, and systemic risks to portfolios, including climate and nature. We wrote about this in more detail in The future of stewardship.

When considering how to address such issues and risks we consider our ability and efficacy to contribute to action on particular issues, individually or in collaboration, both at the policy and company level. We continue to be actively involved in industry initiatives and collaborations with our peers and clients.

For example, since 2018 we have been an active signatory of Climate Action 100+, an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. We are co-leads on six companies and we participate in over 20 coalitions. We are members of the Asset Management Association Switzerland (AMAS) and participants in key working groups on sustainable finance, including the Swiss Stewardship Code. A full list of the collaborations we are involved in and our role is provided in Appendix 5.

We provide our expertise and input to policy development and standard setting processes, benefitting from the resources and expertise we have across the wider UBS group. A full list of our contributions is published in our Sustainability Report. Examples of our collaborative and policy engagement activities in 2023 include:

- UBS chaired the TNFD Financial Institutions working group. TNFD released its recommendations in 2023 which provide a framework to enhance transparency on nature and biodiversity data.
- We were a contributor to the revision of the self-regulation in Switzerland to take account of the Federal Council position on greenwashing, leveraging our roles in Swiss Banking (SBA), Asset Management Association Switzerland (AMAS), and Swiss Sustainable Finance (SSF) associations.
- We worked closely with peers and the Swiss Asset Management Association to draft and implement the Swiss Stewardship Code, the first such code for the market.
- Other policy initiatives we have worked on include the Corporate Social Responsibility and Disclosure (CSRD), in particular the European Sustainability Reporting Standards (ESRS) and related guidance, encouraging a focus on material issues, and the UK Financial Conduct Authority's (FCA) Sustainability Disclosure Requirements and Investment Labels (SDR), supporting a retail friendly regime appropriate for the UK marketplace.

Outlook

Policymakers and regulators increasingly require investors and companies to consider ESG in decision-making, operations and value chains with a particular emphasis on disclosure. While we welcome this move toward greater transparency and reliability of information, we continue to seek greater alignment across existing and emerging disclosure requirements in order to facilitate comparable, consistent and reliable information for investors. We continue to support the International Financial Reporting Standards (IFRS) International Sustainability Standards Board (ISSB) standards issued in 2023 as a global baseline for sustainability-related disclosures to enable companies to communicate to investors about sustainability-related risks and opportunities.

Climate remains the most dominant topic of focus for our clients, and as the transition path plays out we will continue to evolve our climate engagement program to include new data sources, as well as research on technological innovation and the quality of progress in climate ambitions. We expect the theme of natural capital will continue to gain momentum in 2024 and we will further expand our research and engagement on biodiversity and nature.

We plan to continue actively contribute to in market initiatives where participation supports protecting or enhancing value for our client portfolios, for example, by providing access to data and research, or the opportunity to input into the evolution of best practice standards fostering an environment that facilitates sustainability transitions.

Looking ahead we anticipate continued evolution in the sustainable investing landscape. Our focus on aligning our efforts with the areas that matter most to our clients remains unchanged. As stewards for our clients assets we are committed to active ownership as a key pillar of our sustainable investing strategy.

2

Our engagement activities

Our engagement activities

The following section shows our engagement activities during the last year. In 2023, we continued to engage with corporate management and boards to build relationships, provide feedback and drive positive change, all with the objective to protect or enhance the value of portfolio investments.

What has been achieved

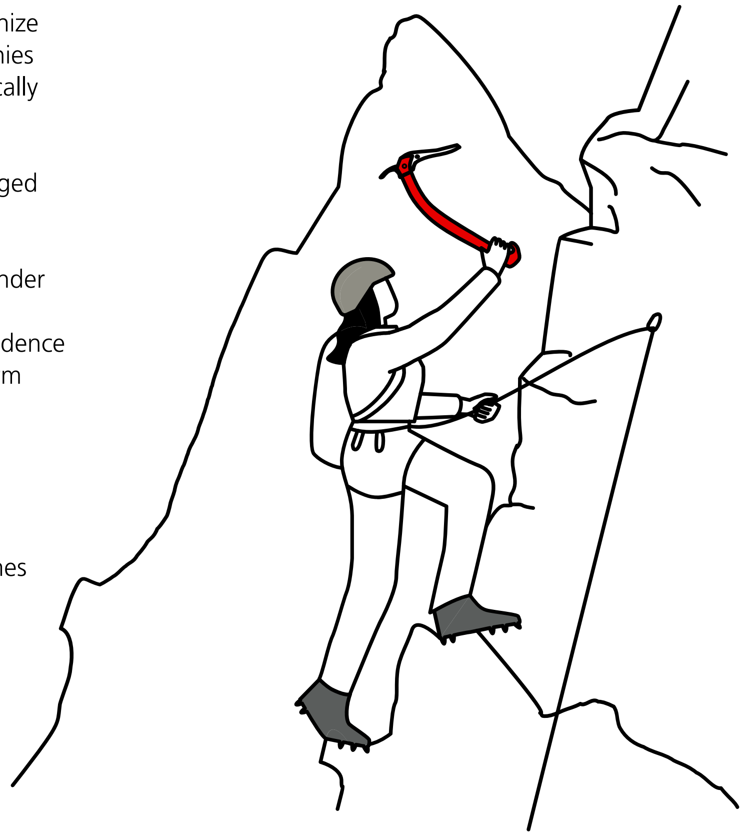
In 2023, positive progress was achieved in 64% of our engagements against preset objectives covering sustainability, governance and capital allocation topics. We held 471 meetings with investee companies which met our definition of engagement. The engagements covered 320 companies across regions and sectors. We recognize that there are various factors that influencing companies to make changes and that our engagement may typically be just one of these.

Examples of changes this year at companies we engaged with included:

- Set and disclosed GHG emissions reduction and gender diversity targets
- Board refreshment, increased diversity and independence
- Strengthened and aligned executive pay to long-term performance
- Enhanced sustainability policies and disclosures
- Increased transparency of communications around corporate action

We are pleased to share multiple examples of outcomes achieved through engagement in our case studies throughout this report.

Engagement metrics in this section apply to UBS Asset Management only.



How we define 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 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 2023

Engaged with

320

companies

We conducted

471

engagement meetings

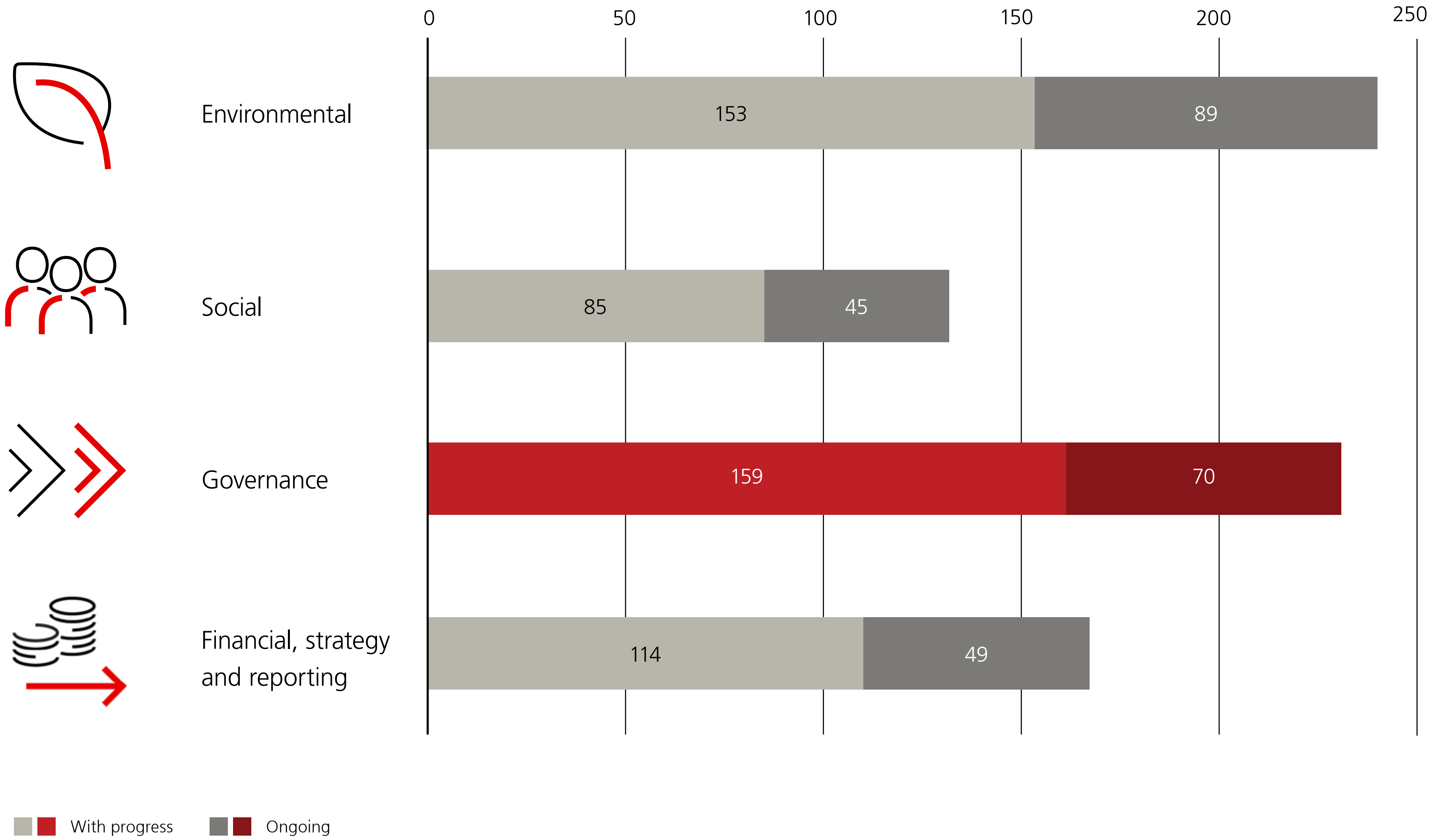
Our engagement interactions achieved

64%

progress against pre-defined objectives

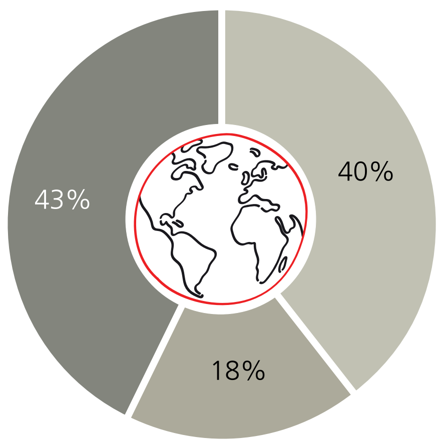
Among the 242 environmental engagement objectives set, over 36% recorded progress

Engagement objective progress across themes



Source: UBS Asset Management 2023

Companies engaged by region



- Europe, Middle East and Africa
- Asia-Pacific
- Americas

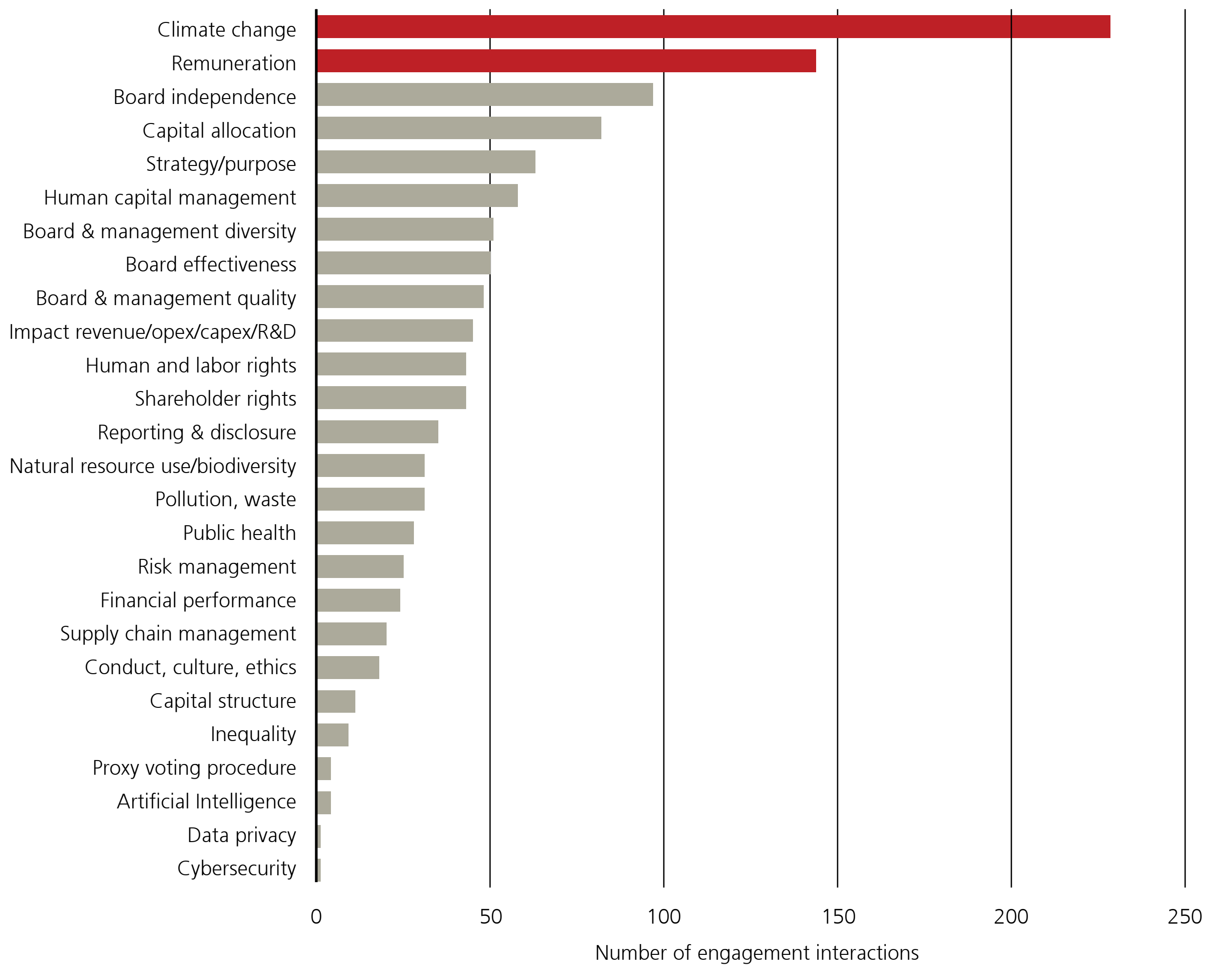
Source: UBS Asset Management 2023

Companies engaged by sector

	% of total
Communication services	4%
Consumer discretionary	8%
Consumer staples	8%
Energy	12%
Financials	8%
Health care	10%
Industrials	15%
Information technology	8%
Materials	16%
Real estate	3%
Utilities	8%

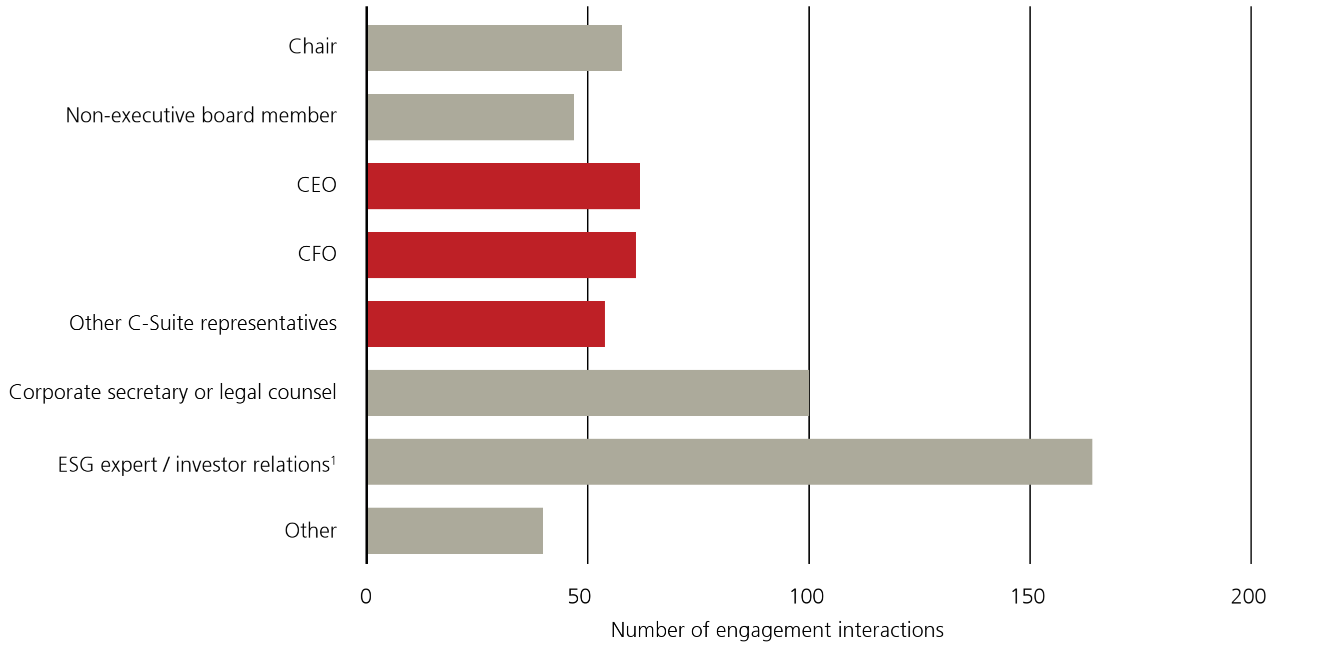
Source: UBS Asset Management 2023

Frequency of engagement per topic



Source: UBS Asset Management 2023

Number of engagement interactions with company representative



Source: UBS Asset Management 2023

1 Based on meetings exclusively with ESG expert / investor relations or both

Theme
Climate change, natural capital, strategy, governance

Region
Europe

Country
Portugal

Sector
Oil and gas

Number of engagements
Six

Most senior engagement
Board chair, CEO, LID

Case study

Galp Energia

Case study results: The company is revising its framework for board evaluation and succession planning, enhancing its sustainability reporting and developing its natural capital policy.

Next step: We will continue our engagement on the company's role in the energy transition and its sustainability and governance practices.

> "Our discussions with certain investors have proven most fruitful over the last few months. The depth of analysis and the quality of the interactions have been very impressive, with a strong focus on how best to create long-term value as we decarbonize our business."
>
> Filipe Silva, GALP CEO

Purpose of engagement

Galp is an integrated energy supplier headquartered in Portugal aspiring to become a leader in the energy transition. The company has a portfolio of upstream and downstream activities and a solid focus on renewables, while actively working to decarbonize its operations. It projects that more than 35% of operating cash flow will come from renewables and other low carbon activities in 2030, contingent upon supporting market conditions, including commodity prices (Galp, IR presentation, June 2023).

We believe that effective communication of Galp's efforts and its potential role in the energy transition could result in lowering its cost of capital and thus enhance shareholder returns. As a mid-size European energy company, outside the scope of the Climate Action 100+ investor engagement program, we believe that our engagement could be valuable to the company's internal thinking and decision-making in relation to decarbonization, as well as its positioning as a leader in the energy transition. Moreover, energy companies face nature-related risks which may impact its operations, reputation, and long-term sustainability. Our engagement with Galp is therefore also focused on opportunities for reinforcing its approach to natural capital, including biodiversity and water efficiency. Governance is another important consideration due to Galp's controlling shareholder structure in particular, which may bring certain strengths, but may also introduce potential challenges. The abrupt change of the CEO in 2022 was a further key topic we wanted to discuss with the company, along with potential enhancements to its current governance practices.

Action

In 2023, we had six interactions with Galp, including a visit to its headquarters. We had the opportunity to meet with the chair and the lead independent director (LID) of the board, the CEO, the executive vice president (EVP) for Industrials as well as the sustainability experts and investor relations (IR) team. In our meetings we covered a wide variety of issues across the ESG spectrum.

During our first interaction in February, we met with the new CEO of the company to clarify the circumstances around the departure of the previous CEO and raised questions regarding the appointment process and board effectiveness. Our second meeting in April with the head of IR and the company secretary prior to the company's AGM, deepened our understanding of the company's existing governance practices and forthcoming board elections, and provided the opportunity to communicate our perspectives regarding governance, including the board evaluation process.

Our next meeting took place in June and was centered around sustainability topics. As part of the dialogue, we emphasized the importance for Galp to strengthen the market perception of the company as a credible energy transition company; and, in order to do so, we encouraged it to develop and disclose a transition plan describing the levers used to achieve its targets along with relevant timelines. Moreover, we suggested the company get its decarbonization targets verified by the Science Based Targets initiative (SBTi), once a relevant standard becomes available. We also encouraged the development of a 'nature-positive' action plan for critical sites, as well as setting water targets for its major sites, following its biodiversity and water risk assessments. Furthermore, we suggested specific improvements to the company's governance practices, including a facilitated board evaluation.

In July, we had a discussion with the chair and the LID of the board, focusing on strategy. We delved into the board's strategic vision for Galp, the focus on green hydrogen, capital allocation, low carbon solutions and challenges arising from moving away from the traditional energy business and towards renewables. Lastly, in November, we had two additional meetings with the company during a visit to Galp's headquarters, engaging with the CEO, EVP for Industrials, head of IR and general counsel. Our discussions were focused on the energy transition and associated challenges, financial market communications, governance, capital allocation and natural capital, among other topics. All our meetings provided the opportunity to reiterate the expectations communicated to the company during our previous interactions. Galp appeared receptive and acknowledged the value of our engagement to its internal thinking and decision-making.

Outcomes

The chair of the board, who is a representative of the controlling shareholder, confirmed verbally the board's vision for Galp to be a leader in the energy transition, as an integrated energy supplier, which is able to supply industrial clients in Iberia with a full-range product offering of 24/7 renewable power backed up by batteries as well as hydrogen from its electrolysis plant at Sines. The chair also sees Galp's efforts to decisively transition as critical in improving valuation.

While we recognize the company's communication efforts in recent years seeking to emphasize its integration of low carbon energy solutions while achieving competitive returns, we believe there is still potential for further enhancement. As such, we have shared some ideas on how to strengthen its capital markets communication strategy regarding its role in the energy transition and confirmed the company's intention of concentrating efforts in this area.

The company has already taken steps to address our expectations on governance and sustainability practices. Galp is now working on a revised framework for the evaluation of its board members and on succession planning, in alignment with our previous discussions.

Also, as we encouraged, the company, is planning to enhance transition-related reporting for 2023 with visibility on key projects, including decarbonization of Sines. In our conversations, Galp provided helpful context regarding its role in the energy transition and the opportunities and challenges related to the energy market's dynamics across the activities in its value chain. Galp acknowledged our recommendations to get its targets SBTi verified, highlighted SBTi's delay in developing an Oil and Gas sector standard and confirmed its intention to continue to be part of the organization's technical working group. Additionally, the company is developing an internal natural capital policy, and rolling out its environmental management system, which will enable setting water baselines and targets.

Status and next steps

We will continue our dialogue in 2024, to encourage further developments to support the company's ambition of becoming a leader in the energy transition in a value enhancing manner, while further enhancing its sustainability and governance practices.

Theme
Social

Sub-theme
Forced labor

Region
APAC

Country
China

Sector
Electronic equipment

Number of engagements
Two

Most senior engagement
HR Manager, Investor Relations

Case study

Hon Hai Precision

Case study results: The company has provided a third party onsite human rights audit report in line with the Responsible Business Alliance standards

Purpose of engagement

Hon Hai was flagged for ESG risk (From UBS-AM's proprietary ESG Risk dashboard) due to an alleged breach of UN Global Compact (UNGC) principles in December 2022. The allegation was concerned with Hon Hai's hiring of forced labor from the Xinjiang Uygur Autonomous Region (XUAR). In August 2022, the United Nations Office of the High Commissioner for Human Rights concluded, that "serious human rights violations" against the Uyghur and "other predominantly Muslim communities" have been committed. The company has denied any association with the use of forced labor.

Action

We had two bilateral dialogues. We have discussed the details of Hon Hai's internal human rights management systems to help us make a judgement on the effectiveness of its risk mitigation efforts. For example, the company applies human right policies to all external hiring agencies. Plant general managers are subject to performance reviews and internal audits which consider human rights.

We have also sought information on the fact-finding activities Hon Hai has conducted internally, including a third-party human rights audit report. We have encouraged the company to publish its approach and the outcome to investigating this issue.

Outcomes

Hon Hai has provided a third party onsite human rights audit report in line with the Responsible Business Alliance standards, which confirms the non-existence of forced labor. The company has verbally committed to publicly disclose future audit results.

The company confirmed to us that its Uyghur workforce has never entered or participated in any vocational education and training centres.

Status and next steps

We will continue to engage with the company on progress made with respect to its ongoing enhancements on its human rights management systems, and the dialogue it is having with the stakeholders who made the allegation to resolve the case.

Theme
Corporate governance, sustainability

Sub-theme
Management, corporate culture, strategy and remuneration

Region
Europe

Country
Germany

Sector
Capital goods, rail and commercial vehicles systems

Number of engagements
Seven

Most senior engagement
Board chair, CEO

Case study

Knorr-Bremse AG

Case study results: The company appointed a CEO with relevant experience and skills, set out a new strategy focused on optimization and transformation, and revised its remuneration policy.

Next step: We will continue to engage management and the board on the company's progress in delivering the new strategy and culture change program.

Purpose of engagement

Knorr-Bremse is a Germany-based company which supplies braking systems for trains and commercial vehicles, and has a majority shareholder (the Thiele family, 59%). It has faced a challenging business environment due to macroeconomic headwinds, changing markets and supply chain issues.

The company has also experienced significant CEO turnover in the last five years, most recently in 2022. Moreover, the passing of its majority owner and long-term CEO and Chairman in 2021 changed its leadership dynamics.

We have had an intensive engagement with the company since 2021 focusing on capital allocation, CEO succession planning and strategy development and implementation. To respond to changing markets, we believe the company would benefit from evolving its culture and leveraging the business opportunities provided by its products and systems. Finally, we felt that the company should enhance its remuneration system to bring it in line with best practice.

Action

Following the latest CEO departure in 2022, we engaged with the chair of the supervisory board on CEO succession to communicate our expectations regarding the experience and personality the next CEO should bring to the company. We also had several conversations with the CFO and senior executives around business challenges and potential solutions. Once the company had identified its new CEO, we sent him a letter outlining what we believed were priorities to address upon starting his role in January 2023, such as a review of the company's strategy and capital allocation; we also expressed our support for implementing change.

In 2023, we met with the company seven times at all company levels, including the chair, CEO, CFO, and ESG experts. This included an introductory call and an in-person meeting with the CEO shortly after he started in his role at the company. Through this series of engagement meetings we were able to build our relationship with and assess the character and personality of the chair and CEO, appointed in 2022 and 2023 respectively, as well as gain a better understanding of the company's challenges and its culture.

We encouraged the company to develop and then effectively execute its strategy in response to changing markets, including weaker demand from China, optimize its capital allocation so that spending is proportionate to the size of the commercial opportunity given market conditions, and evolve its corporate culture to become more agile and position itself for the future. Having previously voted against the company's remuneration proposals, we also recommended improvements to its policy and practices, such as the introduction of a clawback provision. Moreover, we encouraged enhanced disclosure on how the company engages with suppliers to improve its ESG practices, as well as on its employee survey results, especially regarding follow up actions. And given the impactful nature of some of the company's products, such as smart brakes and heating, ventilation and air conditioning systems, we highlighted sustainability as an opportunity for the company working with its clients in meeting its business and sustainability requirements.

Outcomes

We are pleased with the actions the company took in 2023 starting with the appointment in January of a CEO who in our view has both relevant experience and skills, as well as the right mind set, to tackle the company's challenges. Critically, we were encouraged that the board has given him a mandate to drive change at the company.

In July, the company announced a new strategy focused on optimization and transformation, related initiatives including a review of its technology and product portfolio and a culture development program, as well as setting revenue and margin targets, which are aligned with the expectations we have shared with the company since 2022.

The chair confirmed in a call mainly dedicated to remuneration in November that the company plans to introduce enhancements to its remuneration system, including the introduction of a clawback provision and ESG targets as part of the long term incentive plan (LTIP), which we had encouraged in our dialogue with the company.

Status and next steps

We are satisfied with the actions of the company in 2023 and will continue to engage management and the board on the progress it is making in delivering the new strategy and culture change program.

Theme
Environmental, governance, social

Region
North America

Country
US

Sector
Environmental services

Number of engagements
Four

Most senior engagement
Board chair, CEO

Case study

Montrose Environmental Group

Case study results: The company set and disclosed GHG emissions reduction and gender diversity targets; carried out a wide-ranging governance review, including a board evaluation, facilitated by a third party, and enhanced its impact reporting.

Next step: We will continue to engage with the company focusing on the findings of the board and governance review, aiming for board refreshment and strengthening, sunsetting of anti-takeover mechanisms, and further evolving impact measurement and reporting.

Purpose of engagement

Montrose, a U.S.-based environmental solutions company, offers a range of consulting and testing services, including greenhouse gas (GHG) mitigation, methane leak detection, PFAS-contaminated water treatment, and more.

Having IPOed in 2020, Montrose is still a maturing company and there is scope to enhance the company's governance and sustainability strategy and practice. We believe that it can expand its role and enhance its reputation as a provider of key environmental management expertise and tools to corporates and municipalities through its vertically integrated business model, helping its clients to achieve the company sustainability objectives.

We are engaging with the company on multiple topics, which we regard as material, including board and governance development, diversity and inclusion (D and I), GHG emissions, and measurement of and reporting on the impact of its services.

We are focused on working with Montrose in reviewing and evolving its board composition, which is dominated by members appointed pre-IPO. In our view, the board is critical as the company continues to expand rapidly through M and A and ventures into new geographic markets.

We believe the company should remove anti-takeover mechanisms in line with market practice as the company is maturing and enhance transparency of compensation policies and its implementation. We're also encouraging the company to become a leader in its D and I practices, including on gender diversity, and demonstrate its ambition and progress in reducing its own GHG emissions.

We're working with Montrose in developing its sustainability strategy, as a key part of its corporate strategy, as we believe the company has the potential to position itself as a provider of impactful environmental services, adding value for its clients in meeting regulatory requirements and achieving its own environmental targets. Impact measurement and reporting is therefore central to our engagement with the company.

Action

We intensified our engagement with Montrose in 2022 and have developed an open and constructive relationship with the company, including with the CEO and Board chair. Since our first engagement meeting in 2022, we have met the company on six occasions over an 18-month period, engaging with senior management (CEO, CFO, CCO), subject matter experts (VP of Sustainability) and the board (chairman and compensation committee chair).

We've met with the chair and board members on two occasions in 2023 and corresponded by email to highlight our strong belief in the need for the board to be refreshed and strengthened with relevant expertise as the company continues to grow. We've recommended the board undertake an externally facilitated evaluation and, building on the findings of this exercise, draw up a board development plan. On the back of this, we provided introductions to leading corporate governance and board evaluation firms to assist the chair in developing an understanding of the nature, scope and value of services available. We've also encouraged the sunsetting of key anti-takeover mechanisms currently in place.

On the executive compensation policy, we provided feedback on best practice and explained why we believe the current plan requires enhancements and simplification, independent of the IPO-related compensation.

Building on our engagement in 2022, we've had dialogue about the company's D and I and GHG emission targets ahead of its publication in the company's sustainability report. We encouraged additional information on plans and measures put in place to achieve the decarbonization and workforce diversity targets.

A critical part of our engagement focuses on Montrose's sustainability strategy, as a key part of its corporate strategy. We encouraged the company in several conversations and written feedback to work on understanding, demonstrating and communicating the real-world impact and value of its services to clients and communities. This included two dedicated calls with the VP of sustainability regarding impact measurement and reporting. We discussed impact reporting frameworks and encouraged the company to move beyond reporting on 'outputs' towards reporting on 'outcomes' and 'impacts'. We highlighted the power of reporting through case studies to demonstrate this where no quantitative data based on measurement is available.

Outcomes

We are pleased with the actions the company is taking and that it recognized our contribution in doing so:

On board development and governance
In the second half of the year, in line with the expectations we communicated during our engagement, the company decided to undertake a wide-ranging governance review facilitated by a specialized firm, including a board evaluation and assessment of key governance and anti-takeover mechanisms. This was completed in Q1 2024 and the company will then communicate key findings and actions ahead of the next shareholder meeting. The chair has acknowledged that our engagement was instrumental in embarking on this critical exercise.

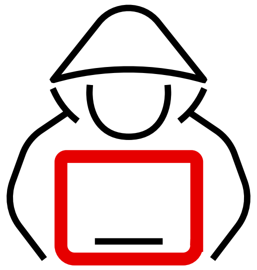
D and I and GHG emission targets
In 2023 Montrose set and disclosed GHG emissions reduction and a gender diversity targets, committing to achieving net zero and attaining gender balance across the organization by 2040. It has also committed to seeking SBTi validation of its net zero and interim targets. We will encourage regular reporting of progress on these targets.

Development of sustainability strategy and impact measurement and reporting
Montrose significantly enhanced its reporting on the real-world impact of its services in the sustainability report through tailored case studies and providing more data on some of its services' impact. The company has acknowledged our role in highlighting the importance of such reporting and encouraging the use of case studies and data.

Status and next steps

We have seen positive progress in 2023 towards our engagement objectives focused on topics we regard as material and will continue to work with the company in bringing about change in line with communicated expectations in 2024. This will focus on the findings of the board and governance review, aiming for board refreshment and strengthening, sunsetting of anti-takeover mechanisms, and further evolving impact measurement and reporting in support of the corporate strategy.

> "Our sustainability strategy is inseparable from our corporate strategy. As a provider of environmental solutions, our clients expect Montrose to lead from the front, whether in corporate governance, workforce recruitment, development, and retention, or ways to mitigate our own carbon footprint. Collaborating with certain investors has laid the groundwork for us to enhance our organizational practices going forward, setting the stage for sustained growth and achieving our long-term goals."
>
> Richard Perlman, Montrose Board Chair



Theme
Corporate governance

Sub-theme
Board effectiveness, responsible AI, data and cybersecurity

Region
APAC

Country
China

Sector
Information technology

Collaborative engagement
With Asian Corporate Governance Association (ACGA)

Number of engagements
Three

Most senior engagement
Board memebers

Case study

Tencent

Case study results: The company has established/published a framework for managing governmental requests and signed the United Nations Global Compact (UNGC).

Purpose of engagement

Tencent is a Chinese multinational conglomerate holding company founded in 1998. It is the world's largest gaming company, one of the world's most valuable technology companies, and one of the world's largest social media companies.

Improving transparency on executive remuneration is a key area of improvement we view as necessary at Tencent. Structuring an ambitious but realistic set of performance targets for the executive team is vital for long-term success for all companies, and, particularly, for Tencent considering its development stage.

The company is also subject to high data and cyber-security risk. While we observed notable strengthening on its cybersecurity management framework in the past two years, Tencent has been accused of facilitating governmental content censorship. We see enhancing its commitments on human rights from the perspective of data ethics as a necessary improvement.

The emergence of AI technologies is an developing topic that we expect will test the governance capability of Tencent and its peers. Tencent has been at the forefront of Chinese companies advancing generative AI. Governance on AI ethics is critical and Tencent has rightfully published its own ethical framework on AI. However, details of the company's implementation are lacking and we see the need for further clarifications on internal accountability at the top for Tencent to be successful with its AI endeavor.

Action

We had three engagements with Tencent throughout 2023 on the topics highlighted above. Two of which were with one of Tencent's board directors, in which we highlighted best practices on cyber-security risks and the responsible AI concept.

The company was receptive to our suggestions for enhancing transparency for internal consideration. Specifically on the allegation of facilitating content censorship, the company has an established framework to manage governmental requests. We view this as an encouraging step towards better governance on this issue.

We have also encouraged the company to be more transparent about its executive remuneration metrics, which can be important to investor confidence that executives are aligned with achieving its short- and long-term business goals. The company is more cautious about this, especially given the competitive landscape and also peer norms in the market. We will continue to engage on this topic.

Outcomes

While it is very early in our engagement with Tencent, we do see the company moving in the right direction. It has established and published a framework for managing governmental requests.

In August 2023, Tencent also signed the United Nations Global Compact (UNGC). We view this as a significant step, signaling the company's commitment to human rights.

Status and next steps

The company appeared receptive to our engagement requests and objectives, and we will continue our dialogue in 2024.

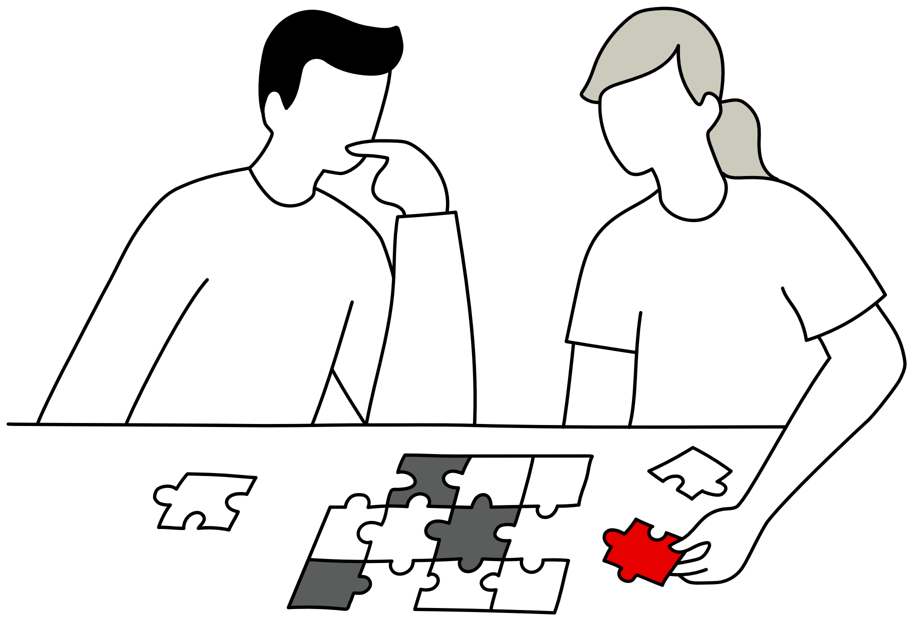
3 Proxy voting

Proxy voting

Consistent voting decisions, underpinned by engagement insight

2023 Voting activity

11,445	117,512	19,180	68%
Annual general meetings	Individual resolutions voted	Votes against management	Meetings with a vote against management



It is our strongly held view that voting rights have economic value and should be managed accordingly. Voting is a core part of our approach to active ownership, underpinning and supporting all our stewardship activities.

It 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 for our client portfolios.

We engage with boards ahead of general meetings where appropriate. This approach provides a clear link between our voting decisions and our investment research process.

> Where holdings are held across different portfolios and strategies, to the largest extent possible we will vote consistently to maximize the outcome of our voting activities, leveraging the weight of our aggregated holdings.

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

We will seek to vote in all markets, unless we feel that by doing so we will impede our ability to manage a portfolio, or the logistics involved in voting are prohibitive and would not deliver sufficient benefit to clients.

Due to the nature of our investment approach we will not generally requisition an extraordinary general meeting, however, we may decide to file, or co-file, shareholder resolutions at preannounced meetings as part of our escalation strategy. We may also choose to support proposals put forward by other shareholders where we believe the proposal is of benefit to the company and our client portfolios.

Where we decide not to support the board of companies linked to significant holdings, we may inform the company privately, in advance of the AGM, when possible. We will not generally predeclare publicly our voting intentions, including providing information to third parties, ahead of a shareholder meeting.

Our voting decisions are coordinated and managed by our Stewardship team. The Team 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 company.

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 clear communication.

Debt instruments

Where an issuer seeks to amend the terms and conditions of debt instruments or bonds, we review each consent request on a case-by-case basis, to ensure that the terms remain broadly consistent with the investment intention. This includes requests to change payment frequency, maturity date or other obligations. These decisions will be taken by the portfolio manager responsible for the investment.

Stewardship Committee oversight

Our voting activities are overseen by our Stewardship Committee, which is chaired by the Head of Investments. In cases where the analyst proposes that our vote should be cast differently to the recommendation provided, the Stewardship Committee will review and consider the reasons 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, consistency, and aligns votes to our principles.

During 2023 our Stewardship Committee reviewed intended voting decisions for 130 shareholders meetings, based on analyst request, representing just over 1% of all meetings. The committee supported a change in the voting outcome for 125 shareholder meetings and decided not to approve a change in our voting decision for five shareholder meetings.

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 provide consistency across all markets in which we invest for clients. Our policy is based on best practice outlined in the G20/OECD Principles of Corporate Governance 2023, ICGN (International Corporate Governance Network) Global Governance Principles and requirements of various national and global governance codes.

> Our policy explains in detail the principles and topics we believe to be important to deliver good governance across all investments, as well as information on when we might choose to abstain or not vote.

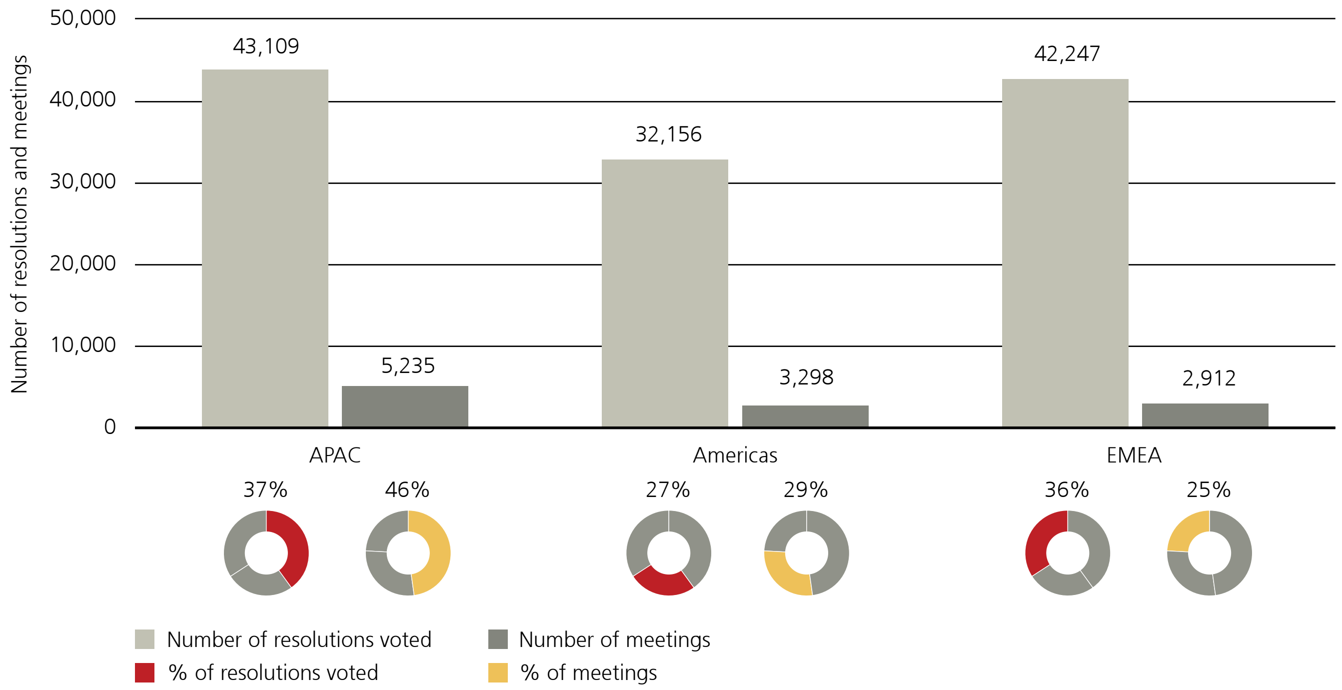
The guidelines cover the board of directors, shareholders' rights, capital allocation and management, audit and risk oversight, remuneration, and environmental and social factors, including disclosure and reporting expectations. The policy also provides details of our proxy voting process, how we use third-party service providers and how we identify and manage conflicts of interest.

We monitor changes to best practice on an ongoing basis and perform an annual review of the policy, considering market developments, 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 reviewed and approved by our Stewardship Committee.

Any changes are also provided to the appropriate boards of our internally managed mutual funds for acceptance decision.

Exercising right and responsibilities

Meetings and resolutions voted by region



Source: UBS Asset Management 2023

Voting activity in 2023

During 2023, we voted globally at 11,445 shareholder meetings on 117,512 separate resolutions. We voted against the recommendation of the specific company on 19,180 of those resolutions, just over 16% of votes cast.

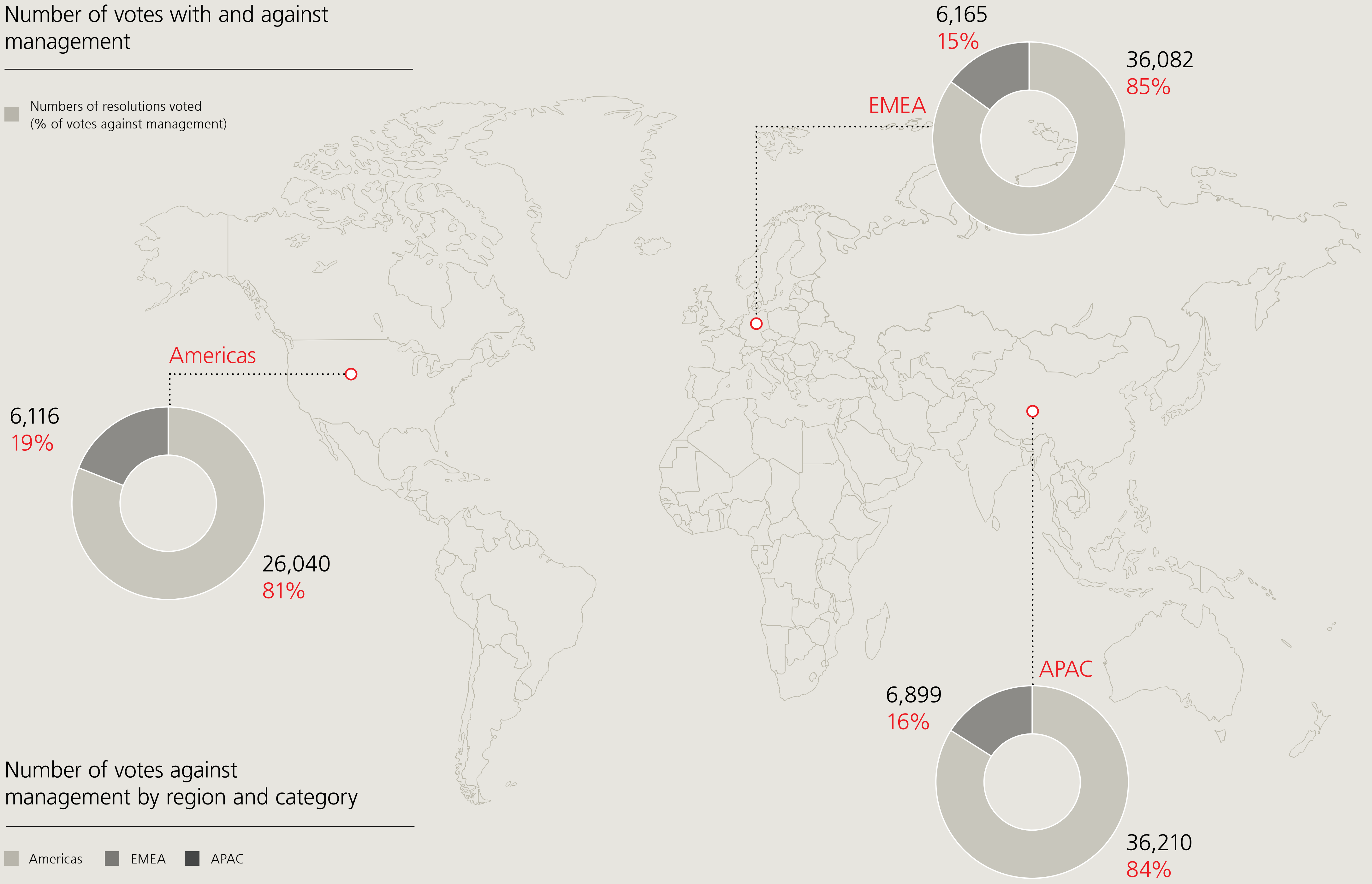
At 68% of the meetings we cast at least one vote against management.

In 2022 UBS Asset Management voted against management on at least one resolution at 64% of meetings.

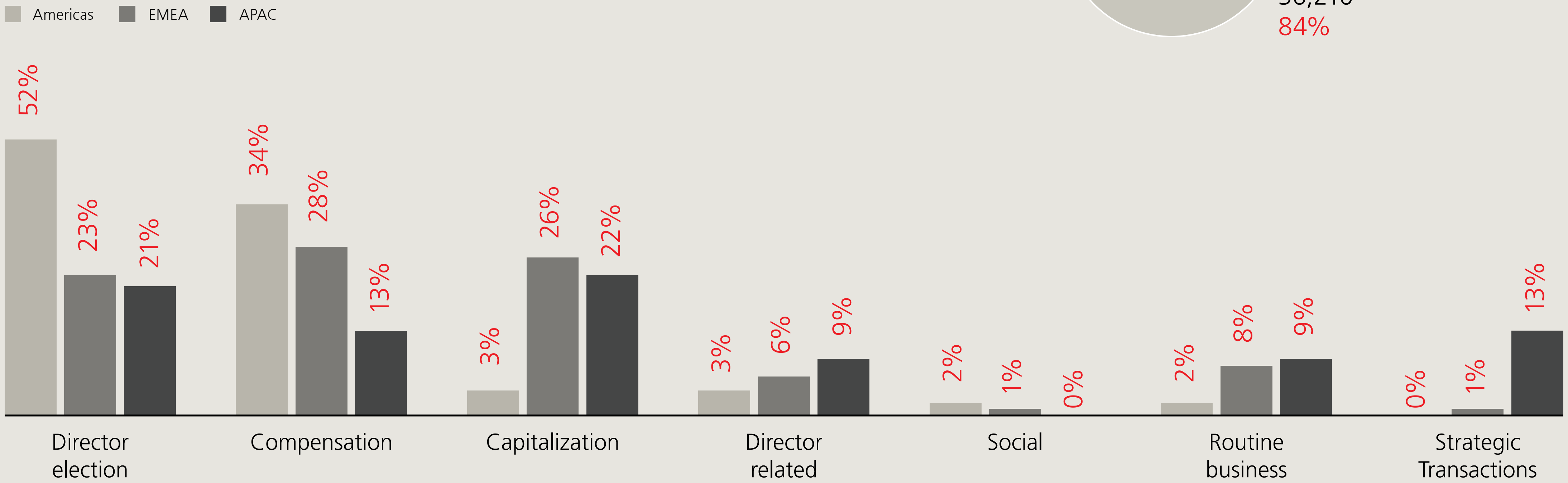
While corporate governance topics continue to account for the significant majority of proposals presented at AGMs, over 98.5% of proposals, we saw an increase in the number of resolutions filed by shareholders, up just over 6%.

We also saw a 22% increase in the number of climate-related votes in 2023 compared to 2022. At the same time there was a drop in the number of climate proposals put forward by company boards, from 49 to 28.

Number of votes with and against management



Number of votes against management by region and category



Source: UBS Asset Management 2023

Resolutions relating to ESG issues

In 2023, we voted on 1,611 resolutions globally which were related to ESG topics. 1,188 were proposed by shareholders. Of these shareholder proposals, 198 were related to environmental topics including 129 related to climate. We supported 68% of shareholder climate proposals.

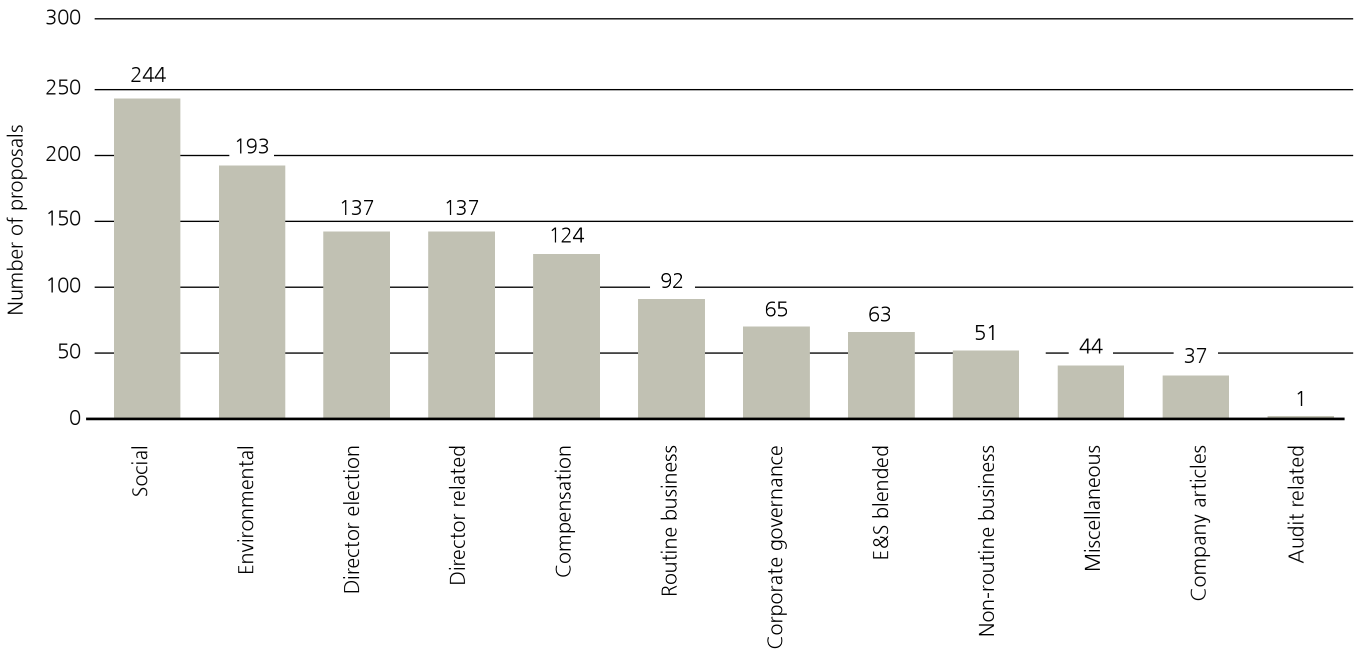
We voted on 304 shareholder proposals related to social topics, and we supported 58% of those resolutions. The remaining proposals were corporate governance related, and we supported 47% of those. Across the board we supported 51% of shareholder proposals.

We voted on 423 environmental and social proposals proposed by companies: 28 related to climate change, of which we supported 75%. We did not support management climate resolutions proposed by Altarea SCA, Covivio SA, Glencore Plc, Incitec Pivot Limited, Klepierre SA, Shell Plc and Vallourec SA.

Our full voting record can be found on our website.

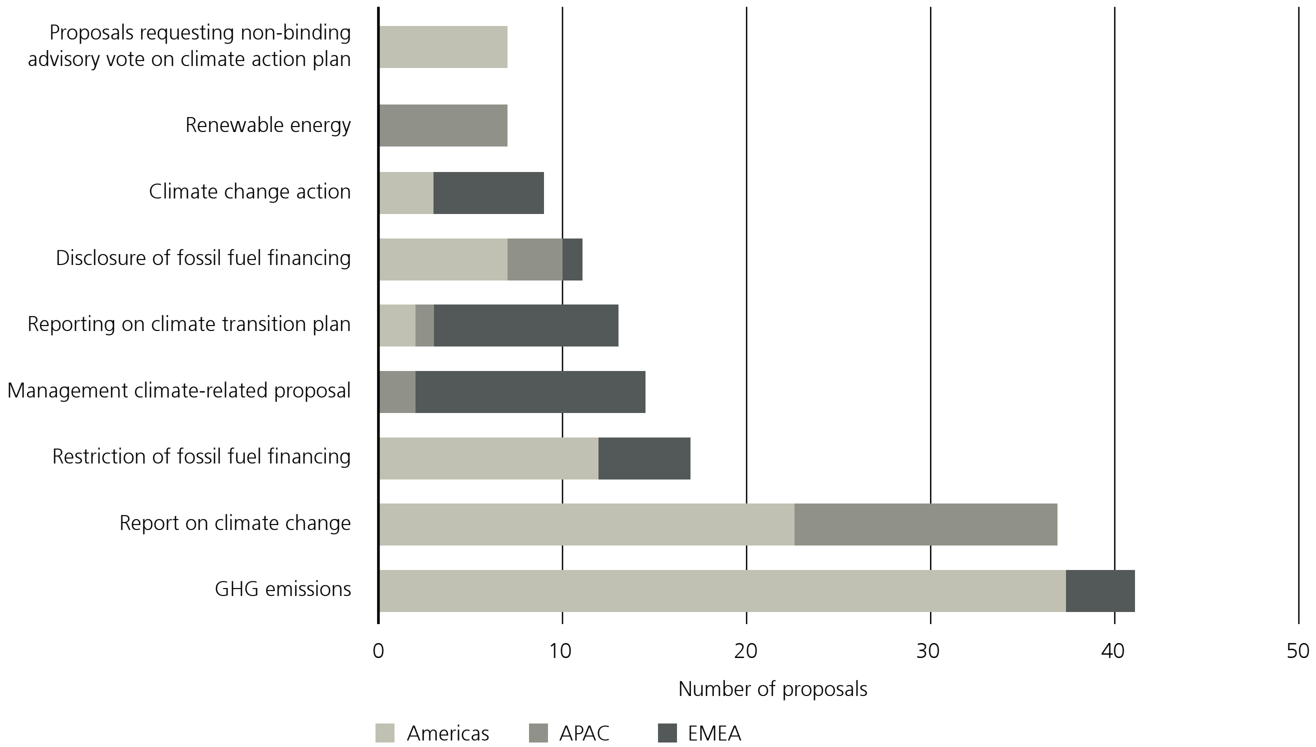
We voted on 395 social proposals by company boards, and supported 86%.

Shareholder proposals breakdown by category



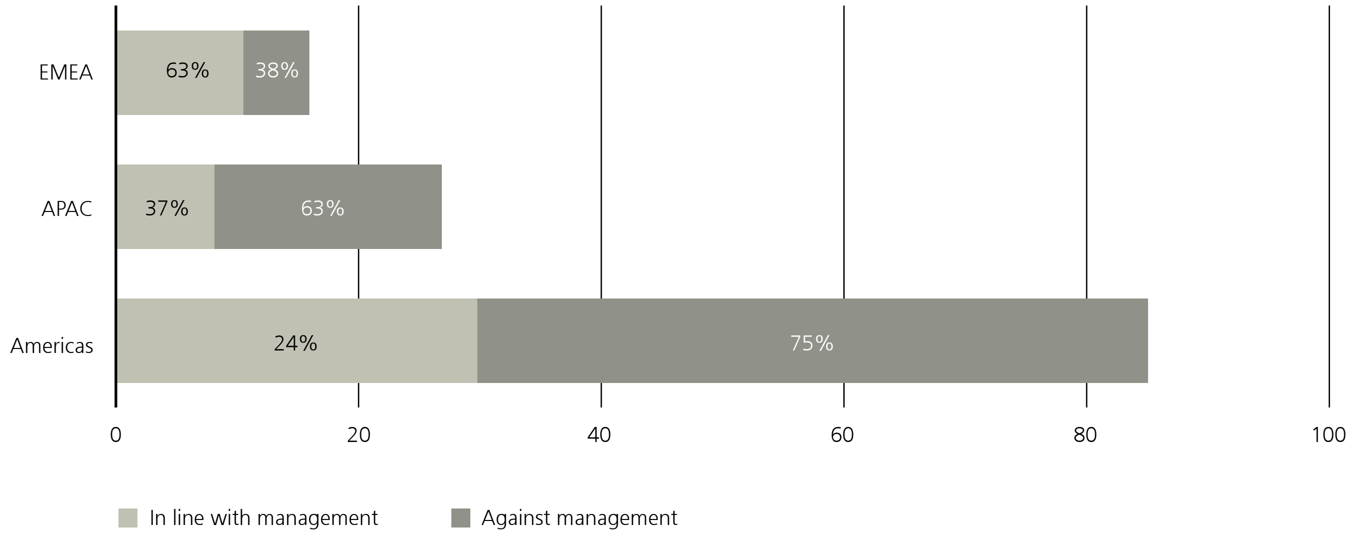
Source: UBS Asset Management 2023

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



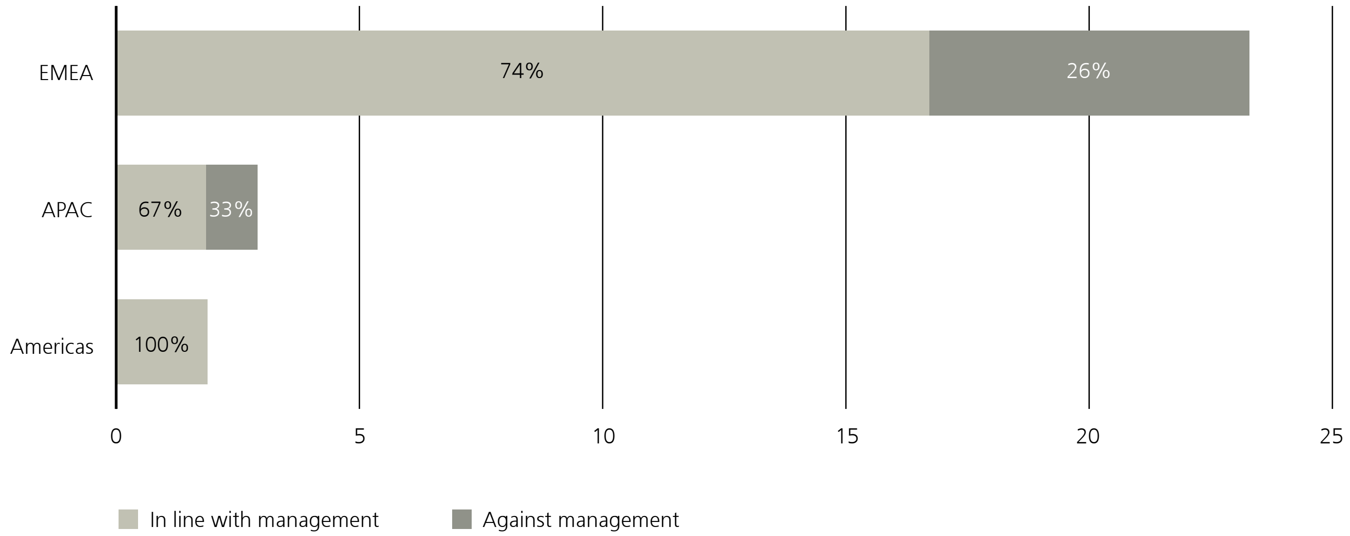
Source: UBS Asset Management 2023

Votes on climate-related shareholder proposals



Source: UBS Asset Management 2023

Votes on climate-related management proposals



Source: UBS Asset Management 2023

Policy updates

In 2023, we further strengthened our policy for voting on climate change related issues. These expectations align with our framework for assessing companies' climate transition plans for our climate engagements. We consider these expectations as foundational elements of net-zero aligned transition planning:

- Companies should have a clearly articulated plan for becoming net zero by 2050
- The plan should include scopes 1 and 2
- Plans should include scope 3 for all sectors where possible
- Companies should have interim decarbonization targets (up to 2030)
- Interim targets should include 95% of scope 1 and 2 emissions
- Decarbonization rate should be aligned to recognized 1.5°C methodologies
- Reliance on offset should be limited and should not substitute efforts to reduce emissions

For companies in the banking sector, in addition to their own decarbonization targets, they should have:

- Sector-based targets for the most carbon-intensive sectors, and use Partnership for Carbon Accounting Financials (PCAF)/Paris Agreement Capital Transition Assessment (PACTA) (or a comparable) methodology to measure exposure
- Set decarbonization targets for the highest-emitting sectors in their loan books: the majority of short- and medium-term targets (i.e., 2025 and 2030) should be aligned with a recognized net-zero framework

Companies should consider putting forward a vote for shareholders on the company's climate-related strategy at least once every three years. In these cases, we will evaluate proposals against the following six key factors:

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

We may choose to vote against a company's board chair if we determine that sufficient progress has not been made on specific topics raised over the course of our engagement with them, particularly in relation to climate-change matters raised.

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 based on UBS-AM Proxy Voting Policy to supplement the assessments undertaken by our dedicated stewardship team and extended investment team: we do not delegate our voting responsibilities to ISS. We retain full discretion when determining how to vote shares held for our clients in portfolios.

ISS deliver their services through their dedicated online research and voting execution tool, ProxyExchange. This enables us to view research alongside client voting positions. Our voting decisions are executed via the platform. This provides an efficient and consistent global voting process on behalf of our clients. The database is available to all investment teams and integrated within our workflow.

We continually 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.

Options for supporting clients exercise of 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. Accordingly, we offer a number of different voting options to support clients. We continue to seek client feedback as we consider options for clients that are invested via our multi-investor mutual funds.

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: a client may instruct UBS-AM how to vote for its portfolio for particular companies or topics that are of interest, on a case-by-case basis. This option enables clients to leverage the scale of UBS-AM aggregated holdings in a consistent vote.

Option 2

Clients may manage voting rights directly with their selected custodian, based on their own policy, or a selected market policy. This option provides clients discretion on voting outcomes for their portfolios.

Option 3

Clients may appoint a third-party specialist provider to vote in line with their guidelines, or the policy from the provider. This option provides clients discretion on voting outcomes for their portfolios.

Attendance at shareholder meetings

Given the nature of our global investments, it is generally impractical for us to physically attend a shareholder meeting. However, where we believe it is in our clients' best interests we may occasionally attend or choose to speak at a meeting. During the year UBS-AM staff attended 4 shareholder meetings on a non-speaking basis.

Stock lending

Stock lending can be beneficial to a fund or portfolio by providing an additional income stream. The practice may provide liquidity to the market. Many of our mutual funds include the provision for stock lending, in some cases with a specific limit on the percentage of the fund's holdings which can be used for lending purposes at any given time.

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 to the control of the borrower: we are contractually unable to exercise voting rights on loaned positions. Through our voting process we monitor eligible share positions where a loan position impacts an upcoming shareholder meeting.

If we judge an upcoming vote to be particularly contentious, or if we believe it is in our client's best interests to do so, we may choose to recall stock out on loan for our range of pooled funds 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 on any equity collateral positions that are held due to a lending agreement.

The decision to recall shares to vote a larger position 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 we believe shares on loan may cause a risk to the long-term value of the holding.

For our European domiciled funds classified as 'Sustainable Investing Focus' and 'Impact' that apply securities lending, we require counterparties to ensure collateral received comply with both the UBS-AM Sustainable Investing Exclusion Policy and the exclusion requirements as defined by the Regulation (EU) 2019/2089 on EU Paris-aligned benchmarks. We also recall securities that are relevant for our thematic environmental and social engagement programs to enable targeted execution of voting rights.

Theme
Governance

Region
Americas

Country
US

Sector
Beverages

Number of engagements
One

Most senior engagement
Board Chair

Case study

Primo Water Corporation (PRMW)

Case study results: The company has met targets on GHG emissions and water stewardship.

Next step: We are engaging further on the alignment of executive pay.

Purpose of engagement

Our engagement with Primo in 2023 started when it was the target of a proxy contest, where a dissident shareholder (Legion partners) sought to replace some of PRMW's board members, including the board chair (former CEO) and the lead director.

The main concerns raised by the dissident related to PRMW's poor performance, entrenched and insulated board and executive pay, which lacked strong alignment with relative performance and ESG priorities.

Action

As we shared most of Legion's concerns, we met with the company ahead of the proxy contest, and we set up a meeting with the board of PRMW. We communicated our concerns and outlined our expectations for changes to the board leadership, pay structure, as well as ambitious targets on GHG emissions and water efficiency.

Outcomes

The dissident was successful in adding two of his candidates to PRMW's board. We met again with PRMW in December 2023 and we were able to verify that the company had made progress and actually met targets on GHG emissions and water stewardship, while there is still some ground to cover on aligning executive pay to relative performance and ESG priorities.

Case study

Take-Two Interactive Software, Inc. (TTWO)

Case study result: The company has refreshed the board and amended the performance metrics of its incentive plan.

Next step: We are engaging with the company on further progress related to its scope 1, 2 and 3 emissions.

Purpose of engagement

We have been conducting governance-themed engagement with TTWO since 2021, covering topics such as board refreshment (including lead director), alignment of executive pay to long-term performance, human capital and data protection.

Action

We met again with TTWO ahead of the company 2023 AGM held on 21 September to discuss the items to be voted underlying governance concerns and ESG topics. We wanted to verify any progress versus expectations laid out in previous engagement concerning board refreshment and aligning executive pay to long-term performance

Finally, as the company recently completed the acquisition of Zynga, we focused on the key challenges related to human capital and talent retention. We were told that while part of TTWO, Zynga will remain a standalone organization and its CEO had been retained as well. In general, TTWO uses equity and performance-based pay to retain key talent.

Outcomes

The company has made progress, by refreshing its board (two new non-executive members added since 2022) and its lead director role. The board also amended executive pay by stretching the performance metrics to three years while increasing the performance-based portion of the long-term incentive plan.

TTWO is also making progress on ESG reporting (including GHG scope 1,2,3 and human capital) and brought in a director of ESG/sustainability.

Theme
Governance

Region
Americas

Country
US

Sector
Entertainment

Number of engagements
Two

Most senior engagement
Executive Management

4

Thematic engagement

Thematic focus on people and planet

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

Using evidence-based research, we engage with the companies that we have equity and fixed income exposure to across our active and index strategies.

People

Human rights
Human capital
Health

Planet

Climate change
Natural capital

Planet

Our planet thematic engagements seek to understand and engage on systemic risks like climate change and ecosystem degradation, and identify opportunities in the transition to a low-carbon, nature-positive economy.

Climate change

In November 2021, we communicated our net-zero interim target, we aim, by 2030, to align 20% of UBS Asset Management total assets under management (AuM) with net zero.[4] This pre-acquisition UBS aspiration will be reassessed in 2024. We are crucially aware that managing climate risks and the transition to a net zero economy will entail a significant shift in how companies operate. We see our active ownership strategy on climate transition as a powerful tool to influence corporate behavior to achieve measurable outcomes. Given the implications of climate change transition on company business models, revenue generation and capital allocation, we also see our engagements as complementing our considerations of investment performance.

The foundation of our climate engagement activities is a research framework which enables us to assess and engage issuers on the net-zero alignment of their transition plans. The framework draws on market-leading standards such as IIGCC's Net Zero Investment Framework, Climate Action 100+ benchmark, and GFANZ's Expectations for Real-economy Transition Plans report, as well as many sector-specific standards. It covers elements critical to assessing the strength of transition planning, including climate governance, target setting, decarbonization levers, lobbying and policy advocacy, the use of offsets, and finally, performance across emissions and strategy.

We use this framework to analyze companies and categorize their plans on a net-zero alignment scale. The scale, in line with the Net Zero Investment Framework, ranges from 'Not Aligned' to 'Achieved Net Zero.' This granular assessment helps us set specific, measurable objectives that sharpen the focus of our engagement discussions with companies, and that we use to track progress over time. This analysis is used by investment teams to supplement fundamental research on these companies. In 2023, we finalized transition plan frameworks across seven sectors (Oil and Gas, Mining, Chemicals, Utilities, Construction and Materials, Steel and Banking), expanding the scope of our research.

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

Since 2018, we have engaged with some of the world's most emission intensive companies to adopt transition plans and achieve emission reductions in line with a net-zero pathway.

In 2023, we expanded the third phase of our climate program, increasing the number of carbon-intensive companies covered by the program by 50% to 75 companies.

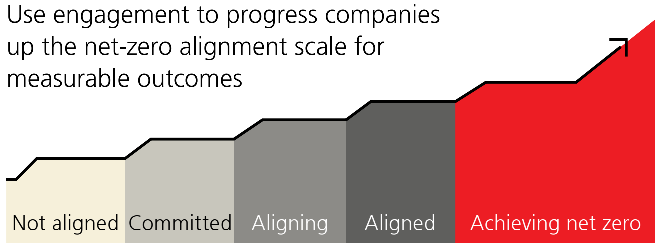
Throughout the year we engaged with 165 companies in total on climate change, both through our dedicated climate program and additional engagement as part of our regular investment processes. We enhanced our voting policy in relation to climate: voting against the election of directors at eight companies in our dedicated climate program that did not meet the foundational elements of net-zero aligned transition planning . We joined the IIGCC's Net Zero Engagement Initiative to expand our engagement with companies across the value chain.

Our climate macro stewardship activities included engaging with policymakers overseeing state-owned oil companies. UBS-AM participated in the Carbon Disclosure Project's (CDP) annual campaign to encourage corporates to set an emissions reduction target validated by the Science Based Targets initiative. Finally, we contributed to several sector-based working groups, including at IIGCC's Net Zero Standard for Diversified Mining and the UK's Transition Plan Taskforce's guidelines for the oil and gas sector.

Program objective

Align emissions reductions and transition planning in line with a 1.5°C net zero pathway
Selected metrics used to systematically assess companies

Use engagement to progress companies up the net-zero alignment scale for measurable outcomes



- Not aligned
- Committed to aligning to a net zero pathway
- Aligning towards a net zero pathway
- Aligned to a net zero pathway
- Achieving net zero

How we align our climate engagement approach with our voting guidelines

We ensure alignment between engagement objectives 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-related risks. We use voting as one lever to achieve engagement progress against our objectives in the pursuit of portfolio and environmental outcomes.

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 Disclosure of scope 1, 2 and 3 emissions

3 Interim decarbonization targets (up to 2030) that cover relevant emission scopes and are aligned to a recognized 1.5°C pathway, and where reliance on offsets is limited

4 For companies in the banking sector, to set a decarbonization target for themselves, set decarbonization targets relating to the business they do in the most carbon intensive sectors, and use PCAF/PACTA (or comparable) methodology to measure exposure

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 policies on climate risks and opportunities and specific targets to reduce emissions.

Outcomes achieved through climate program

Among the companies we engaged in 2023, we saw the following progress:
– In March, a large chemical company released its new corporate strategy which includes a specific focus on "building a profitable Circular and Low Carbon Solutions (CLCS) business." The company has set leading climate commitments with a 1.5°C aligned interim target which is ahead of peers.
– In September, one of the largest independent exploration and production companies published its scope 3 data.
– In October, an Indian conglomerate with an integrated energy business committed to implement the recommendations of the Task Force on Climate-Related Financial Disclosures and adopted a medium-term target on scope 1 and 2 emissions reduction.
– In December, ExxonMobil made the decision to join the Oil and Gas Methane Partnership 2.0, the leading program on oil and gas reporting and mitigation on methane.

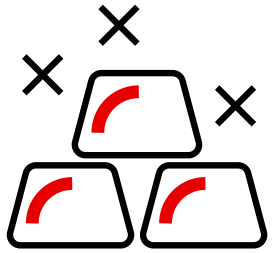
Natural capital

Biodiversity loss and degradation is a source of highly material financial risk. In line with the Kunming-Montreal Global Biodiversity Framework, we are committed to engaging issuers on biodiversity loss and restoration of our natural ecosystems in the pursuit of sustainable outcomes for portfolios and planet.

> We launched our natural capital engagement program in 2023 and joined the Nature Action 100 collaborative initiative.

We undertook an extensive research process to identify the material natural capital impacts and dependencies of our investment portfolios. This included mapping our listed equity and fixed income investments against tools such as the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) database. The analysis helped us determine the focus of our natural capital engagement program. We aim to address both natural capital risks and opportunities with a focus on three specific areas: forests, water and the climate-biodiversity nexus. Our research also identifies the sectors that contribute to the biggest impacts across our listed portfolios, including food products, oil and gas, chemicals, metals and mining and electric utilities.

In 2023, we joined nature related collaborative engagements including Nature Action and joined the steering committee of PRI's stewardship initiative for nature called Spring. We also established meaningful discussions with companies on nature-related risks including:
– Extensive engagement with a global agribusiness company on deforestation and land conversion risk through its commodity supply chains, primarily soy and palm oil.
– High intensity engagement with a UK-based renewable energy producer, focusing on addressing nature-related risks in the supply chain and the credibility and transparency of its carbon capture and storage strategy.
– Collaborative and bilateral engagement with a Brazilian pulp and paper producer, focusing on deforestation, biodiversity, water-related issues, as well as land use emissions and removals and impact accounting.



Theme
Environmental, governance

Sub-theme
Climate change, decarbonization

Region
Europe

Country
UK

Sector
Diversified mining

Number of engagements
Five

Most senior engagement
CEO, senior independent director

Case study

Antofagasta

Case study results: The company aims to set and disclose new scope 1 and scope 2 targets in early 2024.

Next step: Further engagement is required on our expectations for Antofagasta to enhance its executive compensation structures.

Purpose of engagement

Antofagasta is a pure-play copper miner with by-product gold and molybdenum. While mining is an energy intensive and environmentally detrimental activity that requires effective management, copper mining is also essential to enabling a low carbon transition. We are engaging with Antofagasta, which we see as a leading mining company in terms of its work on reducing operational greenhouse gas emissions, building renewable energy capacity and reducing its use of fresh water. Antofagasta has focused on reducing its scope 2 emissions by 90% by implementing solar power at its mines in northern Chile. It has achieved its short-term targets early and is currently in the process of setting new interim targets. Antofagasta also chairs the International Council on Mining and Metals (ICMM), which has a working group on scope 3 emissions calculation methodology which will assist the ability of the mining sector to set targets in line with the Science Based Target initiatives (SBTi).

Action

In 2023, we engaged with Antofagasta five times focusing on decarbonization and governance topics, targeting our engagements with multiple executives and non-executives within the company. We held meetings with the CEO, the sustainability officer, the new senior independent director and investor relations.

We encouraged Antofagasta to set and disclose the new interim scope 1 and 2 emissions reduction targets for 2030, as well as scope 3 emission targets now that ICMM has published its scope 3 calculation methodology guidance for the mining sector. We also recommended that Antofagasta disclose the decarbonization pathway to achieving these targets together with the explicit multi-year investment amount, demonstrating that the deployed CAPEX is sufficient to meet its new interim reduction targets. Antofagasta is the chair of the ICMM, therefore we recommended that it work with the Science Based Targets initiative and peers on the development of a target validation methodology for copper mining, which will then help the company but also the wider industry get its targets validated. We will also continue to engage with the company's senior independent director to enhance its executive compensation structures more closely align with best practices in the UK market, where the company is listed.

Outcomes

Antofagasta has acknowledged the main points we raised during our contacts and we were encouraged to learn that the company aims to set and disclose new scope 1 and scope 2 targets in early 2024.

Scope 3 emissions reduction targets remain a challenge for the mining industry even following the publication of ICMM's methodology. The industry continues to grapple with its role and ability to influence mineral value chain decarbonization. However, Antofagasta explained that its approach to scope 3 emissions target setting will be two-fold – with both a quantitative and a qualitative aspect to emphasize the need for stakeholder engagement on decarbonization along its value chain. In addition, the company acknowledged the need for enhanced disclosure on forward-looking CAPEX spending on the decarbonization levers.

Further engagement is required on our expectations for Antofagasta to enhance its executive compensation structures to more closely align with UK market best practices. We intend to follow up with the Senior independent director.

Status and next steps

Status: Ongoing and we expect further progress in the coming 12 months.

Next Steps: We will meet with the sustainability officer after the company has published its updated decarbonization plan and set and disclosed its new emissions reduction targets.

We will also follow up with the company's senior independent director on executive compensation and changes the company may make following our feedback.

Theme
Climate change

Sub-theme
Climate mitigation, community relations

Region
Europe

Country
Switzerland

Sector
Diversified mining

Number of engagements
Five

Most senior engagement
Board chair, CEO

Case study

Glencore

Case study results: In early-2024, Glencore published an updated climate action transition plan with expanded discussion on the strategy for its coal business, and a data provider upgraded its assessment of the management of community relations at Cerrejon Coal.

Next step: Continued engagement on the climate action transition plant and further improvement of community relations in Colombia.

Purpose of engagement

In recent years, our engagement with Glencore has covered a range of topics and we have seen a number of positive changes at the company. These have included board and senior management changes, the introduction of a new internal compliance system in response to bribery and corruption charges, and an overall enhancement in sustainability performance. One key operational improvement has been the reduction in fatalities in the company's mining operations. As a result of these changes, our engagement focus has steadily shifted to two additional topics. First, climate: Glencore published a transition action plan nearly three years ago and we are engaging to gain clarity into the company's strategy, with a particular focus on the managed decline of its thermal coal mining business. Second, community relations: Glencore's acquisition of full ownership of Cerrejon Coal in Colombia has brought longstanding community relations issues within the direct scope of the group. Here, our engagement is focused on ensuring good management of community relations in a complex social situation.

Action

We have been engaging with Glencore on climate change issues for more than three years. This has included discussions with the board chair, the head of sustainability and investor relations. In 2021 we supported Glencore's Say on Climate reflecting the overall depth and detail of its first climate transition action plan which incorporated targets for a significant reduction in scope 1, 2 and 3 emissions. Since then we have continued to engage with a focus on the strategy for the coal division, and especially for greater transparency into Glencore's plans to manage a reduction in overall thermal coal production. During this period, discussion has been against the backdrop of Glencore's purchase of a full interest in Cerrejon Coal, the proposed merger with Teck Resources and the recent announced acquisition of Teck's metallurgical coal assets.

With regards to community relations at Cerrejon Coal, we engaged with the chair and head of sustainability, and have met with the Cerrejon Coal CEO and her team. In November 2023, alongside UBS-AM colleagues, we also met with community representatives and civil society organizations to discuss the situation.

Outcomes

Glencore will present its revised climate transition action plan for shareholder approval at its AGM in the first half of 2024. In our engagements the company has highlighted actions it has been taking to review its plan and we expect that greater detail on implementation, just transition and policy advocacy will be provided. Glencore verbally confirmed its intention to wind down its thermal coal assets while the pace of the reduction will be determined by global policy, the stability of the global energy system and pricing.

Our meetings with Glencore and community representatives, as well as our broader research, confirm the complexity of the social situation in the La Guajira province which is the location of Cerrejon Coal. It is clear that community relations reached a nadir around six years ago and that action has been spurred by the intervention of the Constitutional Court. More recently, our research indicates an improvement in the approach to community relations, although legacy grievances remain and frustrations are ongoing.

Status and next steps

Engagement on both the group climate change plans and the community relations in Colombia are ongoing. Glencore's openness to receiving feedback from investors and its dialogue on both topics provides a constructive backdrop to our engagement.

We will engage further with Glencore on the details of the climate transition plan. The extent to which the plan contains further information, especially on the direction of the coal business, will be a factor in determining our position on the upcoming Say on Climate vote.

Since late-2022, we have taken the view that Glencore was making sufficient progress in managing the community issues in Colombia to allow us to assess the company as demonstrating credible corrective action in line with our SI Exclusion Policy. In March 2024, one of the major ESG rating agencies upgraded its view, removing its indication of a violation of the United Nations Global Compact principles, following a reassessment of Glencore's role and actions.

We are continuing to engage with Glencore on community relations in Colombia. This includes incorporating the insights from our recent contact with communities into our engagement dialogue with the company. We are especially interested in how Glencore progresses with Cerrejon's community consultation and agreements, and how the subsidiary implements the recent update of the human rights impact assessment.

People

Our people program seeks to understand and engage on systemic risks like human rights, human capital and health. Our objectives are to contribute to improved corporate performance and reducing systemic risks for the benefit of portfolios and people.

Our three selected themes of human capital, human rights and health were selected for our social program due to their financial materiality as well as our belief that we, as an investor, can contribute towards positive outcomes through corporate engagement. Our theory of change for the program provides focus on the issues we seek to change, the activities we undertake, and our desired outcomes and impact from engagement. We have joined collaborative initiatives we see as being well placed to contribute to evidence-based research required for these engagements.

Moving into the third year of our social program, we continue to implement the program in collaboration with other investors. We believe that we can have a greater influence on a larger number of companies this way. Our focus on five sub-themes allows us to carry out in-depth engagements to drive more specific outcomes.

How we contribute to collaborations to advance our social engagement programs

Theme	Sub-theme	Collaborative initiative	Key characteristics
Human capital	Diversity, equity and inclusion (DEI)	30% Club	We chair a global campaign taking action to increase gender and ethnic diversity at board and senior management levels.
	Labor rights	FAIRR (Farm Animal Investment Risk and Return)	An initiative that produces and analyzes data to help drive change in the animal agriculture sector. We participate in collaborative engagements.
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. We lead on engagements.
Health	Nutrition	Access to Nutrition Foundation	An initiative that evaluates the world's largest food and beverage manufacturers' related to nutrition challenges. We lead on co-engagements and have a co-chair role in the Investor Network.
	Safe chemicals	Investor Environmental Health Network	A collaborative partnership advised by nongovernmental organizations, encouraging companies to reduce and eliminate toxic chemicals. We lead on engagements.

Social program: The theory of change

This theory of change guides our social engagement program by focusing on the issues we seek to change, the activities we undertake, and our desired outcomes and impact from engagement

	Issue	Inputs	Activity	Output	Outcome	Impact
DEI	Companies globally lack diversity and effective strategies to create diverse, equitable and inclusive working environments	Research, collaboration with the 30% Club, engagement, analyst resources	Encourage lagging global companies to make positive change	Commitment to improve policies, practices and disclosure	Creation of diverse, equitable and inclusive workforce/ environment	Innovation, productivity, enhanced decision making, retention, employee satisfaction, enhanced financial performance
Labour rights	Companies globally lack policies and practices to protect labour rights	Research, collaboration with FAIRR, engagement, analyst resources	Encourage lagging companies in the meat sector to make positive change	Commitment to improve policies, practices and disclosure	Creation of strong health and safety practices, fair working conditions and worker representation	Employee satisfaction, retention, reduction of business risks, social stability, economic growth and reduced volatility in the market
Human rights	Companies globally lack policies and practices to protect human rights	Research, collaboration with the IAHR, engagement, a nalyst resources	Encourage lagging companies in high risk sectors to make positive change	Commitment to improve policies, practices and disclosure	Creation of human rights due diligence processes aligned with the UNGPs	Social progress, equality, better standards of living for society, reduction of business risk and reducing volatility in the market
Nutrition	Companies globally have scope to enhance nutrition strategies	Research, collaboration with Access to Nutrition Index (ANTI), engagement, analyst resources	Encourage large global food manufacturers to make positive change	Commitment to improve policies, practices and disclosure	Creation of best in class nutrition strategies	Unlocking new business opportunities, increased market share, reduction in business risk, improvements in public health
Safe chemicals	Companies globally use chemicals of high concern (CoHC) in their operations, supply chain and end products	Research, collaboration with the IEHN, engagement, analyst resources	Encourage large companies in the retail sector to make positive change	Commitment to improve policies, practices and disclosure	Creation of chemical management practices including elimination and substitution with safer alternatives	Unlocking new business opportunities, increased market share, reduction in business risk, improvements in public health and the environment

Source: UBS Asset Management. The table above does not represent the full coverage of our theory of change and is for illustrative purposes only.

Human capital

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

Diversity, equity and inclusion
Diversity has been linked to innovation, employee productivity, creativity and problem solving, better decision making and identification of opportunities. Inclusive and equitable working environments have been 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 performance.[5] In our engagements, we aim for improved management of DEI to benefit the engaged companies across these area, which we believe can contribute to enhanced financial and operational performance.

> In our activities we have encouraged companies with gaps in their approach to DEI to enhance policies, practices, and disclosure through engagement and proxy voting.

DEI is not only fair, it's better for companies
In our DEI engagements, we are looking for companies to understand the benefits associated with DEI and to commit to improving their DEI policies, practices and disclosures. We want engaged companies to develop best-in-class approaches to create diverse, equitable and inclusive working environments across boards, executive teams, the wider workforce and in their supply chain. We are a member of the 30% Club's UK Chapter and are a member of the Race Equity Working Group. We also Chair the 30% Club's global workstream where we are working to foster investor engagements at a global level.

Labor rights

Labor rights have been connected to broad aims of promotion of social progress, equality and better standards of living for society.[6] Within companies they may also encourage employee productivity, through increased satisfaction and morale. Labor rights protection and enforcement can encourage employee engagement and retention rates, while also potentially reducing business-related risks.

Where companies lack policies and practices to protect labor rights, this may contribute to impairing social equality and improvements in standards of living for society. At the same time, companies may miss out on the benefit to employee productivity, satisfaction and morale as well as the system-wide benefits associated with advancing labor rights.

Our engagement focuses on labor rights practices among global companies in the meat sector. This sector is especially exposed to material labor rights risks in its value chain where suppliers employ a large number of people engaged in hazardous work. Labor controversies are especially high in the meat packaging and processing industry.

Protecting labor rights is key to sustainable social governance
In our labor-rights engagements we are looking for companies to develop best-in-class labor rights policies and practices. We aim for these to focus on the three areas: health and safety, working conditions and workers' rights.

We are a member of FAIRR's labor rights in the meat sector engagement initiative. Given the complexities of labor rights, collaboration is a useful way to focus engagement against a clear framework of objectives.

5 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.

6 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

Acknowledging and protecting human rights may also contribute to the promotion of social progress, equality and better standards of living for society. Where human rights are protected, poverty and inequality may be reduced, and sustained and widespread economic growth may be more likely. In line with UBS's human rights statement, we view human rights protection and enforcement as fundamental to responsible business conduct as well as a path to potentially reduce business-related risks.

> We focus our human rights engagement on successful implementation of the UN Guiding Principles on Business and Human Rights (UNGPs).

These principles provide a clear framework for 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. Where companies lack comprehensive policies and practices in alignment with international standards, they may contribute to impairing social progress, equality, and better standards of living for society. At the same time, companies may miss out on system-wide benefits associated with advancing human rights.

In our engagements we aim for companies to acknowledge the need to protect human rights and commit to improving their human rights policies, practices and disclosures. We ask companies to provide evidence of these developments through the World Benchmarking Alliance's Corporate Human Rights Benchmark (CHRB).

We are a member of the Investor Alliance for Human Rights (IAHR), which uses the CHRB data as a starting point for engagement. The benchmark is a helpful tool to assess the progress of companies' human rights disclosures in sectors identified as presenting a higher risk of negative human rights impacts. These sectors comprise apparel, automotive, extractives, food and agricultural, information and communications technology.

> We believe that companies should be representative of the communities in which they operate, and that a diverse workforce improves company culture and innovation.

Health

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

Nutrition
Unhealthy eating may contribute to diseases such as cardiovascular, musculoskeletal disorders, cancer, diabetes and obesity. These issues pose material risk to public health and may have economic impacts through reduced productivity and participation in the workforce and increased health care costs. Improving nutrition has the potential to increase productivity and participation in the workforce, for instance, through fewer sick days and lower future healthcare costs. For companies specifically in the food sector, best-in-class nutrition strategies can unlock new business opportunities and increase market share while also reducing business risks. This is driven by a combination of regulation, fiscal measures, consumer trends and product innovation.

Our engagement focuses on the world's largest food manufacturers. We see these as more likely to have the capacity and resources to implement improvements, and the opportunity to set an industry-wide standard. In addition, incremental improvement in their products has potential to significantly impact millions of people every day.

In our engagements we aim for companies to acknowledge the benefits associated with enhanced nutrition strategies and commit to improving their nutrition policies, practices and disclosures. We ask companies to show evidence of improved nutrition policies, practices and disclosure through their performance in the Access to Nutrition Index (ATNI).

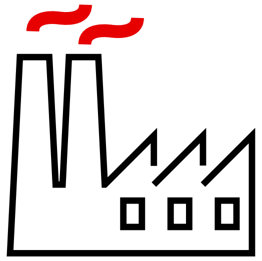
We are a member of ATNI and through this we participate in leading collaborative engagements with the world's largest food manufacturers. ATNI's Global Index, assessed on a two-year cycle, measures progress on governance, products, accessibility, marketing, lifestyles, labelling and engagement, and disclosures. We also co-chair the Investor Network.

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 public health systems, the environment as well as the economy. CoHCs have been linked to loss of corporate revenues, as well as higher health care costs for workers, lower productivity, and increased risk of supply chain disruptions. This is in addition to negative impacts on the environment. Substitution of CoHCs with safer alternatives, together with appropriate chemical management in general, may have health benefits for consumers and also for employees. They can increase worker productivity, participation in the workforce and reduce healthcare costs. For relevant companies, product substitution and appropriate chemical management could unlock new business opportunities and increase market share, and reduce business risks driven by regulation, consumer trends and product innovation.

Our engagement focuses on consumer-facing companies. We see these as facing a greater risk of pressure from regulators and consumers. They are also well positioned to develop industry-wide standards and to drive demand changes requiring a response from chemical manufacturers.

> In our engagements, we aim for companies to acknowledge the need to adopt appropriate chemical management practices and substitute CoHCs with safer alternatives.

We conduct our engagements through our membership in the Investor Environmental Health Network's Chemical Footprint Project (CFP), and we ask companies to show evidence of improved nutrition policies, practices and disclosure through their performance in the CFP survey.



Theme
Social

Sub-theme
Human rights, labor rights

Region
Europe

Country
Netherlands

Sector
Extractives

Collaborative engagement
Investor alliance for human rights

Number of engagements
Two

Most senior engagement
Head of Sustainability

Case study

ArcelorMittal

Case study result: We are pleased with the enhancements ArcelorMittal has made with regards to their human rights approach; reducing both human rights and financial risk.

Next step: We will continue engaging with the company on safety issues in risky regions and operations, and human rights due diligence progress.

Purpose of engagement

ArcelorMittal scored poorly relative to peers in the Corporate Human Rights Benchmark. Considering the materiality of human rights in the extractives sector we wanted to engage with the company to encourage it to enhance policies and practices. More specifically we wanted to see a best practice human rights policy, salient human rights risk mapping and enhanced remediation. We also observed poor safety records and wanted to better understand the strategy to improve the numbers.

Action

We had two engagements with ArcelorMittal in 2023; one virtual in January to set out our expectations and a second in person in April to provide detailed guidance on how to meet our expectations. We met with the company human rights specialist, sustainability experts and head of sustainability.

The SI analyst, stewardship analyst and fixed income analyst teamed up, in this collaborative engagement facilitated by the Investor Alliance for Human Rights, combining expertise and focusing on material topics most relevant to the investment case.

We encouraged the company to update its human rights policy considering the lack of material information in the 2021 version. We asked for this policy to include detailed information on human rights governance, salient human rights risk mapping, due diligence and remediation. We shared the HRIA (human rights impact assessments) Toolbox and the OECD Guidance on Due Diligence with the company so that these documents could be leveraged for implementation.

We also encouraged the company to conduct a salient human rights risk mapping exercise and enhance remediation. We shared various resources with the company for support and highlighted various expert human rights organizations (we shared four names) which we recommended the company consult to inform the exercise and confirm the mapping.

After discussing the reasons behind the poor safety records, which may have partly come down to culture and individuals, we recommended the company explore linkage of manager level staff incentive and safety, and suggested that safety could underpin variable compensation for management. We articulated that performance without safety is not acceptable.

Outcomes

We were pleased to see that ArcelorMittal published its updated human rights policy and more detailed explanatory note in November 2023. This policy now includes the information we requested.

Similarly, the company completed a corporate saliency assessment aligned to best practice to proactively identify and prioritize actual and potential human rights risks and impacts.

The company has also committed to providing better access to remedy by updating its grievance mechanisms.

While we have seen positive momentum through engagement to reduce company-wide human rights risks, the recent tragic explosion in its Kazakh mine has underscored the importance of continuing to improve its safety practices on the ground, and despite its progress on some initiatives, will keep us extremely vigilant as to whether enhanced safety measures and recent investments lead to improved results.

Status and next steps

We are pleased with the enhancements ArcelorMittal has made with regards to its human rights approach; reducing human rights and financial risk. Saying that, we will continue engage with the company on safety.

Theme
Social

Sub-theme
Nutrition

Region
APAC

Country
China

Sector
Food and beverage

Collaborative engagement
Access to Nutrition Initiative

Number of engagements
Two

Most senior engagement
Investor relations

Case study

China Mengniu

Case study results: The company is in the process of drafting a responsible marketing policy with a view to public disclosure.

Purpose of engagement

We have been engaging with China Mengniu on its nutrition and responsible marketing policy given its importance as a leading company in the region with the potential to shape market practice in China. We have aimed to explore the company's plans and strategy for more nutritious products, and how the company will market those in China. In our engagement we have aimed to share what we observe of company practices managing the nutritional content of its products in other markets and best practices globally.

Action

As a lead engager in the Access To Nutrition Initiative (ATNI), we have had two meetings with the company. In addition to meeting with it's IR team members, we have met with compliance and marketing representatives to discuss the company's policy and practices, and to share our expectations. We have also invited Access to Nutrition Initiative's experts to join and share with China Mengniu it's benchmark for responsible marketing and explain what is further required of the company against this standard.

Our engagement has focused on encouraging the company to set a clear and comprehensive responsible marketing policy that can be applied across its operations and value chain. In our engagements the company has explained it is working on drafting such a policy.

Outcomes

We have been encouraged to hear from the company that it is in the process of drafting a responsible marketing policy and intends to disclose this. The company has provided details of the planned policy and has allowed ATNI to make an evaluation, which enabled us to provide feedback.

Status and next steps

China Mengniu is still formulating its planned responsible marketing policy. During this drafting period we have, together with our partner ATNI, been able to provide our feedback. This included benchmark practices that the company can reference such as WHO, UNICEF and the International Chamber of Commerce. We will continue to engage with the company, monitor the publication of its new policy document, and discuss practices related to its implementation.

Theme
Social

Sub-theme
Diversity, equity and inclusion

Region
APAC

Country
China

Sector
E-commerce

Collaborative engagement
30% Club

Number of engagements
Two

Most senior engagement
Investor relations

Case study

Meituan

Case study results: The first female was appointed to the board in 2023, and the company has acknowledged the importance of gender diversity and is continuing the search for another female board member.

Purpose of engagement

Meituan did not have any serving female board members when we started engaging with the company in September 2022. The average for women on boards in China stood at at 14.8% in 2022, so the company lagged it's peers on this issue. We engaged to encourage the company to enhance gender diversity at the board level as well as to enhance disclosure on diversity across the organization.

Action

We had one engagement with Meituan in September 2022, facilitated by the Asian Corporate Governance Association (ACGA), and another one in October 2023 as part of our membership in the 30% Club. We met with investor relations representatives.

The SI analyst, equity and fixed income analysts teamed up, together with the other collaborative engagers, to combine expertise and to focus on those topics most relevant to the investment case.

We encouraged the company to enhance gender diversity at the board level considering studies having consistently found that there may be a positive correlation between gender diversity on boards and financial performance.[7]

We informed management that the number of companies with only one woman on the board in China has fallen from 31.9% to 24.9% (2019-2022) and that the company is positioned below the average of 14.8% women on boards in China in 2022.

We advised the company that we expect 30% female representation on the board and that our policy is to vote against the chair of the nomination committee or other suitable director in circumstances where there is less than 30% representation.

We recommended the company use specialized recruitment agencies and have a diverse interview panel in order to identify and hire female candidates.

We also encouraged the company to raise diversity levels at the senior executive level. There is a lack of disclosure on representation of women in management at the firm. The company only reported on five senior executives (all male) and the total workforce representation (38.6%). We encouraged enhanced disclosure on diversity levels across the organization.

Outcomes

We were pleased to see the first female appointed to the board in 2023. We also appreciate the company acknowledging the importance of gender diversity and continuing the search for another female board member. The company has not committed to a timeframe considering its relatively small board size and the length of time it took to recruit the first female appointee (nine months).

Status and next steps

We will continue engaging with the company and will monitor the next sustainability report to see whether disclosure on DEI has been enhanced.

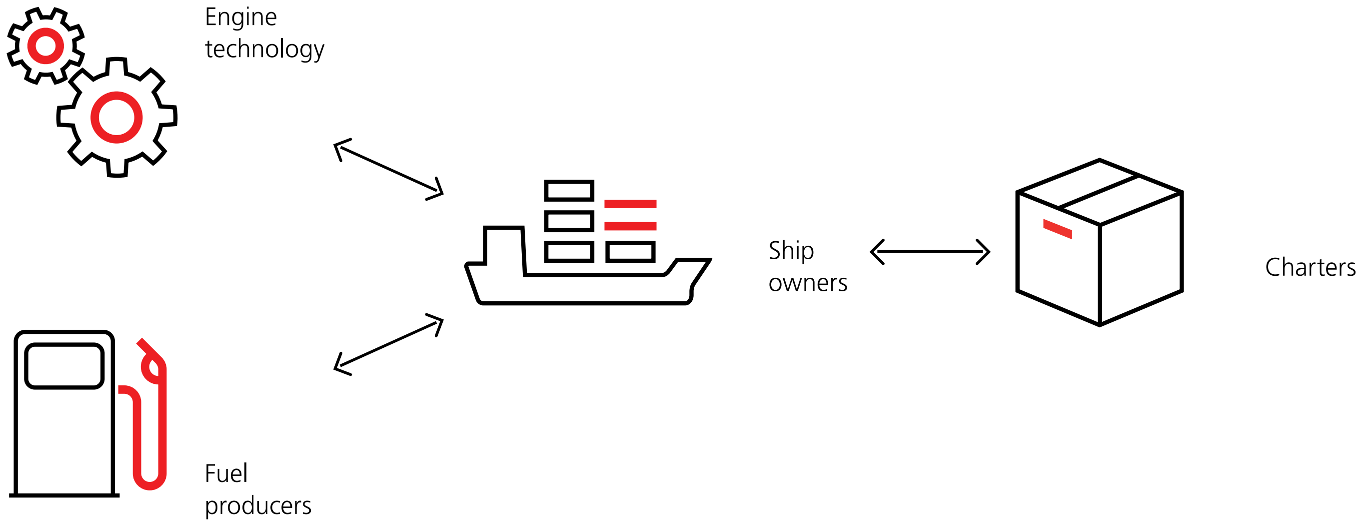
7 McKinsey and Company (2020),"Diversity Wins: How inclusion matters" report: https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters

Value chain engagement. Decarbonization of shipping.

The global shipping industry accounts for three percent of global emissions and plays a crucial role in global trade. Research into engines running on alternative fuels, primarily methane and ammonia, is showing immense promise. The shipping industry is ripe for transformation.

That said, ship owners are faced with significant uncertainties when considering investments in these novel engines. There are questions about securing supply and bunkering of alternative fuels, the willingness of charter companies to accept the associated green cost premium, and concerns regarding the toxicity of ammonia. To tackle these critical issues head-on, we brought together key stakeholders across the value chain, including fuel producers, ship owners, engine manufacturers and chartering companies.

Shipping value chain



The objective of this initiative culminating in an event – hosted in our London office – was simple: to identify challenges and solutions, seek common ground and contribute to the thinking about derisking investments of ship owners in novel engine technologies. By fostering dialogue among these diverse industry players, we were seeking to contribute towards tackling the roadblocks currently hindering the wider adoption of alternative shipping engines.

The discussions during the event support our view that methane and ammonia engines are destined to become the industry standard in shipping and showed that there is much progress by key players in the value chain. For example, in terms of engine technology and guaranteeing bunkering. We believe that investors can play a role in facilitating such value chain interactions between key stakeholders supporting the decarbonization of sectors such as shipping.

5

Our global approach to active ownership

Our active ownership approach

Leveraging our strength as a global, diversified asset manager to drive positive change

Our active ownership approach encompasses integration of sustainability-related factors into investment decision making, engagement, proxy voting, advocacy with standard setters and collaboration with peers and our clients.

As a manager of actively managed, index and rules-based strategies, across asset classes, we believe there are synergies that managing different strategies bring to our stewardship approach. For example, active strategies benefit from the scale and breadth of exposure UBS-AM has to companies across our index strategies, enabling greater corporate access and a more influential voice with companies through engagement and proxy voting. At the same time, the in-depth knowledge of fundamental investment analysts with sector expertise and relationships with corporate management benefits index strategies through our combined stewardship program and/or insights to support customized index solutions.

We believe that effective stewardship is key to addressing broad externalities across the economy that could cause instability and risk in financial markets, such as climate change and loss of biodiversity.

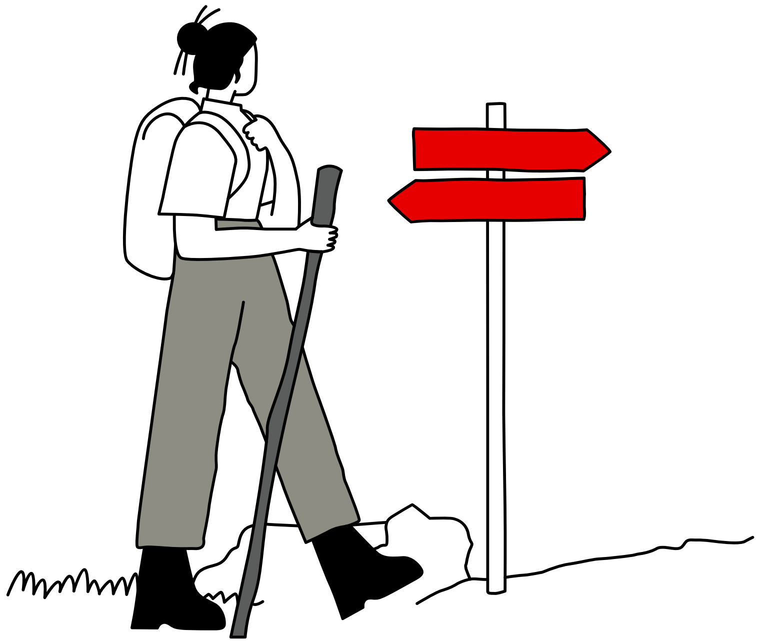
For the past 20 years, client feedback has been essential in developing our stewardship approach.

Our Stewardship Policy and Proxy Voting Policy 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.

Stewardship policy

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.



Integrating sustainability factors into investment decision making

Environmental, social and governance (ESG) factors are part of the fundamental analysis in the investment process. ESG Integration is supported by a proprietary dashboard, which draws on ESG data to provide a bespoke ESG Signal on issuers.

ESG risks and opportunities are further explored through proactive thematic research and interactions between portfolio managers, fundamental analysts and SI dedicated analysts.

Engagement

Constructive dialogue with issuers based on thorough research with clear objectives and feedback on company actions to achieve positive outcomes with improved performance.

Exercising shareholder rights through proxy voting

Our proxy voting policy provides framework for voting in the best financial interest of our clients.

Applied consistently and underpinned with case-by-case reviews and insights obtained through our engagement.

Contributing to industry initiatives and advocacy

Supporting the enhancement of best practices across the investment industry.

Advocacy with policy makers and standard setters on taxonomies and regulation.

Collaborating with peers and our clients

Collective engagement where appropriate.
Supporting clients with their commitments.

Reporting

Aggregated global voting record disclosed, including explanations for votes against management, as well as fund level reporting of votes for institutional funds in various markets.

Annual Stewardship Report, explaining actions and outcomes achieved.

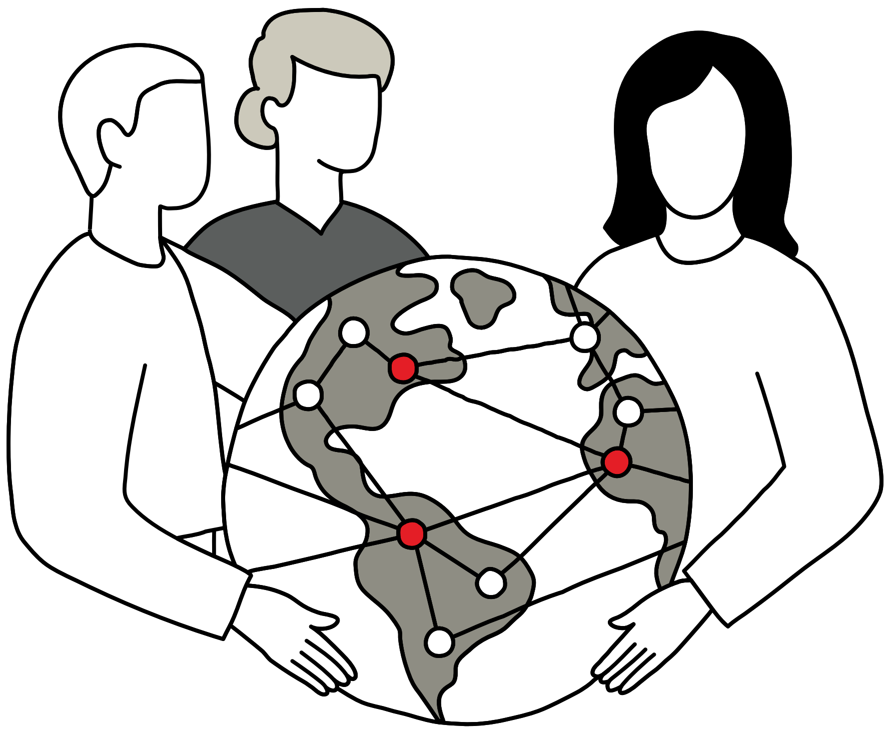
Client and fund-specific active ownership reporting.

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 ~60 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. All of the analysts' views support decision-making as portfolio managers weigh ESG risks and opportunities against other financial considerations.

The assessment of ESG issues is oriented around our ESG Materiality Framework, customized and built on the Sustainability Accounting Standards Board (SASB) standards coupled with our internal insights. 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 sectors.



Identify

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

> The ESG Risk Dashboard provides advanced risk monitoring through enhanced datasets and serves as the starting point for ESG integration

It provides investment teams with a structured, holistic view of ESG risks across four different dimensions, allowing for industry relative comparisons (expressed via the UBS Blended ESG 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 the investment case. The ESG Risk Signal combines data points from a number of 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.[8]

Review

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 the investment thesis in tandem with the quantitatively 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 trajectory of ESG performance. To support 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 a watchlist that monitors for breaches of UN Global Compact Principles, 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.

Mitigate (active ownership)

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 communicate 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.

8 As of 31 December 2023

Case study

Hyundai Motor Co

Theme
Carbon emissions, energy transition, supply chain, human rights

Region
APAC

Country
South Korea

Sector
Automobiles

Number of engagements
One

Most senior engagement
Investor relations

Case study results: The company has established a focus on submission and disclosure of a SBTi target by 2024. There are also areas of progressive focus on supply chain transparency and direct monitoring to minimize risk from social concerns.

Purpose of engagement

Hyundai is a South Korean multinational automotive manufacturer headquartered in Seoul, South Korea. The company operates the world's largest integrated automobile manufacturing facility, in Ulsan, South Korea. The company sells its vehicles under Genesis and electric vehicle brand, Ioniq and sells vehicles in over 190 countries. The company has an aspiration to achieve net zero by 2045 in both vehicles and production; this includes the goal to cease production of internal combustion engine (ICE) vehicles by 2045 and replace domestic and overseas energy with hydrogen technology. Hyundai is also increasingly focused on improving its board structure and on establishing human rights assessments across overseas work sites and with suppliers.

Action

Having met with the company in 2022, we engaged with the company again in late 2023 to discuss progress on the issues identified in the previous meeting. We covered a wide variety of issues across the ESG spectrum.

At the earlier engagement in 2022, we had taken note that the company did not have interim carbon reduction targets. This would be required for the Science Based Targets initiative submission and verification process; therefore, we encouraged the company on this front. We did learn that the company was investing in R and D to enhance carbon emissions performance in ICE as well as planning expansion in the EU and the US for electric vehicles (EV). The company emphasised that it's strategy for carbon neutrality was not only based on EV penetration, but also included workplace neutrality and lifecycle assessment of vehicles. The company also mentioned the challenges of managing carbon emissions within the supply chain.

The engagement in 2022 enabled us to identify future signposts for follow-up engagements. These included seeking further information regarding progress on establishing and disclosing interim carbon reduction targets, continued improvements in board structure and composition, as well as progress around coverage of human rights assessment of subsidiary and supplier operations.

Outcomes

When we subsequently engaged with Hyundai in 2023, we were pleased to learn that the company had established a focus on submission and disclosure of an SBTi target by 2024, although this was a postponed SBTi submission target as the company was concerned that its short- to mid-term targets would not meet requirements. Furthermore, the company provided more context around its desire to enhance the integrity and reliability of its scope 3 calculations and disclosures, including accounting for the wider coverage throughout the entire life cycle of vehicles.

The controversies that had led to the child labor case at an overseas subsidiary and broader supply chain transparency was a key topic we wanted to discus with the company. The child labor incident at the overseas subsidiary had led the company to accelerate ESG assessment of suppliers. Hyundai confirmed that it had completed on-site assessment of Korean suppliers and was beginning the assessment process for overseas suppliers. Another positive development was the completed mapping exercise of domestic supply chains, with a view to replicating this exercise for Tier 1 overseas supply chains by the end of 2023 and Tier 2 by 2024. This was a welcome development with regards to minimizing risk arising from social concerns.

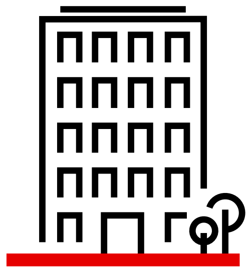
There had also been other areas of progressive focus on supply chain transparency and direct monitoring, including increasing involvement in raw materials sourcing via a joint venture with Korea Zinc.

With regards to board structure and diversity, the company confirmed that there was a commitment to consider external candidates, candidates from diverse nationalities as well as female directors, but no explicit targets were confirmed.

Status and next steps

Overall, we concluded that the company had made incremental moves in the right direction with regards to the various ESG issues identified.

And, the company has established a focus on submission and disclosure of a SBTi target by 2024.



Case study

Holcim

Theme
Carbon emissions, energy transition

Region
Europe

Country
Switzerland

Sector
Building materials

Number of engagements
Four

Most senior engagement
CEO

Case study results: We appreciate Holcim’s clear disclosure on its decarbonization strategy and concrete progress achieved to date.

Purpose of engagement

Holcim is a Swiss multinational company that manufactures building materials. Holcim is a leading global producer of cement, aggregates, ready-mix concrete and, increasingly, a provider of sustainable building solutions and products.

The cement industry contributes significantly to global CO_2 emissions. It is the second-largest industrial emitter, accounting for approximately 7% of global CO_2 emissions, and demand for cement is predicted to increase over the coming decades. Cement is a critical input for many activities, including buildings and infrastructure, and is a key material in the net-zero transition. Cement assets’ lifetimes reach up to 60 years and the investment choices that cement companies make now will create long-lasting path dependencies, well beyond 2050. By investing in technologies that are consistent with a net-zero scenario the cement industry can potentially avoid stranded assets and high economic losses in the long term.

Decarbonization of the cement industry is an important topic that we welcome the opportunity to discuss with cement, aggregates and ready mix concrete production companies we have investment exposure to. Given cement producers have large operational scope 1 and 2 emissions, they largely have direct control over their emissions. This is a distinct difference to those other high emitting extractive sectors where scope 3 emissions make up the majority of their profile. This gives companies like Holcim the ability to lower emissions profiles. Holcim's activities include cement production, which is highly energy and carbon intensive.

Decarbonization of its business will likely require significant investments, return on which are still uncertain. To address the risk, Holcim has formulated a clear decarbonization strategy focusing on reducing the clinker content of its cement, increasing alternative fuels and carbon capture utilization and storage (CCUS), with meaningful investments allocated to these endeavors. The latest development on this front is its announced decision to spin off its North American business. The North American entity will capture the upsides from infrastructure spending upcycle and relatively robust housing activities in the region; whereas the non-North American business will harbour European business lines and we expect will be able to dedicate enough financial resources to accelerate its alignment with the EU decarbonization agenda.

Action

In light of our fixed income holdings in Holcim, we engaged with the company on four occasions across 2022 (March, July, December) and 2023 (July) on decarbonization topics, focusing on understanding the medium-term interim target decarbonization plan, the governance structures enabling accountability for decarbonization, and the longer-term use of CCUS to meet net-zero targets and the economics of these technologies.

Outcomes

We appreciate Holcim’s clear disclosure on its decarbonization strategy focused both on organic and inorganic growth, cost discipline and having a leading role in the decarbonization of the heavy-building-materials industry.

Status and next steps

The insights gained from the engagement meeting, reinforced our stable credit outlook of the issuer.

Theme
Carbon emissions, energy transition, carbon capture utilization and storage (CCUS)

Region
APAC

Country
Australia

Sector
Energy

Number of engagements
One

Most senior engagement
Project Manager CCS – technical energy solutions, Treasurer and Assistant treasurer

Case study

Santos

Case study results: We welcome the company's long term strategic plan to monetize its carbon capture utilization and storage expertise by selling these services to other emitters.

Purpose of engagement

Santos Ltd. is an Australian oil and gas exploration and production company, with its headquarters in Adelaide, South Australia. It owns liquefied natural gas, pipeline gas and oil assets.

As an engagement objective, we were keen to discuss and understand the company’s mitigation efforts towards carbon dioxide (CO_2) emissions as a by-product of natural gas usage and energy generation.

Action

Our engagement in 2022, highlighted that Santos has made significant progress towards the development of its carbon capture and storage capabilities, with significant improvement in the management of it's own greenhouse gas (GHG) emissions. Santos’ Moomba CCS Project is expected to capture CO_2 already separated from natural gas at the Moomba Gas Plant in South Australia (scope 1 emissions). It also provides an opportunity to launch further projects to store other sources of CO_2 (such as direct air capture). The existing site can accommodate CO_2 injections for the next 20 years based on it's estimates. The Cooper and Eromanga Basins in South Australia and Queensland have the potential for injection of over 20mt of CO_2 per year for more than 50 years. This capacity is equivalent to taking half of Australia’s passenger vehicles off the road, every year.

Carbon capture utilization and storage (CCUS) is an important topic that we welcome the opportunity to discuss with oil and gas exploration and production companies that we have fixed income investment exposure to, given that it can provide a way to address emissions from hard to abate sectors as well as providing a cost effective pathway to scale up low-carbon hydrogen production and atmospheric CO_2 removal.

Outcomes

Through our engagements with Santos, we learned of the company's longer-term strategic plan to monetize its expertise in this field by selling carbon capture and storage services to other emitters. Despite the delayed nature of these potential benefits to the company, this has reinforced our constructive view of the company. Through our engagements with the company, we encourage the company to pursue further developments in this area.

Status and next steps

Our next engagement exercise will focus on fugitive emissions (unintentional leakage of gases from pressure-containing equipment such as pipelines and storage tanks).

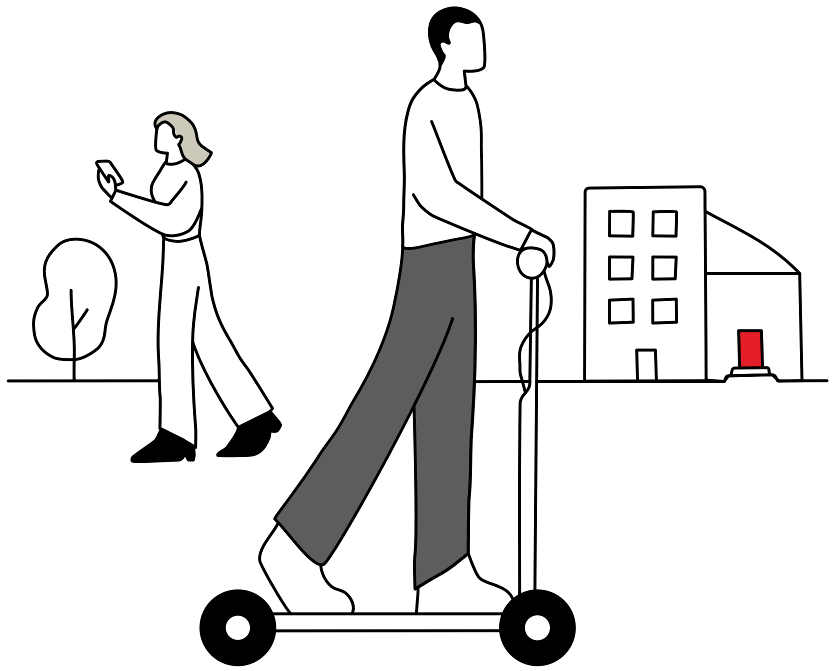
Real Estate and Private Markets (REPM)

REPM's sustainability governance and organizational structure is designed to integrate sustainable criteria into our everyday activities across real estate, infrastructure, private equity, food and agriculture and private credit businesses

Being an active manager of our assets, our approach is to integrate sustainability across our private market activities and provide sustainability-focused solutions to our clients and stakeholders, based on our expectation that this will drive long-term returns for investors and contribute to a measureable and more sustainable future for people and planet.

Within REPM, there is a long-established monthly forum, with clear responsibilities and membership. REPM's Sustainability Management Forum (SMF), which is chaired by REPM's Head of Sustainability, enables structured engagement and continual exchange and improvement of ideas and best practice knowledge. Comprising experts from multiple countries and disciplines, the SMF oversees implementation of decisions on the ground by REPM's various Sustainability Working Groups.

But it is not just the sustainability specialists that are working on sustainability initiatives and ideas in REPM. Sustainability is embedded into employees' annual development plan, including a dedicated ESG curriculum targeting private market topics. And since 1Q 2023, many REPM employees have at least one sustainability-oriented goal in their annual objectives creating a clear link between sustainability deliverables and annual performance.



REPM's sustainability approach

We are fiduciaries of our clients' capital and our primary goal is to deliver strong risk-adjusted returns. This necessitates the comprehensive inclusion of sustainability throughout our investment process in all our businesses.

Sustainable investing has the potential to add value in many ways: improved management of physical climate risk and resulting impacts; reduced risk of regulatory non-compliance; improved competitive positioning; potential for climate-related upside and opportunity; possible reduced ongoing expenses.

There is an established and comprehensive approach to environmental and social factors, and to corporate governance across each of our investment disciplines.

The REPM strategy breaks down into three key pillars:

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

2 People — Create and own assets that contribute to society and communities, impacting lives positively.

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

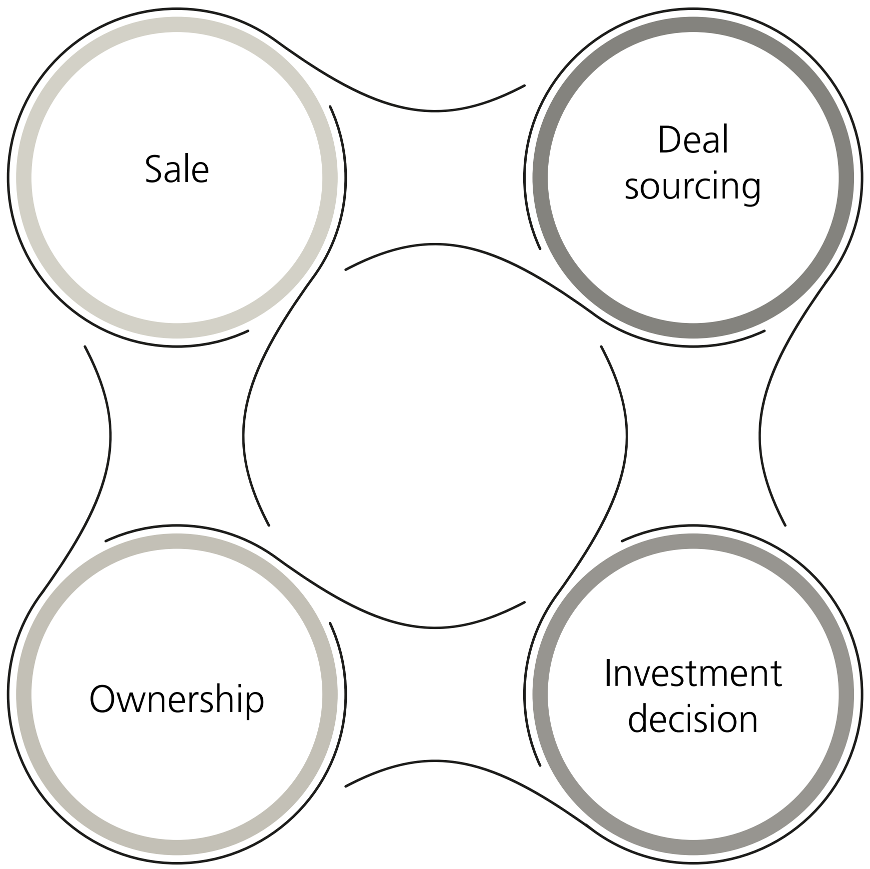
Execution

In practice, this means ensuring comprehensive and ever-evolving climate risk and opportunity analysis (and necessary action plans) are built into sourcing, investment decision, ownership and exit phases of our assets. Social impact is also considered, where relevant. This is integrated in the investment process and consistently applied across all of REPM, from direct real estate to indirect private equity to agriculture and the many varied business areas.

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 Munich RE to gather physical risk data, assessments for our properties, working with consultants to help understand the market.
- Our data quality, coverage and storage approach also remains in focus as an underlying pillar to our sustainability efforts and demands continued attention.

Key pillars



A "partnership approach"

> We engage and interact with a variety of stakeholders in a constructive, two-way dialogue to achieve positive, long-term outcomes, wherever possible.

Across REPM, the common foundation of our active ownership and engagement activities lies in the continuous education of our employees on sustainability topics and our REPM sustainability strategy.

REPM and its employees are active members and working group members of various committees, standard setters, and industry bodies to enhance the knowledge and contribute to the implementation of sustainability and governance initiatives.

Industry memberships and working group/board/committee representation include, amongst others, INREV, ANREV, AREF, UNPRI, GRESB, IIGCC. This industry participation allows us to actively contribute to the development of new ideas, technologies, methodologies and increased transparency with the ultimate aim to actively drive the sustainability agenda forward.

Real estate

As a manager of real estate assets, we often have direct ownership of the building. In these cases, it is in our control to positively influence the ESG credentials of the property, in close collaboration with our tenants, communities and other stakeholders.

At the center of the activities lies a constructive dialogue and the ongoing cooperation with our property manager, facility managers and/or our tenants in pursuit of our sustainability aims for our properties; and to seek their alignment with our objectives.

In 2023, a focus was to build out and harmonize the engagement and active ownership approach, including the provision of a green lease best practice guidance. The application of green leases is a key instrument in the tenant engagement activities to promote activities such as the implementation of energy measures, waste and energy reduction, recycling measures, or the achievement of green building certifications. We believe that some of the most 'important' clauses are around the data sharing, general support and alignment on ESG initiatives, and cooperation in relation to green building certifications. The guidance, distributed globally, aims to establish best practice for green leases across all regions for commercial assets and is intended to be used for new agreements and renewals, as a starting point for lease negotiations.[9]

For residential assets the focus will continue to be on raising awareness and provide guidance on how tenants can reduce their consumption and emissions.

Where practical and possible, tenant satisfaction is measured through regular surveys, and areas for further improvements are identified.

9 Practical implementation is dependent on local regulation and market practice as well as the tenant in question, hence application will vary.

Infrastructure

In the infrastructure equity business (including some of our more specialist strategies), we generally aim to seek majority or controlling rights over our portfolio companies where possible and to have board seats (or aim to seek control over a project company board as applicable). For minority stakes, we seek to have governance rights that allow us to protect and enhance our investment. This forms the basis for and allows us to drive progress in our portfolio companies and projects, including seeking to put appropriate sustainability approaches in place, with processes to track and monitor key sustainability performance indicators. Implementing a sustainable strategy that is defined and executed at the individual asset level is the ultimate target of our engagement.

Our engagement activities for the infrastructure equity business involve collaboration between the portfolio managers and the sustainability specialists who provide support and advice to the portfolio companies on their approach. For specialist strategies input is given to portfolio managers to provide support and advice throughout the project due diligence, development, and operations.

> Central to our engagement program in the equity business is the establishment of an action plan for relevant companies, which is tailored to the asset, sector and location.

Sustainability action items for our equity business and the underlying portfolio companies may include elements such as leadership, policies, reporting, risk management and stakeholder engagement. Some of our investments in specialist strategies will be subject to ongoing sustainability-related KPIs around carbon reduction and air quality improvements. Regular board oversight for sustainability matters is expected.

Multi-managers businesses

Real estate

As an indirect real estate owner, we engage with underlying managers and exercise influence on sustainability during due diligence and ongoing monitoring 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. Data collection is dependent on information received from underlying fund managers.

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. Where possible, we try to obtain seats on advisory boards of underlying funds and act as a voting member. Another way of engaging with the underlying GP is through side letters. 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, with data collection dependent on information received from underlying fund managers.

Private equity

For our Multi-Managers Private Equity (MMPE) business 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.

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.

Multi-Managers approach to active ownership

As a result of an extensive internal project involving cross-functional stakeholders, we have established the key criteria of our active ownership approach which is appropriate to the nature of our business and one which is in line with leading peer practices, and aligned with UBS-AM policies. Our active ownership approach covers both engagement with underlying investment managers, as well as an approach to voting, where applicable.

Voting

Where Multi-Managers has a member on a fund's board, Limited Partner Advisory Committee (LPAC), advisory body, or equivalent, our portfolio managers will provide inputs on sustainability-related topics. Topics may include but are not limited to the establishment of appropriate carbon reduction targets, approach to climate risk, sustainability reporting against international frameworks such as Task Force on Climate-Related Financial Disclosures (TCFD) or the Principles for Responsible Investment (PRI), and the tracking of diversity, equity and inclusion (DEI) metrics.

In addition, and where applicable, our portfolio managers will vote on sustainability-related topics if and when they arise to ensure our underlying investment managers adopt leading practices with regards to sustainable practices and initiatives.

Engagement

We believe periodic and effective engagement on sustainability topics is crucial in order to limit the risk of regulatory non-compliance, maintain our investments' competitive position in the market, and mitigate sustainability-related risks. 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, for our real estate fund investments.

Effective monitoring and engagement are essential components of the fiduciary duty on behalf of clients, and for this reason the Multi-Managers business 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.

Our engagement activity includes the following practices:

a. Distribution of ESG questionnaires on an annual basis (at a minimum) to all underlying investment managers, including assessment of ESG questionnaires as per the business-specific scorecard. This also includes tracking of ESG questionnaire submissions by underlying investment managers, i.e., following up with managers who have not yet completed the ESG questionnaire within the required timeframe.

b. Communication and discussion of underlying investment managers' performance with regards to their submitted ESG questionnaire, with the aim of driving ESG improvement in applicable areas (where necessary and/or practicable).

c. Draft and implement standalone side letters or contractual clauses (where applicable) related to the adoption of sustainability practices.

Our approach to active ownership will be periodically reviewed and updated as necessary to ensure continual alignment with regulatory requirements, industry trends, and leading peer practices.

Outlook

In 2024, REPM will continue the work and efforts around its active ownership activities, building on the work undertaken in 2023. We believe the importance of robust stewardship practices will increase further as both industry bodies but also regulatory authorities push this topic up the agenda. We plan to set an additional emphasis on the drafting of meaningful and relevant stewardship KPIs, as relevant and applicable, as well as the measurement of such indicators. We will closely cooperate with the UBS-AM sustainability experts to ensure overall alignment, and making sure best practices for our private businesses are followed and taken into account as they become available.

Sector
Multi-managers real estate

Project Gold, UK
Driving net zero incentivization and action through scale and relationships.

Case study

Renewable energy for tenants

About the asset

Project Gold is a recapitalization of a core, stabilized portfolio of UK single-family housing assets. The units are predominantly in the north of England situated in or close to major urban areas.

Sustainability overview

The manager, a niche UK investor, had made good progress with it's sustainability agenda, and investor references performed by Multi-Managers Real Estate (MMRE) team confirmed the manager's existing competence. MMRE brought new knowledge to the table, improving on the portfolio's ESG performance capabilities and upgrading its formal ESG ambitions and targets.

Our value add

We implemented rent discounts for tenants who subscribe to renewable energy providers, to assist in the vehicle's net zero carbon (NZC) pathway. We obligated the manager to perform full GRESB submissions starting in 2023; set a NZC target by 2040 - all scopes (which the manager has implemented); provide full transparency over assets' and units' energy use data; and be SFDR Article 8-compliant within 18 months (previously Article 6). We commissioned regular third-party audits of the portfolio's carbon footprint; underwrote ancillary capex to (i) upgrade all units to a minimum EPC-B (existing minimum EPC-C), and (ii) add renewable energy equipment to assets to mitigate GHG emissions.

Sector
Infrastructure

Northern Fiber Holdings, Germany
German fiber developer and network for underserved areas.

Case study

Bridging the digital divide

About the asset

Northern Fiber Holdings (NFH) is a company which operates fiber networks offering broadband internet access and telecommunication services to its B2C and B2B customers in Germany. We acquired Lünecom in September 2021, and then supported the acquisition of Sewikom, a bolt on acquisition for Lünecom, forming Northern Fiber Holdings (NFH) group.

Sustainability overview

Germany ranks below other European countries in terms of Fiber to the Home/Business (FTTH/B) coverage despite being the largest economy in Europe. Focusing on rural and remote regions, NFH contributes to the improvement of rural connectivity, increasing equity of access to high-speed internet.

Our value add

Our acquisition enabled NFH to fund the expansion of the fiber network into adjacent underserved regions. NFH is targeting to reach 300,000 homes passed by the mid-2020s and enable high-speed broadband at municipal facilities, including schools and health facilities. In April 2023, we successfully secured EUR 240m debt financing from a consortium of European banks, to deploy approximately EUR 450 million to fund the expansion plan. We have supported NFH to report on key sustainability indicators for the first time (including GHG emissions, energy, health and safety); complete it's first employee and customer satisfaction survey; and develop the company's approach to sustainability risk management.

Velocity Point, UK
Developing new hubs of logistics excellence, while respecting the highest standard of sustainability in buildings.

Case study

The greening of logistics

About the asset

Velocity Point is a new urban logistics / industrial business park in Leeds extending across 13 acres and is currently under construction, completed in 4Q23. The site is well located for last-mile deliveries, providing access to the A643, Junction 2 of the M612 and Leeds City Centre in less than 10 minutes.

Sustainability overview

This asset comprises nine units totaling 250,000 sq ft, ranging from 3,500 to 108,500 sq ft. The units have been carefully designed to an EPC Grade A specification and a targeted BREEAM Excellent Grade.

The development has a sharp focus on sustainability, with renewable and environmentally responsible features integral to the scheme. These include LED lighting and daylight-saving controls; high efficiency office heating and cooling systems; energy monitoring management systems; and insulation designed to optimize operational efficiency.

Our value add

Together with the alignment to EPC Grade A specifications, we have committed to investing in on-site renewable energy sources, including solar PV panels and roof lights reducing the need for artificial warehouse illumination. We are also installing electric vehicle charging points and bike shelters to encourage a sustainable commute.

Multi-Asset portfolios

We apply the same high standards and expectations of ESG integration and active ownership across multi-asset portfolios, whether allocating to internal or external portfolio strategies. We have rigorous due diligence processes for ongoing assessment of managers.

When allocating to internal strategies, our multi-asset team assess and monitor those strategies' sustainability objectives and processes as part of the due diligence assessments. In these cases the UBS-AM SI framework ensures aligned standards regardless of asset class. This results in multi-asset strategies incorporating the firm's stewardship activities outlined in this document, where applicable.

The evaluation of external strategies is subject to a similar rigorous assessment, to determine whether managers deliver their respective stated sustainability objectives. External managers will typically use different methodologies, data providers and frameworks for the application of SI criteria in their respective investment processes. We evaluate how the external strategies align to both UBS-AM's SI standards and classification framework, as well as 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 investment and research team
- Investment staff dedicated to ESG integration
- Experience of the individual staff members in sustainability
- 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
- How the investment teams utilize ESG criteria to identify investment opportunities
- Whether the ESG integration and stewardship processes fit the strategies' objective
- Firm governance and transparency

Assessments include:

- The sustainable investment thesis, risks and opportunities
- The firms' commitment to sustainability
- Engagement, stewardship and voting
- Resources such as: ESG data, analytics, people, experience and tools
- Governance, policies and oversight
- A firm's history and culture
- Quantitative diagnosis both on the security and portfolio level, using UBS-AM proprietary tools where possible
- Comparison of ESG diagnostics provided by external managers

We regularly monitor externally managed strategies to ensure that they continue to meet the sustainability and investment objectives as expected. This involves the compilation and assessment of regular ESG data provided by the external managers in addition to the key elements underlying the original investment thesis.

This includes the collection of standardized due diligence questionnaires, which are focused on capturing any changes to the investment thesis as well as the degree of progress toward sustainability objectives.

All materials collected and produced during the initial and ongoing due diligence phases are stored for reference and governance purposes, and the record is also utilized to assess changes to the investment and to monitor whether strategies have met, or failed to meet, their ESG objectives.

6

Escalation

Our escalation approach

Our engagement approach identifies and seeks to address financially material issues that we believe are linked to long-term value creation. We assess a company's responsiveness and progress in addressing issues of concern and related expectations 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 straightforward.

> Successful engagement and encouraging companies to implement improvements or develop their policies and approach 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 the expectations communicated and related objectives. We generally expect companies to demonstrate tangible progress toward meeting our engagement objectives after two years.

There may be occasions when there has been no progress on engagement objectives, 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 evolved the process we have in place for situations where an engagement does not achieve our objectives or if we are not satisfied with the response of the company, along with the governance process around different steps we might take.

In the first instance, we will seek to highlight and discuss our concerns with the company through further direct interactions with senior executives and non-executive board members, or the board chair. We may also contact the company's advisers. This could be complemented with or followed up by a formal, private letter to the chair, CEO or the whole board, a first step in an escalation process.

In making decisions as to whether to escalate our engagement beyond meetings with senior executives and board members, 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
- 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. We regard these steps as options that we can take depending on the specific circumstances of the engagement or a specific engagement program rather than a linear process. We use some of the options regularly, others more rarely or only on an exceptional basis.

Our escalation strategy may include the following options:

Escalation options for consideration

Private Actions	Writing formal private letters to board chair, CEO, CFO, other board members, or the whole board to formalize our concerns and set related expectations
	Initiating or participating in discussions with other investors
	Escalation of on-going collective group engagement through industry groups and fora, including via letters
Public Actions	Voting against management proposals, or supporting shareholder proposals, at shareholder meetings, including the election of board candidates, or items correlating to our concerns, for example relating to climate.
	Presenting a statement and/or questions at shareholder meetings
	Making pre- or post-vote statements
	Public disclosure of voting actions after shareholder meeting
	Filing/co-filing of shareholder resolutions at shareholder meetings
Portfolio Actions	Implementing restrictions on new holdings or increasing positions
	Decreasing or exiting a position

In using appropriate escalation options depending on the particular circumstances of the engagement we are acting to protect the value of our clients' investments, which is paramount to our approach.

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

Example of escalation: alignment of our climate engagement approach with our voting guidelines.

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 to achieve real-world outcomes against our objectives. For more information please see the thematic engagement section of this report.

Theme
Natural capital, human rights, climate change

Sub-theme
Forests, policy advocacy

Region
Americas

Country
US

Sector
Agribusiness, food and ingredients

Number of engagements
Five

Most senior engagement
Sustainability Officer

Case study

Bunge

Case study results: We co-filed on a resolution which requests Bunge confirm to investors whether its existing policies incentivize an increase in deforestation. The company is responsive to investor engagement on the topic and has acknowledged the risk of continued deforestation in its Cerrado supply chain.

Next step: We will meet with the company in 2024 to understand its plans following the resolution on deforestation and land conversion.

Purpose of engagement

Bunge is a global agribusiness company and market leader in crushing soybeans, which results in revenue from the spread between buying soybeans and selling meals and oils. It is also active in the procurement, storage, processing and transportation of sugarcane, grain, palm oil, food and ingredients.

Bunge plays a critical role in its contributions towards SDG 2 (Zero Hunger) and SDG 7 (Affordable and Clean Energy). Despite strong progress in its environmental management and disclosure, the company remains exposed to deforestation and land conversion risk through its commodity supply chains, primarily soy and palm oil. The company's primary risk driver is ongoing deforestation/land conversion in Cerrado, Brazil, the world's most biodiverse savannah, driven by agricultural land expansion. It is estimated that half of the savannah's vegetation has already been converted for agricultural purposes[10]. In addition to the wide-ranging destruction to biodiversity, this extensive land change in Cerrado is linked to increasing land surface temperatures and lower precipitation, heightening drought risk and endangering agriculture yields for commodity traders and farmers operating in this critical soy growing region.[11]

Our engagement with Bunge sought to encourage the company to strengthen the operational management of it's anti-deforestation and conversion commitment and to improve reporting to enhance transparency on this issue.

10 https://www.reuters.com/business/environment/deforestation-brazils-cerrado-savanna-hits-seven-year-high-2022-12-14/
11 https://onlinelibrary.wiley.com/doi/abs/10.1111/gcb.16386

Action

In 2023, considering the growing risk in the its Cerrado supply chain, we intensified our long-term engagement meeting with representatives five times over the course of the year.

We commended the company for its commitment to be free of deforestation and native vegetation conversion by 2025. However, we sought to emphasize that the commitment could be strengthened by adopting an earlier cutoff date[12] in line with global norms or by providing assurances that its existing policies do not incentivize an increase in deforestation and conversion prior to its December 2025 cutoff date. As part of this engagement, we also discussed human rights and indigenous peoples' rights and recommended that Bunge established a human rights due diligence approach in alignment with international standards, such as the United Nations Global Guiding Principles (SDG 16).

In October 2023, after multiple meetings with the company, UBS-AM joined a coalition of 16 investors to send a letter to Bunge's CEO and board requesting assurance that Bunge's operations and supply chain are deforestation and conversion-free, and that its current practices are not incentivizing or accelerating deforestation in the Cerrado savannah. With this letter, we also requested that Bunge ensure its lobbying activity is in line with its 1.5°C ambitions and biodiversity goals, and that it publish a comprehensive lobbying report aligned with best practice. The company confirmed receipt but otherwise did not respond to our specific points.

In November 2023, considering our engagement and escalation mandates, we co-filed on a resolution at the company which requests Bunge confirm to investors whether its existing policies incentivize an increase in deforestation and conversion prior to its December 2025 cutoff date, and if so, to identify and take immediate corrective measures at the board and management's discretion.

In December 2023, UBS-AM and other co-filers met with company representatives to discuss the resolution.

Outcomes

We were pleased to see that Bunge is open and responsive to investor engagement on the topic of deforestation. The company is open to dialogue and has made continuous progress on deforestation risks over the years.

The company has acknowledged the risk of continued deforestation in its Cerrado soy supply chain but has not adopted an earlier cutoff date to mitigate this risk.

Status and next steps

We will meet with the company in 2024 to understand its plans following the publication of the expected report on deforestation and land conversion. We will also continue monitoring the company's progress in evolving its approach to human rights and enhancing transparency.

12 Cutoff date: the date after which deforestation or conversion would render a production area non-compliant. In practical terms, Bunge cannot source from production areas deforested after the cutoff date. Company has set cutoff date to December 2025 currently

Case study

Ubisoft Entertainment SA

Theme
Corporate governance

Sub-theme
Board composition and effectiveness

Region
Europe

Country
France

Sector
Media and entertainment

Number of engagements
Twelve

Most senior engagement
CEO, Lead independent director

Case study results: The company strengthened its board with two new directors with relevant expertise, appointed a new lead independent director, and improved its communication on the Tencent transaction.

Next step: We will continue to encourage further improvements of the board's composition, addressing the over representation of the family, and financial market communications, including on targets.

Purpose of engagement

Ubisoft is a French videogame company founded by the five Guillemot brothers, who own, in concert with Tencent, around 25% of the share capital (and around 29.5% of the voting rights). We started an intensive engagement with Ubisoft following the announcement in September 2022 of a transaction between Tencent and the holding company of the Guillemot brothers, which triggered a sharp sell-off.

The deal appeared to allow the anchor shareholders to sell some of it's control in Ubisoft at a premium which was not offered to minority investors, and seemed to entrench management, reducing the potential for a takeover of the company, raising questions about the independence and effectiveness of the board and the transparency of communications about the transaction.

We had already engaged with the company in 2021 and 2022 regarding other serious ESG issues, including allegations of misconduct and sexual harassment, that led to the departure of a number of senior executives, a complete restructuring of the HR structure, including the recruitment of external, established HR professionals in top management positions, and the appointment of one board director with relevant HR expertise.

On that occasion, the company proved to be highly receptive to investor feedback, and proactive in addressing the problems. This gave us confidence in terms of the potential for change through engagement.

Action

In 2023, we sought to address the issues around the transparency of the transaction and the composition of the board through extensive dialogue with company representatives at the top level (including CEO, CFO and lead independent director). Our most important goal was to push the company to improve the quality of the board, adding specific sector-based competences, which we felt the board lacked at the time of initiation of dialogue.

Since the announcement of the transaction in September 2022, we met the company 12 times (and had 7 interactions in 2023). In January 2023, we clearly set out our engagement objectives in a letter to the board, in which we articulated the following expectations:

- Board refreshment and strengthening, including the appointment of at least two new directors with proven expertise in the videogame sector, including the lead independent director
- Additional communication and clarity around the implications of the Tencent deal, and a clear explanation of the potential opportunities it held for all shareholders
- The definition and public communication of margin expansion objectives in financial guidance

In addition to direct dialogue with the company, we also liaised with other investors, observing all relevant regulations. We participated in a shareholder survey on the composition and perceived effectiveness of the Ubisoft board, organized by another institutional investor, and the results were presented to the company. We also asked the UK Investor Forum (IF) to initiate facilitated collective engagement using its framework. This resulted in an IF letter to the company on behalf of a group of investors representing approximately 17% of Ubisoft's share capital encouraging enhanced board composition and effectiveness.

We believe individually and collectively we sent a coherent message from investors regarding the changes we expected at the company.

Outcomes

In July 2023, the company announced a significant reshuffle of the board, one outside the mandate cycle, including the appointment of two new directors who bring significant experience as former CEO and CFO, including expertise in the videogame sector. It was also announced that Claude France (appointed to the board in 2022) was set to replace Didier Crespel as lead independent director, which we viewed positively, given her background and experience in the sector. While we believe that there is still potential for strengthening the level of sector expertise on the board, in our view these appointments are a significant step in the right direction.

Moreover, Ubisoft has substantially improved the clarity of communication around the Tencent deal, explicitly outlining the benefits of the transaction in terms of stability and opportunities for the company and clarifying that this deal does not prevent future consolidation opportunities. This message has been reiterated both in public communications and in one-to-one dialogue with investors.

Status and next steps

We believe there is still room for improving the board composition, addressing the overrepresentation of the family (making it proportional to its share ownership), and financial communications, as the company remains somewhat resistant in communicating clear financial targets.

In terms of board development, we discussed next steps with the newly appointed lead independent director in December; we had already reached out to her immediately after her appointment as LID, sending a formal letter to underscore our engagement efforts and stress the importance of our objectives. She highlighted a number of improvements in terms of board composition and discussion, and we agreed to keep the conversation open, in light of the fact that the current mandate of some directors will soon expire and decisions will have to be made on the company potential renewal.

> "Ubisoft has always strived to continuously adapt its organization to the rapidly changing industry while accelerating the execution of its strategy. We have been in regular and direct contact with our institutional shareholders on corporate governance topics through 3 distinct corporate governance roadshows per year since 2016. The constructive engagement with certain shareholders, along with a triennial board assessment by an independent third party, has provided valuable feedback on this journey."
>
> Frédérick Duguet, Ubisoft CFO

7

Managing conflicts of interest

Managing potential conflicts of interest

Within UBS-AM, our principal objective when considering how to vote, or whether to engage with a company, is to ensure that we fulfill 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.

We recognise that in the course of our day-to-day activities, our teams and business may encounter potential conflicts of interest between the interests of one or more of our clients, or our wider business activities.

Situations where potential or actual conflicts of interest have arisen in connection with our stewardship activities include where:

- The views 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

We have followed 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 automatically cast by our service provider 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.
- 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.

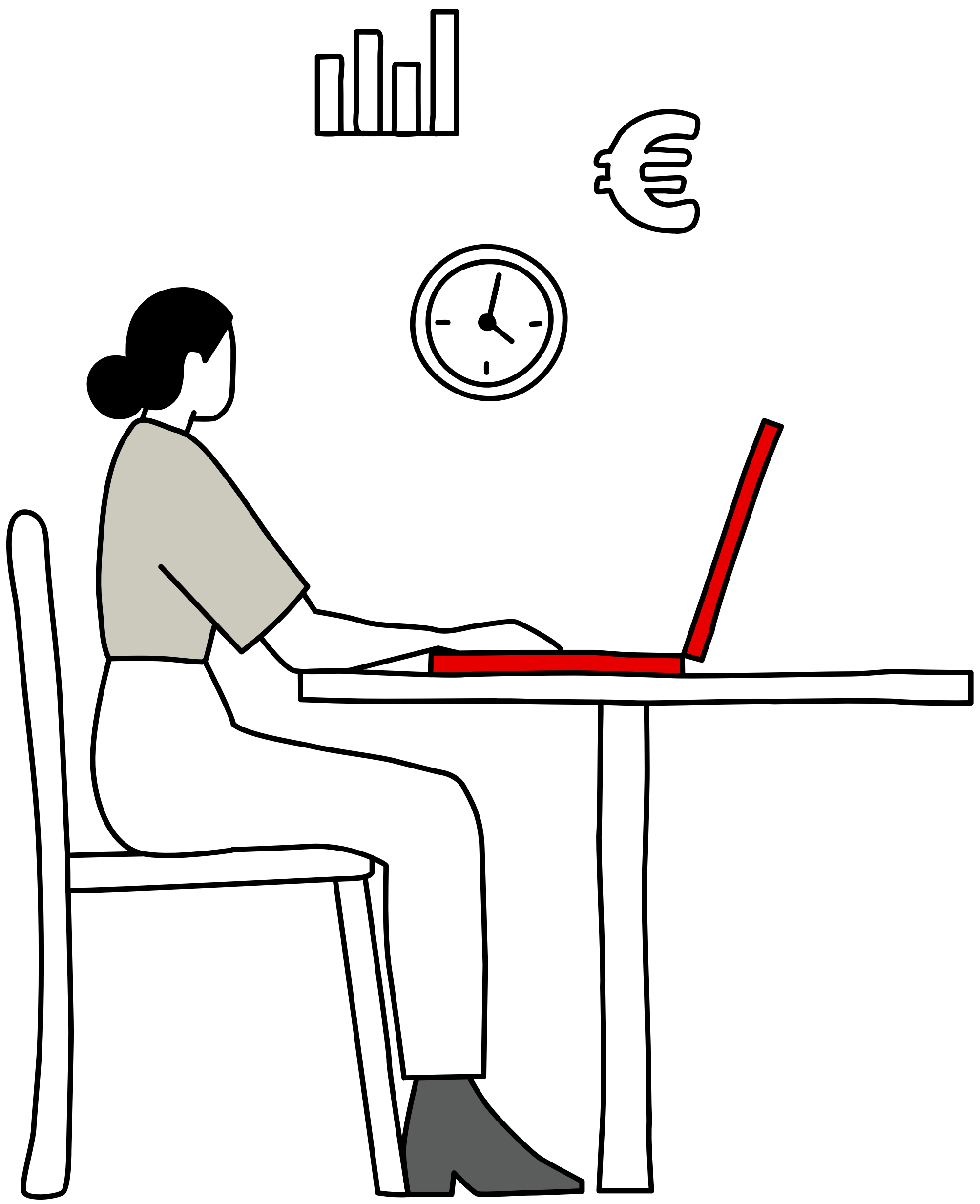
8 Appendixes

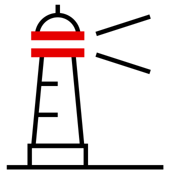
Appendix

1

About UBS

Global financial advice and expertise that matters.





As of 12 June 2023, we have formally acquired Credit Suisse, less than three months after discussions about combining the two banks were started by the Swiss Federal Department of Finance, Swiss Financial Market Supervisory Authority (FINMA) and the Swiss National Bank. The transaction marks an exciting and challenging new chapter in our history, which has seen more than 370 financial institutions combine to form what UBS is today, as well as for Switzerland and the global financial industry.

As we move swiftly to integrate Credit Suisse, we're focused on creating a smooth and transparent transition for all involved.

> Reimagining the power of investing. Connecting people for a better world. This is our purpose.

At UBS we're reimagining the power of people and capital to create a better world for all of us – a world that's fair. That's sustainable. And that gives everyone the opportunity to thrive.

A key part is in making connections: drawing on our global ecosystem of partners, clients and communities to share ideas, bring opportunities to life and make a real impact.

What we do: The largest truly global wealth manager

We provide financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. Headquartered in Zurich, Switzerland, we are present in all major financial centers worldwide.

An enhanced offering from our combination with Credit Suisse will help clients achieve their financial goals, thanks to additional value, scale, services and global reach.

Asset Management

Asset Management is a large-scale and diversified asset manager, with a presence in 22 countries. We offer investment capabilities and investment styles across all major traditional and alternative asset classes, as well as platform solutions and advisory support, to institutions, wholesale intermediaries and wealth management clients.

It is a leading fund house in Europe, the largest mutual fund manager in Switzerland and the top foreign firm in China.

Global Wealth Management

At UBS, wealth management isn't just something we do, it's who we are. Helping wealthy individuals and families pursue what matters most to them has been our purpose for over 160 years.

As the world's leading only truly global wealth manager, we provide our clients with an unparalleled investment offering, insightful thought leadership, and unmatched access to opportunities and some of the best talent in the industry.

Personal and Corporate Banking

Personal and Corporate Banking provides comprehensive financial products and services to UBS's private, corporate and institutional clients in Switzerland, maintaining a leading position in these segments and embedding its offering in a multi-channel approach.

The business is a central element of UBS's universal bank delivery model in Switzerland, supporting other business divisions by referring clients and growing the wealth of the firm's private clients so they can be transferred to Wealth Management. Personal and Corporate Banking leverages the cross-selling potential of UBS's asset-gathering and investment bank businesses, and manages a substantial part of UBS's Swiss infrastructure and banking products platform.

Investment Bank

The Investment Bank provides corporate, institutional and wealth management clients with expert advice, innovative solutions, execution and comprehensive access to international capital markets.

It offers advisory services and provides in-depth cross-asset research, along with access to equities, foreign exchange, precious metals and selected rates and credit markets, through its business units. The Investment Bank is an active participant in capital markets flow activities, including sales, trading and market-making across a range of securities.

Group Functions

Group Functions comprises Services, as well as Group Asset and Liability Management (Group ALM). Services includes the Group's control functions such as Finance, Risk Control (including Compliance) and Group Legal, and, within these, certain corporate and stewardship services and the costs associated therewith.

In addition, Services provides all logistics and support services, including operations, information technology, human resources, regulatory relations and strategic initiatives, communications and branding, group functions, physical security, information security as well as outsourcing, nearshoring and offshoring. Group ALM is responsible for business division-aligned risk management, capital investment and issuance and Group structural risk management activities.

Appendix

2

UBS commitment to sustainability

Thinking and acting with the long term in mind.

1 Supporting, advising and sharing

When it comes to sustainability, our ambition is to be a global leader, supporting our clients in the orderly transition to a low-carbon economy, leading by example in our own operations and sharing the lessons we learn along the way.

2 Serving our clients' needs

Our clients are at the heart of everything we do and they're increasingly looking to grow their capital in sustainable ways. Through our investment advice, financial strategies and solutions, and research and thought leadership we aim to support their transition toward a more sustainable world.

3 Embodying our principles

We are reducing our climate impact and managing the risks of climate change to our business by embedding sustainability throughout our operations and services. We are also dedicated to being a world-class employer and a place where people can unlock their full potential. With more than 115,000 employees working in 52 countries, our global presence, expertise and range of business activities help us to make a positive difference for our clients, colleagues and communities.

Banking on sustainability

Our commitment

We want to be the financial provider of choice for clients who wish to mobilize capital toward the achievement of the 17 United Nations Sustainable Development Goals (the SDGs) and the orderly transition to a low-carbon economy. We are supporting our clients in the transition to a low-carbon economy, leading by example in our own operations, and sharing our lessons learned along the way with the rest of the world. By 2050, our ambition is to achieve net-zero greenhouse gas (GHG) emissions across our scope 1 and 2, and specified scope 3 activities.

Continued ambition to be a global leader in sustainability

The acquisition of the Credit Suisse Group enlarged our exposure to sustainability matters, as reflected in the increased qualitative and quantitative content we are disclosing in the Sustainability Report. Since the acquisition, we have been working to progressively align governance, policies, methodologies and frameworks. We expect to complete this work during 2024. Our ongoing alignment includes making UBS sustainable product standards the benchmark, with Credit Suisse's sustainable financing and investment products undergoing a detailed assessment to ensure compliance with our standards, frameworks and expectations. Our revised sustainability and climate risk policy framework and associated processes reflect the full suite of activities of the combined organization and ensure a consistent approach.

Our Priorities

Planet	People	Partnership
Making climate a clear priority as we shift toward a low-carbon economy.	Addressing societal challenges through client and corporate philanthropy, as well as employee engagement.	Working with other thought leaders to achieve impact on a truly global scale.

Serving clients' sustainable finance needs

USD 292.3bn	USD 11.2bn
of sustainability focus and impact investments (UBS AG) (10% increase)	clients' impact investing assets (UBS AG Global Wealth Management)

Transitioning to a low-carbon economy

- Made progress toward our ambition of achieving net-zero GHG emissions by 2050 across our scope 1 and 2, and specified scope 3 activities and undertook an extensive review of the decarbonization targets of the UBS Group, as part of the integration of Credit Suisse
- Established decarbonization targets to address the emissions of our in-scope lending activities for specified sectors and made progress toward them
- Analyzed the facilitated emissions from capital markets activities for select carbon-intensive sectors
- Decreased carbon-related assets proportion of total customer lending exposure to 7.2% in 2023 from 7.5% in 2022 (UBS Group excluding Credit Suisse)
- Share of climate-sensitive sectors at 12.1% (transition risk) and 9.7% (physical risk) of our total customer lending exposure (UBS Group excluding Credit Suisse)
- Exposure to nature-sensitive sectors at 15.1% of our total customer lending exposure (UBS Group excluding Credit Suisse)
- 57.3% positive progress against climate corporate engagement objectives
- 157 companies at which we voted upon climate-related resolutions
- Reduced net GHG footprint for scope 1 and 2 emissions by 21%
- 65% of our GHG key vendors declared their emissions on CDP and also set 2050-aligned net-zero goals

Our sustainability and impact strategy

What sustainability means to us

We all have a role to play in securing a more sustainable world, and the financial industry is no exception. At UBS, we reimagine the power of people and capital to create a better world for everyone, striving toward a fairer society, a more prosperous economy and a healthier environment. That is why we partner with our clients to help them mobilize their capital toward a more sustainable world and it is why we have made sustainability a significant part of our culture.

Group-wide application of sustainability and impact strategy

The sustainability and impact strategy of pre-acquisition UBS now applies to UBS Group. Credit Suisse AG does not maintain a separate sustainability strategy, but its activities are integrated within the strategy of UBS Group. While certain sustainability-related policies, processes and activities continued at Credit Suisse AG, they are applied within the overarching strategy of UBS Group which is focused on three key priorities to achieve it: Planet, People and Partnerships.

Supporting our clients' low-carbon transition

Helping our clients to navigate the orderly transition to a low-carbon economy and build climate-resilient business models is a key objective of our approach to climate, as is the mobilization of private and institutional capital toward this transition. Aligning our in-scope lending and investment portfolios to the objectives of the Paris Agreement is an important part of this approach and so are the products and services we offer.

Planet first

We acknowledge that achieving the orderly transition to a low-carbon economy is highly ambitious. Nonetheless, we are committed to doing our part, which is why the shift to a lower-carbon future is a priority for UBS and a key focus of our sustainability strategy.

In order to protect our clients' assets and those of our firm from the impacts of climate change and loss of biodiversity, we are focused on managing the risks related to climate and natural capital. However, at the same time, we recognize that the low-carbon transition also presents consequential opportunities.

People matter

As a large, diverse and inclusive organization with a global presence, we want to use our influence to help people advance. We do this through our interactions with each other, the communities in which we operate and our other stakeholders. We also believe this approach can support the creation of a diverse, equitable and inclusive society and help build a virtuous cycle of viable, long-term economic and social development.

Partnerships bring it together

The sustainability-related challenges our world faces cannot be solved by one organization alone. That is why we partner with other thought leaders and standard setters to unite around common goals that can drive change on a global scale.

Appendix

3

Our commitment, leadership, and governance

We are proud to be an approved signatory of the UK stewardship code and are supporters of other global stewardship codes.

Leadership and governance

UBS's sustainability and corporate culture activities are grounded in our Principles and Behaviors and overseen at the highest level of the organization. These principles are laid down in our Code of Conduct and Ethics. The Board of Directors of UBS Group AG (the BoD) has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls. The BoD's Corporate Culture and Responsibility Committee (the CCRC) is the body primarily responsible for corporate culture, responsibility, and sustainability.

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

Robust governance architecture in place

Sustainable investment policy	Proxy voting policy	Sustainability exclusion policy	Global stewardship policy
Describes UBS-AM's approach to sustainable investing, highlighting its implementation across the breadth of our business	Describes the approach of our equities, fixed income, multi-asset investment areas (including REPM listed real estate securities) to corporate governance, environmental and social factors during the exercise of voting rights on behalf of our clients	Outlines the company activities which are excluded from the investment universe	States the controls and governance approach with respect to active ownership and details our stewardship strategy

Oversight Forums

SI Prioritization Forum	**SI Methodology Forum**	**Stewardship Committee**	**AM Regulatory Forum**
Head of Sustainable Investing (Chair)	Head of Sustainable Investing (Chair)	Head of Investments (Chair)	Head Transformation and Change (Chair)
Oversight of implementation of UBS-AM Sustainable Investing strategy	Oversight of methodological changes across investments	Oversight of proxy voting standards, process and corporate governance practices	Oversight of regulatory change lifecycle, including SI regulations

The Stewardship Committee oversees our approach to stewardship, including process and policies related to proxy voting and engagement program activities. 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.

Approving/resolving proxy votes that are proposed to deviate from UBS-AM proxy voting policy guidelines, and where the Sustainable Investing team is unable to reach consensus with and among the portfolio management teams.
Reviewing and approving membership of any organization that UBS-AM intends to join in relation to ESG and stewardship external initiatives.
Reviewing and approving of requests to participate in the filing of shareholder resolutions, signing of public statements and open letters.
Reviewing and approving the proxy voting policy annually, including any changes to scope of country coverage, and approving updates as required.
Review of credible corrective action for UNGC breaches to determine whether investment in SI focused strategies is permitted.
Oversight of severe risk rated issuers in ESG integration process; approval of severe risk rated issuer exclusions.

Our commitment to stewardship codes

UBS-AM is a signatory to, or has given commitment to, the following codes of best practice in relation to investment stewardship:

- International Corporate Governance Network (ICGN) Global Stewardship Principles
- UK Stewardship Code
- Singapore Stewardship Principles
- Hong Kong SFC Principles of Responsible Ownership
- ISG Stewardship Framework (USA)
- Australian FSC Standard 23 on Principles of Internal Governance and Asset Stewardship
- Taiwan Stewardship Principles for Institutional Investors
- Japan Stewardship Code

Details on the principles of the codes above are provided in Appendix 7.

SI capability is embedded throughout the organization. Our SI people model is a combination of dedicated teams and ESG champions or subject matter experts integrated within functional areas.

SI capability is organized around the activities below:

The goal of structure is to provide clear oversight from the President of UBS-AM across all impacted and aligned business and investment areas, including our dedicated SI team.

The SI team consists of 35 professionals with an average of 13 years' investment industry experience. Team members are located in Zurich, London, Amsterdam, Krakow, Hong Kong, Singapore, New York and Chicago.

Active Ownership

Analysts focus on driving active ownership outcomes for portfolios through evidence-based sustainability themed research, corporate engagement, proxy voting and participation in industry standards initiatives. Analysts focus on specific themes such as climate or chemical safety or regions in the case of corporate governance. Analysts within asset class investment teams also conduct research and issuer engagement.

SI Portfolio Integration

Analysts work closely with investment teams on ESG research, ESG integration process, net-zero portfolio alignment and the implementation of our impact investing framework including measurement and reporting.

SI Specialists

Analysts focus on the design of SI characteristics for portfolios and creating customized sustainable investing strategies for clients. The specialists also provide education and training on selected topics to clients and UBS-AM staff to improve sustainability fluency throughout the organization.

SI Governance

The focus is on ensuring we are implementing best practice sustainable investing policies and methodologies across asset classes.

SI Quant

Analysts combine quantitative and data science skills to support quantitative assessment of ESG risks and opportunities, dashboard and methodology enhancements.

Risk Analytics and Modelling

Calculate ESG metrics for portfolio management, risk management and reporting.

REPM Sustainability Specialists

Focus on developing and implementing best practice sustainable methodologies and products for Real Estate and Private Markets.

Legal and Regulation

Dedicated legal and regulatory sustainability teams identifying regulatory requirements, providing legal reviews, partnering with the business in regulatory solution design and facilitating regulatory implementations.

Investment Risk

Second line of defense function focuses on UBS-AM risk control framework integrating ESG risk alongside other financial investment risk dimensions.

Compliance and Operational Risk Control

Second line of defense function focuses on independently verifying the design and operating effectiveness of division risk management and control frameworks and identifying and escalating ESG risks in due diligence processes.

ESG Data and IT

Teams provide the database infrastructure, data governance and technical interface to systems to enable sustainable investing activities.

Marketing and Communications

Partner with investment teams to produce SI related reporting and thought leadership.

Group Chief Sustainability Office

Connecting UBS ecosystems.

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.

Our goal is to empower the organization to be "SI fluent" whereby every individual in AM can describe the role they play in advancing UBS-AM as an SI leader and has the training and tools to be successful. Our trainings include biweekly ESG Talks through UBS University; and dedicated learning weeks to support foundational and regulatory modules.

We offer foundational courses for all employees to understand UBS's approach to sustainable finance and UBS- AM's approach to sustainable investing; covering strategic priorities, resources and key messages as well as role-specific modules on topics such as biodiversity, human rights.

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 ESG data providers, to ensure we provide an external view on best practices.

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 Cambridge Institute for Sustainability Leadership (CISL) Certificate in Sustainable Finance. As of end of 2023, we have approximately 60 colleagues in UBS-AM with these external ESG certifications.

GRI UBS Group AG ISO 14001 Audit

UBS Group Excluding Credit Suisse 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. 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.

Please note the ISO 14001 or manual is currently under review for the next auditing cycle.

Sustainability Disclosure Audit

As part of UBS Group AG's annual reporting, a sustainability report is published in accordance with GRI reporting standards and the definitions and methods defined in our Basis of Reporting document. 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 confirm that 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.

We currently do not consider external validation of our activities to be necessary. However, we continue to monitor the opportunities available in this area and would welcome client feedback on this particular topic.

Our voting process is incorporated within our external procedure operational validation review. On a periodic basis our approach is audited by UBS Group Internal Audit and any issues of concern are reported to senior management to be resolved via our operational risk event remediation process.

Controls for 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.

Incentivizing effective stewardship

Portfolio managers, asset and transaction 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, clear sustainability roadmap through asset's planned hold period) and progress achieved against engagement or other sustainability-related objectives (proportion of engagements where progress has been made against set objectives, change in data coverage or renewable energy generation capacity), proxy voting outcomes and sustainability training and education (number of trainings delivered and participation rate metrics, external ESG certifications). 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 and, in our real asset business, to seek to drive real change in our underlying assets based on the belief that sustainability is linked to financial returns. 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.

Appendix

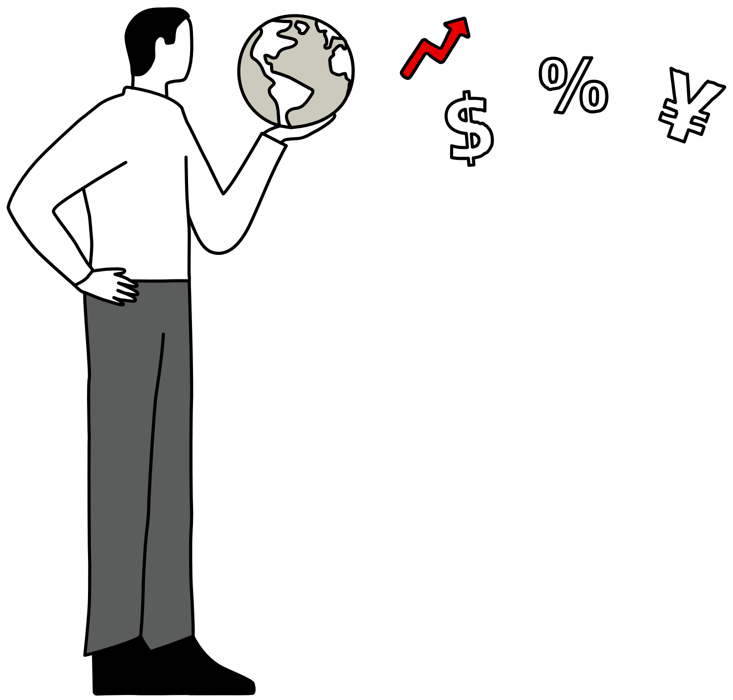
4

Promoting well-functioning markets

We recognize that we have a role in shaping market improvements and developments, through collaboration with peers and discussions with policymakers 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 systemic risks posed to the financial system. In this section we expand on some of the key initiatives in which we participated through 2023.



Regional initiatives

Our engagement in the EU has continued during 2023 as policy makers continue to refine the product disclosure regime, finalize the corporate reporting regime and encompass other service providers such as ESG ratings providers. Other regions, in particular the UK, Switzerland and US have also been actively developing their regimes along similar lines to those in the EU and APAC.

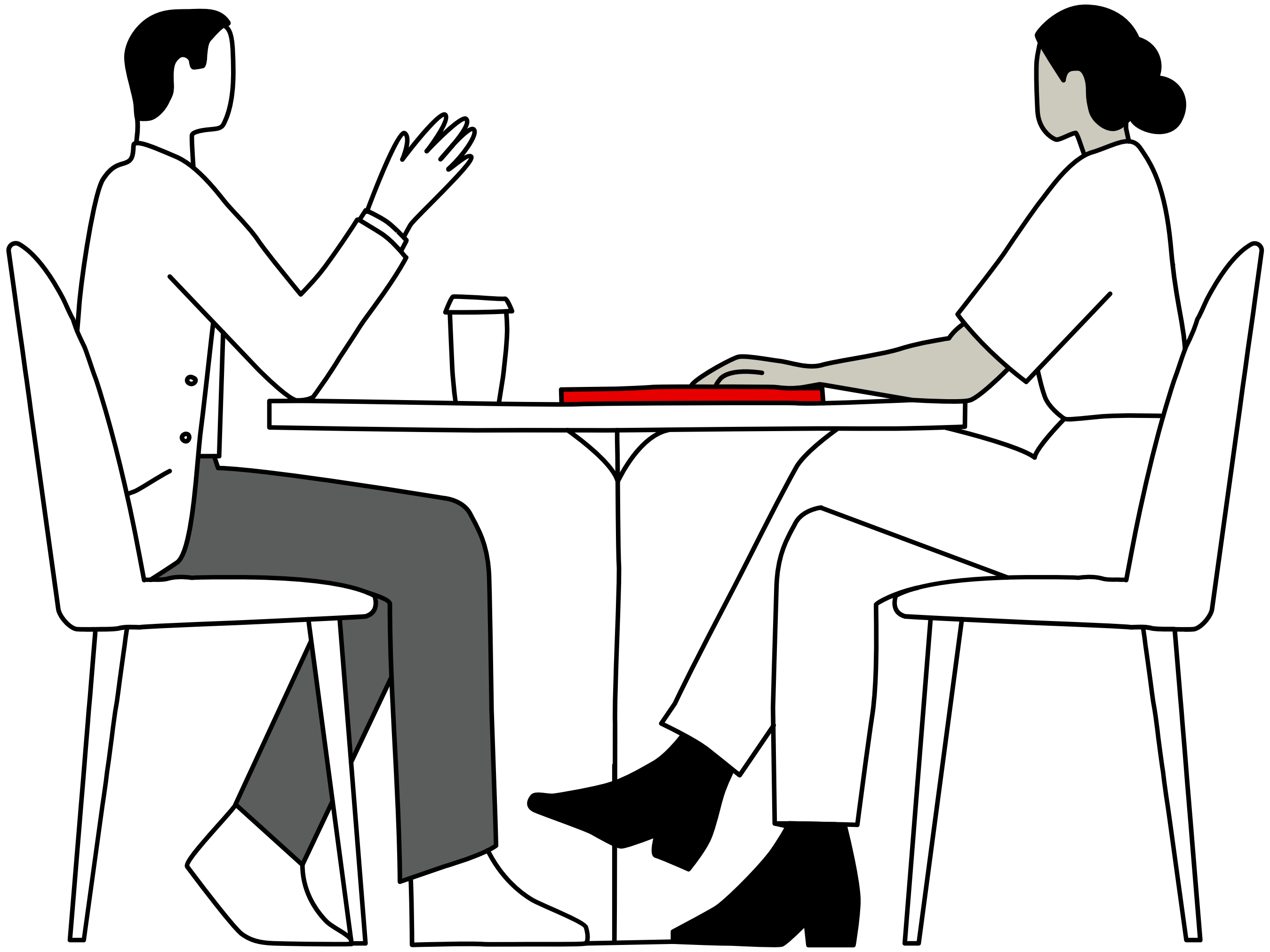
The initiatives that we have worked on are outlined in the table below.

Regional initiatives	
European Union	– The European Commission's Sustainable Finance Disclosure Regulation (SFDR) Level 1 Consultation, supporting consistent standards for sustainable products – European Supervisory Authority's (ESAs) SFDR L2 Consultation, including support for clearer disclosure for retail investors ESMA's Consultation on Guidelines on Funds using ESG/Sustainability Terms in their Name – EU Corporate Sustainability Reporting Directive (CSRD), in particular the European Sustainability Reporting Standards (ESRS) and related guidance, encouraging a focus on material issues – EU Corporate Sustainability Due Diligence Directive – ESG Ratings Regulation, supporting increased transparency on how ratings are constructed
United Kingdom	– UK FCA's Sustainability Disclosure Requirements and Investment Labels (SDR), supporting a retail friendly regime appropriate for the UK marketplace – FCA's UK Climate-related Disclosures Requirements for Asset Managers, Life Insurers and FCA-regulated Pension Providers, encouraging interoperability of climate regimes
United States	– SEC's Changes to Names Rule for Registered Funds (including ESG terms) – Say-on-Pay Proxy Voting Reporting encouraging more disclosure and transparency on executive pay
Switzerland	– Input to the Swiss State Secretariat for International Finance (SIF) on the revised Swiss Climate Scores, part of the Swiss sustainable finance framework and focus on climate metrics – Asset Management Association Switzerland's (AMAS) Sustainable Investing Disclosures Self-Regulation – AMAS's Stewardship Code, participating in trade association Working Groups – ESG Recommendations of the Swiss Pension Fund Association – Swiss Guidelines on Integration of Client ESG Preferences
APAC	– Monetary Authority of Singapore's (MAS) Consultation on Proposed Guidelines on Transition Planning – Singapore Consultation on Climate Reporting led by the Accounting and Corporate Regulatory Authority and Singapore Exchange Regulation – Hong Kong SFC's Guidance on ESG Ratings and Data Product Providers, supporting increased transparency on how ratings are constructed – Hong Kong Monetary Authority's Green Classification Framework Discussion Paper – Japan Financial Service Agency's Supervisory Guidelines on ESG Investment Trusts – Singapore MAS's Circular on Disclosure and Reporting Guidelines for Retail ESG funds – Taiwan Securities Investment Trust Enterprise Risk Management Principle
Trade associations (SI specific)	
Global	– ICI Global – International Capital Markets Association (ICMA)
Europe	– Association for Financial Markets in Europe (AFME) – 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) – UK Investment Association (IA) – 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

5

Collaboration



Schedule of collaborative initiatives

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

- 30% Club
- Access to Nutrition Index
- Asia Investor Group on Climate Change
- Asian Corporate Governance Association (ACGA)
- CDP
- Charta Kreislauforientiertes Bauen
- Climate Action 100+
- Farm Animal Investment Risk and Return (FAIRR) initiative
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- 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
- ISSB Investor Advisory Group (IIAG)
- Italian Sustainable Investment Forum – Forum for the Finanza Sostenibile
- Leading Harvest Farmland Management Standard
- Nature Action 100
- Net Zero Asset Managers Initiative
- One Planet Asset Manager Initiative
- Operating Principles for Impact Management
- Principles for Responsible Investment (PRI)
- Taskforce on Climate Related Financial Disclosure (TCFD)
- The Chemical Footprint Project
- Transition Pathway Initiative (TPI)
- UK Governance Forum
- UK Investor Forum
- ULI – Urban Land Institute
- Value Reporting Foundation

For a full list of initiatives supported by UBS Group, please refer to the supplement of the UBS Group Sustainability Report 2023.

Collaboration

The significant nature of many of our investments provides us with access to the management and boards of companies and in many occassions our preference is to engage privately and directly with our investee companies.

However, we recognize that we have a role in shaping market improvements and developments through collaboration with peers and discussions with policymakers and standard setters. It is our ambition to support the development of regulatory standards globally. We undertake this through interaction with trade associations, regulators, and other policymakers.

Underpinning our commitment to the wider financial market infrastructure is our view that there can be a clear benefit to 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 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.

Collaborating with peers and our clients, we can build knowledge and skills, pool resources and focus the attention of 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
2. A general alignment of views and agreement on issues of concern and potential solutions
3. Dialogue will be with the company and not publicly
4. We have the resources to effectively contribute to the research and dialogue

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.

Collaborative 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.

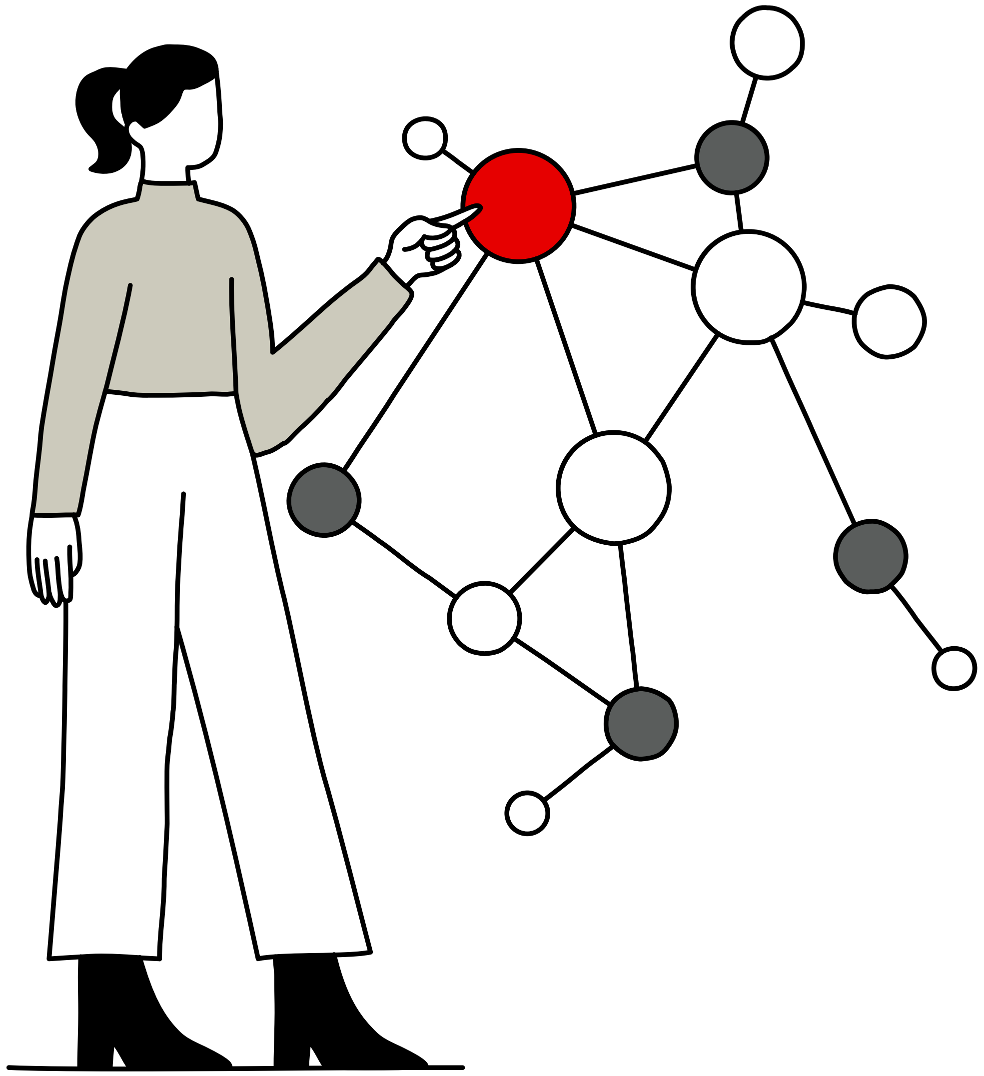
In 2023, we worked within the following groups and collaborations:

Industry collaborations	
Climate Action 100+	Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The work of the initiative is coordinated by five investor networks: the 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). It is supported by a global Steering Committee. UBS-AM has been a signatory to the Climate Action 100+ initiative since its inception in 2018. We are co-leads on six companies and we participate in over 20 coalitions. We co-lead with a range of asset owners and asset managers. The size of the co-lead group may range from two to five. As co-leads, we define company engagement objectives and participate in company meetings along with other members of the coalition.
UK Investor Forum	We are a 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 relationships and trust between companies and their shareholders, leading to better informed boards and a higher level of understanding. Their annual review for 2023 can be found at https://www.investorforum.org.uk/annual-review-2023/
Asset Management Association Switzerland (AMAS)	We are members of Swiss Sustainable Finance and the Asset Management Association Switzerland Working Groups on Sustainable Finance, including a focus on developing the Swiss Climate Scores methodologies and the Swiss Stewardship Code.
Institutional Investors Group on Climate Change (IIGCC)	We are a co-chair of IIGCC's diversified mining working group and participated in the design and development of the Net Zero Standard for the Diversified Mining Sector published in September 2023.
Access to Nutrition (ATNI)	We signed the Investor Expectations on Diets, Nutrition and Health and have engaged collaboratively with companies in the Access to Nutrition Index since 2021. During 2023, we met food manufacturers globally to discuss about companies' nutrition profile models and responsible marketing policy, and shared best practices and peer practices. 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.
Investor Alliance for Human Rights	We joined the Alliance in 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 and also addresses new topics such as human rights issues driven by climate change.

Appendix

6

Schedule of companies engaged with



Company	Number of engagement interactions	E: Climate change	E: Natural resource use/ bio-diversity	E: Pollution, waste	S: Conduct, culture, ethics	S: Human and labor rights	S: Human capital management	S: Inequality	S: Public health	S: Supply chain management	S: Data privacy	G: Board and Management Diversity	G: Board and Management Quality	G: Renume-ration	G: Board Effectiveness	G: Board ndependence	G: Proxy voting procedure	G: Share-holder rights	G: Capital structure	G: Cyber-security	SFR: Capital Allocation	SFR: Financial Performance	SFR: Strategy/ purpose	SFR: Risk management	SFR: Impact revenue/ opex/capex/ R and D	SFR: Reporting and disclosure	SFR: Artificial intelligence
A.P. Moller - Maersk A/S	1	x	x																								
ABB Ltd.	1													x													
Abbott Laboratories	1													x		x											
AbbVie, Inc.	3	x					x		x			x		x		x	x	x									
Adecco Group AG	3						x							x													
Advanced Drainage Systems, Inc.	1	x	x				x																				
Advantage Energy Ltd	1	x																			x		x				
Air Liquide SA	1	x																									
Alcoa Corporation	1	x																									
Alcon AG	2								x																		
Alibaba Group Holding Limited	2													x												x	x
Alphabet Inc.	1						x							x					x							x	x
Amazon.com, Inc.	3	x		x		x	x	x	x					x		x										x	
American Well Corporation	1																										
Ampol Limited	1	x		x												x					x				x	x	
Anglo American plc	3	x		x																							
Antofagasta plc	5	x	x				x					x	x	x	x	x		x			x						
APA Corporation	1											x		x		x											
Apple Inc.	1							x						x	x	x		x									
Aptiv PLC	1	x								x																	
ArcelorMittal SA	2	x	x			x			x					x	x	x					x					x	
Artemis Gold Inc	2	x	x																						x		
Autodesk, Inc.	1						x																				
Avance Gas Holding Ltd.	2	x																			x		x		x		
AXA SA	1													x													
Ayala Corp.	1	x			x							x		x		x							x			x	
Balfour Beatty plc	1	x										x		x							x						
Baloise-Holding AG	1													x													
Banco de Sabadell SA	1	x										x				x											
Banco Santander, S.A.	1	x																									
Bank of America Corp	1	x										x		x													
Bank of Ireland Group Plc	1													x													
Barclays PLC	1												x			x											
Barry Callebaut AG	2	x				x	x		x	x			x	x		x					x	x	x	x			
BASF SE	1	x	x																								
Bayer AG	1	x	x											x													
Becton, Dickinson and Company	1													x		x											
Befesa SA	3	x		x		x	x							x											x		
BHP Group Ltd	2	x	x	x																							
Biogen Inc.	1													x		x											
Bio-Rad Laboratories, Inc.	1			x	x	x	x																				
Bloom Energy Corporation	1												x					x			x	x	x		x		
Bluescope Steel Limited	1	x																									
Boeing Company	2					x								x		x		x									
BP p.l.c.	2	x	x																		x						
Bunge Global SA	5	x	x			x												x									
Burckhardt Compression Holding AG	1	x												x													
BW LPG Ltd.	1	x		x																	x						
BWP Trust	1	x		x																			x				
Canadian Natural Resources Limited	2	x										x				x											
Canadian Pacific Kansas City Limited	2	x																					x		x		
Carnival Corporation	1			x			x					x		x		x											
Cembra Money Bank AG	1													x													
Cemex SAB de CV Sponsored ADR	1	x																			x		x		x		

Company	Number of engagement interactions	E: Climate change	E: Natural resource use/ bio-diversity	E: Pollution, waste	S: Conduct, culture, ethics	S: Human and labor rights	S: Human capital management	S: Inequality	S: Public health	S: Supply chain management	S: Data privacy	G: Board and Management Diversity	G: Board and Management Quality	G: Renume-ration	G: Board Effectiveness	G: Board ndependence	G: Proxy voting procedure	G: Share-holder rights	G: Capital structure	G: Cyber-security	SFR: Capital Allocation	SFR: Financial Performance	SFR: Strategy/ purpose	SFR: Risk management	SFR: Impact revenue/ opex/capex/ R and D	SFR: Reporting and disclosure	SFR: Artificial intelligence
Centamin plc	2	x																			x						
CEZ as	2	x																									
CF Industries Holdings, Inc.	2	x																			x						
Chevron Corporation	2	x																									
China Mengniu Dairy Co., Ltd.	2	x							x			x		x		x										x	
China Merchants Bank Co., Ltd.	1	x																			x		x		x		
Chocoladefabriken Lindt & Spruengli AG	1													x		x											
Chugai Pharmaceutical Co., Ltd.	1				x								x	x	x			x	x				x	x			
Cigna Group	1															x		x									
Cintas Corporation	1											x		x		x											
CK Infrastructure Holdings Limited	1	x																									
Clean Energy Fuels Corp.	1	x																					x		x		
CLP Holdings Limited	1	x																									
CMS Energy Corporation	1	x																									
Coca-Cola Company	1								x																		
COLTENE Holding AG	1															x										x	
COMET Holding AG	1						x						x										x	x			
Compagnie de Saint-Gobain SA	1														x												
Compagnie Financiere Richemont SA	1													x		x											
Conagra Brands, Inc.	1					x				x														x			
ConocoPhillips	1											x		x		x											
Copart, Inc.	1											x		x		x											
CoStar Group, Inc.	1											x		x		x											
Costco Wholesale Corporation	1					x				x				x		x											
Coursera Inc	1													x													
Covestro AG	1	x																									
Credit Suisse Group AG	3	x												x	x												
CRH plc	1	x																									
CropEnergies AG	1	x																			x		x		x		
CTS Eventim AG & Co. KGaA	2																					x	x	x	x		
Danone SA	2		x	x					x																		
Darling Ingredients Inc	1	x																			x		x				
Delta Air Lines, Inc.	1					x						x		x													
DENSO CORPORATION	2	x										x															
Dexus	1													x													
DFI Retail Group Holdings Limited	1																	x	x		x					x	
Digital Realty Trust, Inc.	3	x	x										x		x	x					x						
Dollar General Corporation	1				x	x				x														x			
Domestic & General Group Ltd.	1																						x			x	
Dominion Energy Inc	1	x					x																				
dormakaba Holding AG	1											x															
Dr. Martens Plc	1									x			x											x		x	
Drax Group plc	7	x	x										x	x	x	x						x	x	x	x	x	
Duke Energy Corporation	1	x																									
Duolingo, Inc.	1						x				x			x	x			x								x	
Eagle Bulk Shipping Inc	2	x																					x		x		
Ecolab Inc.	2								x					x		x											
EDP-Energias de Portugal SA	1	x												x								x					
Eli Lilly and Company	1						x		x																		
ENCE Energia y Celulosa SA	1	x		x																	x				x		
Enel SpA	1	x																			x						
Enerplus Corporation	1	x		x																	x				x		
ENGIE SA.	1	x																									
Eni S.p.A.	3	x	x											x							x						

Company	Number of engagement interactions	E: Climate change	E: Natural resource use/ bio-diversity	E: Pollution, waste	S: Conduct, culture, ethics	S: Human and labor rights	S: Human capital management	S: Inequality	S: Public health	S: Supply chain management	S: Data privacy	G: Board and Management Diversity	G: Board and Management Quality	G: Renume-ration	G: Board Effectiveness	G: Board ndependence	G: Proxy voting procedure	G: Share-holder rights	G: Capital structure	G: Cyber-security	SFR: Capital Allocation	SFR: Financial Performance	SFR: Strategy/ purpose	SFR: Risk management	SFR: Impact revenue/ opex/capex/ R and D	SFR: Reporting and disclosure	SFR: Artificial intelligence
Enphase Energy, Inc.	1						x			x				x		x		x							x		
EOG Resources, Inc.	2	x												x		x											
Equinor ASA	6	x																			x				x		
Estee Lauder Cosmetics Ltd. (United Kingdon)	1								x																		
Eurofins Scientific SE	1											x		x													
Exxon Mobil Corporation	3	x										x						x									
FDM Group (Holdings) plc	1																	x				x	x				
Fonterra Co-operative Group Limited	1	x	x	x																							
Fortive Corp.	1													x													
Fortum Oyj	2	x					x																				
Galp Energia, SGPS S.A.	6	x	x				x					x	x		x	x	x	x			x		x	x	x	x	
General Dynamics Corporation	1											x				x											
General Electric Company	1													x		x											
Genmab A/S	2								x					x													
Georg Fischer AG	1													x													
Gerdau S.A.	1	x																									
Giant Manufacturing Co., Ltd.	1	x		x						x																	
Givaudan SA	1											x															
Glencore plc	5	x			x	x	x							x							x	x	x				
Golden Ocean Group Ltd	1	x																									
GoodBulk Ltd.	1	x		x																			x				
Goodman Group	1						x							x													
Grenergy Renovables S.A	1																							x	x		
Gulf Keystone Petroleum Limited	1	x																									
Hafnia Ltd.	1	x		x																							
Haleon PLC	2	x		x					x												x			x		x	
Halliburton Company	1											x		x		x											
Hana Financial Group Inc.	1	x					x					x	x											x			
Hayward Holdings, Inc.	1																				x	x	x				
Hecla Mining Company	2	x																			x						
Heidelberg Materials AG	2	x		x																					x		
Hera S.p.A.	1		x											x	x												
Hess Corporation	1	x										x															
Hexagon AB	1															x											
Hochschild Mining plc	1	x																			x						
Holcim Ltd	4	x														x											
Hologic, Inc.	1													x		x											
Hon Hai Precision Industry Co., Ltd.	2					x																					
HSBC Holdings Plc	1													x													
Hudbay Minerals Inc	1	x																					x				
Hyundai Motor Company	1	x				x	x						x														
Iberdrola SA	2	x				x															x						
ICL Group Ltd.	1	x		x																					x		
Idorsia Ltd.	1													x													
Imperial Oil Limited	2	x												x							x		x		x		
Impinj, Inc.	1						x			x		x	x	x		x		x									
Infineon Technologies AG	1					x	x		x																x		
Infrastrutture Wireless Italiane S.p.A.	1							x						x	x												
Ingersoll Rand Inc.	2	x					x	x																			
Inner Mongolia Yili Industrial Group Co., Ltd.	1	x				x			x					x													
International Flavors & Fragrances Inc.	5												x		x	x			x		x	x		x			
International Petroleum Corp.	1	x																					x	x	x		
Intertek Group plc	1									x						x					x						
Jollibee Foods Corp.	1															x					x					x	

Company	Number of engagement interactions	E: Climate change	E: Natural resource use/ bio-diversity	E: Pollution, waste	S: Conduct, culture, ethics	S: Human and labor rights	S: Human capital management	S: Inequality	S: Public health	S: Supply chain management	S: Data privacy	G: Board and Management Diversity	G: Board and Management Quality	G: Renume-ration	G: Board Effectiveness	G: Board ndependence	G: Proxy voting procedure	G: Share-holder rights	G: Capital structure	G: Cyber-security	SFR: Capital Allocation	SFR: Financial Performance	SFR: Strategy/ purpose	SFR: Risk management	SFR: Impact revenue/ opex/capex/ R and D	SFR: Reporting and disclosure	SFR: Artificial intelligence
JPMorgan Chase & Co.	1													x		x											
JSW Steel Limited	1	x																									
JTOWER, Inc.	1	x			x		x								x	x											
Julius Baer Gruppe AG	1																									x	
KB Financial Group Inc.	1																				x						
Knorr-Bremse AG	7	x			x		x					x	x	x	x	x		x			x	x	x		x		
Koito Manufacturing Co., Ltd.	1														x	x											
Koninklijke Philips N.V.	3												x	x	x								x	x			
Korea Electric Power Corporation	1	x																									
Laboratory Corporation of America Holdings	3													x	x	x											
Lam Research Corporation	1											x		x		x											
Lancashire Holdings Limited	1						x																				
LANXESS Aktiengesellschaft	6	x								x				x			x	x	x		x	x	x				
LG Chem Ltd.	2	x															x	x							x		
LG Energy Solution Ltd.	1									x																	
Linde plc	2	x		x								x		x				x									
LivaNova Plc	2												x	x	x	x											
Lockheed Martin Corporation	1													x		x											
Lonza Group AG	1														x											x	
L'Oreal S.A.	1								x																		
Lundin Gold Inc.	1	x																									
Lyft, Inc.	1											x		x				x									
LyondellBasell Industries NV	2	x		x								x		x													
Majorel Group Luxembourg S.A.	1					x																					
Marathon Oil Corporation	1	x																									
Marathon Petroleum Corporation	1	x										x						x									
Mediobanca - Banca di Credito Finanziario S.p.A.	1													x													
Medpace Holdings, Inc.	1											x		x				x									
MEG Energy Corp.	1	x	x																				x		x		
Meituan	2	x				x	x							x							x						
Mercedes-Benz Group AG	1													x													
Merida Industry Co., Ltd.	1	x		x		x										x										x	
Meta Platforms Inc.	1												x	x				x									
Mitsubishi Corporation	1	x										x															
Moderna, Inc.	1													x				x									
Mondelez International, Inc.	1								x																		
Montrose Environmental Group Inc	4	x		x			x						x	x	x	x		x				x	x		x	x	
Mowi ASA	1													x													
MSA Safety, Inc.	1				x		x	x					x					x									
NatWest Group Plc	1														x								x				
Nestle S.A.	1	x	x		x	x	x		x	x			x			x					x		x	x			
Netflix, Inc.	1				x		x					x	x	x		x										x	
NextEra Energy, Inc.	2	x												x		x											
NIKE, Inc.	4					x		x	x	x			x	x		x		x									
Norsk Hydro ASA	1	x												x												x	
Novartis AG	1													x													
Nutrien Ltd.	1	x																									
NXP Semiconductors NV	2					x																					
OC Oerlikon Corporation AG	1													x		x											
OceanaGold Corporation	1	x																									
OCI NV	3	x								x											x		x		x		
Oracle Corporation	1													x		x								x			
Orange SA	1													x		x											
O'Reilly Automotive, Inc.	1											x		x		x							x				

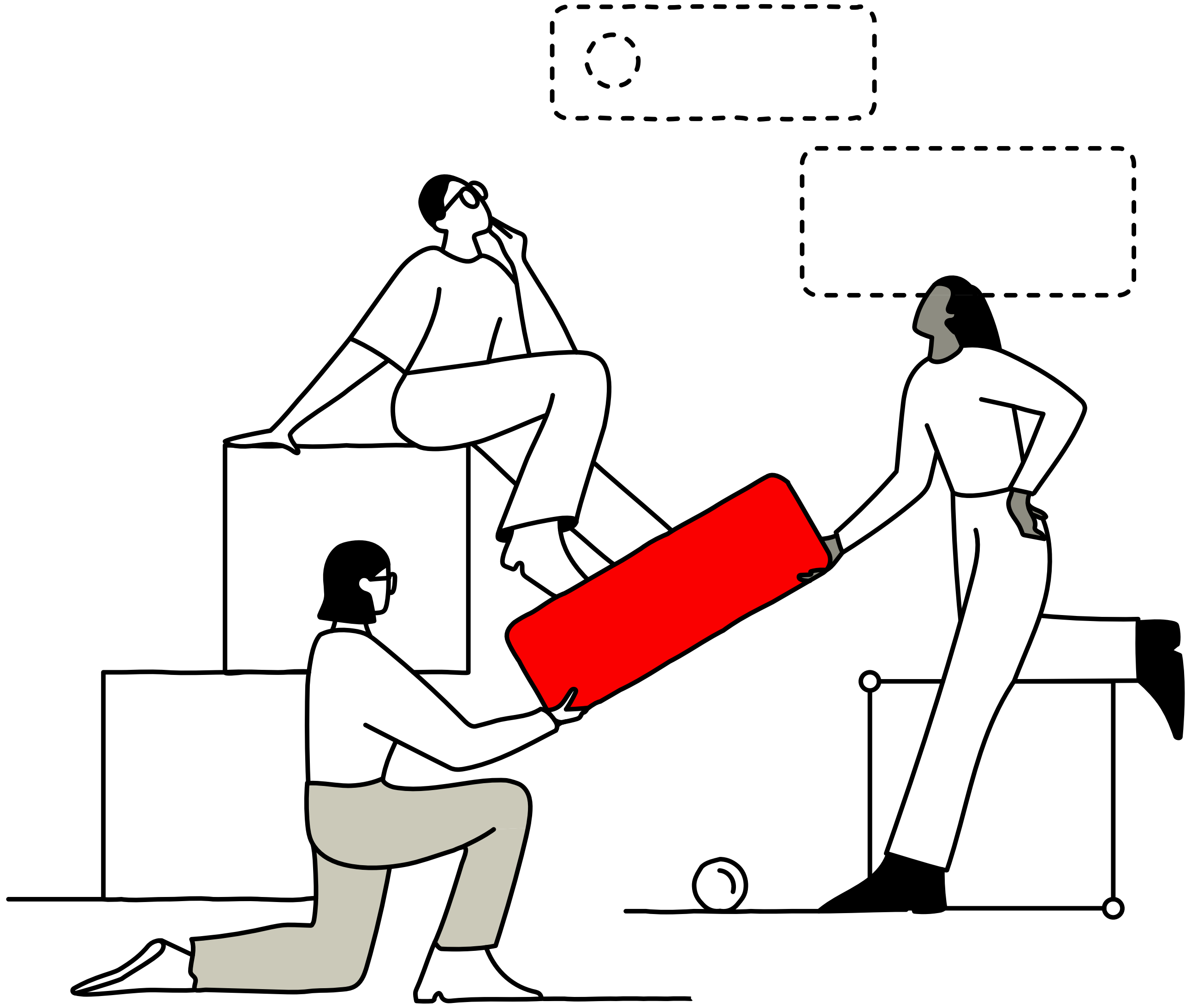
Company	Number of engagement interactions	E: Climate change	E: Natural resource use/ bio-diversity	E: Pollution, waste	S: Conduct, culture, ethics	S: Human and labor rights	S: Human capital management	S: Inequality	S: Public health	S: Supply chain management	S: Data privacy	G: Board and Management Diversity	G: Board and Management Quality	G: Renumeration	G: Board Effectiveness	G: Board ndependence	G: Proxy voting procedure	G: Shareholder rights	G: Capital structure	G: Cyber-security	SFR: Capital Allocation	SFR: Financial Performance	SFR: Strategy/ purpose	SFR: Risk management	SFR: Impact revenue/ opex/capex/ R and D	SFR: Reporting and disclosure	SFR: Artificial intelligence
Origin Energy Limited	1	x																									
ORIOR AG	1						x																			x	
Osaka Gas Co., Ltd.	1	x																									
Osisko Gold Royalties Ltd	1	x																			x		x				
Pacific Basin Shipping Limited	1	x																					x				
PDC Energy, Inc.	1	x																			x		x		x		
PETRONAS Chemicals Group Bhd.	1	x																									
Philip Morris International Inc.	1											x	x	x		x										x	
Phillips 66	1	x												x													
POSCO Holdings Inc.	1	x																									
Power Assets Holdings Limited	2	x																									
PowerSchool Holdings, Inc.	1													x		x		x									
Primo Water Corporation	1	x	x				x						x	x	x												
Procter Gamble Company	1		x																								
PSP Swiss Property AG	1	x												x													
PT Bank Mandiri (Persero) Tbk	1	x				x																					
Pure Storage, Inc.	2	x								x															x		
Qantas Airways Limited	1	x												x							x		x				
Quest Diagnostics	1	x														x											
Recruit Holdings Co., Ltd.	1						x																				
Red Rock Resorts, Inc.	1					x																					
Regal Rexnord Corporation	2	x		x			x														x	x			x		
Reliance Industries Limited	1	x																									
Rio Tinto plc	4	x	x	x		x		x													x		x		x		
Rivian Automotive, Inc.	3	x		x									x		x	x					x	x	x	x			
Roper Technologies, Inc.	1												x														
RWE AG	3	x																									
Ryanair Holdings Plc	1											x		x													
Sandoz Group Ltd	1								x					x	x												
Sanofi	1												x		x	x		x									
Santos	1	x																									
Sasol Limited	1	x																									
Saudi Arabian Oil Co.	1	x																									
Schneider Electric SE	1																	x									
ServiceNow, Inc.	1						x						x	x											x	x	
SFS Group AG	2													x		x											
Shell Plc	3	x												x							x				x		
Shimano Inc.	1				x		x			x																	
Sika AG	2															x											
Sims Ltd.	1																								x		
SK hynix Inc.	1	x	x				x					x									x						
SK Innovation Co., Ltd	1	x																									
SKAN Group AG	1											x				x											
Skyworks Solutions, Inc.	1						x					x	x	x		x										x	
SLM Corp	1				x		x								x												
Snowflake, Inc.	1	x												x				x								x	
SoftBank Group Corp.	1	x					x					x		x	x								x				x
SoftwareOne Holding Ltd.	3				x		x			x			x		x	x		x			x	x	x	x			
S-Oil Corporation	1	x																									
Southern Company	1	x																									
Southern Copper Corporation	1					x	x								x												
Spectris plc	1						x																x				
Spirit AeroSystems Holdings, Inc.	1											x				x											
Splunk Inc.	1						x					x		x				x									

Company	Number of engagement interactions	E: Climate change	E: Natural resource use/ bio-diversity	E: Pollution, waste	S: Conduct, culture, ethics	S: Human and labor rights	S: Human capital management	S: Inequality	S: Public health	S: Supply chain management	S: Data privacy	G: Board and Management Diversity	G: Board and Management Quality	G: Renume- ration	G: Board Effectiveness	G: Board ndependence	G: Proxy voting procedure	G: Share- holder rights	G: Capital structure	G: Cyber- security	SFR: Capital Allocation	SFR: Financial Performance	SFR: Strategy/ purpose	SFR: Risk management	SFR: Impact revenue/ opex/capex/ R and D	SFR: Reporting and disclosure	SFR: Artificial intelligence
Sprouts Farmers Market, Inc.	1			x			x			x																	
SSAB AB	1	x																									
Star Bulk Carriers Corp.	2	x		x																	x		x				
Starbucks Corporation	1	x				x						x		x	x												
Stolt-Nielsen Limited	1	x																									
Stora Enso Oyj	1	x	x	x																			x				
Straumann Holding AG	1													x													
Suedzucker AG	1	x																			x		x		x		
Sulzer AG	1	x																									
Suzano S.A.	1	x	x			x																			x		
Sweetgreen, Inc.	1													x				x			x	x					
Swiss Prime Site AG	1	x												x													
Swiss Re AG	1	x										x		x	x						x	x	x	x			
Swissquote Group Holding Ltd.	1													x													
Take-Two Interactive Software, Inc.	2						x						x	x		x						x					
Tamarack Valley Energy Ltd.	1	x																			x						
Taseko Mines Limited	1	x																			x						
Team17 Group PLC	1	x						x													x					x	
Teleperformance SA	1												x		x						x					x	x
Tencent Holdings Ltd.	3				x								x		x	x		x								x	
Tesla, Inc.	1													x		x		x									
Titan Cement International N.V.	1	x																									
TOKYO GAS Co., Ltd.	1	x																			x						
Topaz Energy Corp	1	x																			x						
TotalEnergies SE	3	x				x															x				x		
TransDigm Group Incorporated	1						x					x		x		x											
Treace Medical Concepts, Inc.	1													x				x									
Trimble Inc.	1	x		x																					x		
Tyson Foods, Inc.	1					x																					
Ubisoft Entertainment SA	12												x	x	x	x						x	x				
UBS Group AG	2	x			x							x	x	x	x			x	x		x	x	x	x			
Unilever PLC	3								x					x													
UnitedHealth Group Incorporated	2					x	x						x			x				x							
Universal Display Corporation	1						x					x	x	x		x											
Vale S.A.	1	x							x												x						
Valero Energy Corporation	1															x											
Veolia Environnement SA	1													x													
Vermilion Energy Inc.	1	x																			x						
Vertex Pharmaceuticals Inc.	2						x		x					x		x											
Volkswagen AG	2	x				x															x				x		
Vontobel Holding AG	1													x		x		x									
Walt Disney Company	1												x	x		x										x	
Waypoint REIT Ltd.	1	x																			x	x		x			
Wells Fargo & Company	2	x			x	x								x		x		x									
WH Smith PLC	1															x											
Whitecap Resources Inc.	1	x																			x				x		
Wolfspeed Inc	1											x		x		x											
Yara International ASA	5	x												x							x		x		x		
Yunnan Baiyao Group Co. Ltd.	1						x																				
Zijin Mining Group Co., Ltd.	2					x																				x	
Zoom Video Communications, Inc.	1						x																	x			

Appendix

7

Code principles matrix



International Corporate Governance Network (ICGN) 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 the aims of with national requirements and the ICGN Global Stewardship Principles and their ability to serve as fiduciary agents for their beneficiaries and clients.	Section 1: 2023 Review / 2024 Outlook Appendix: 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.	Section 3: Proxy voting Section 5: Our global approach to active ownership Appendix: Our commitment, leadership, and governance
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 5: Our global approach to active ownership
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 engagement activities Section 4: Thematic engagements Section 5: Our global approach to active ownership Appendix: Collaboration Appendix: Schedule of companies engaged with Case studies
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 3: 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 5: Our global approach to active ownership
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 engagement activities Section 3: Proxy voting Section 5: Our global approach to active ownership Appendix: Schedule of companies engaged with

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: About UBS Appendix: UBS commitment to sustainability
Principle 2:	Signatories' governance, resources and incentives support stewardship.	Section 3: Proxy voting Appendix: Our commitment, leadership, and governance
Principle 3:	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	Section 7: Managing conflicts of interest
Principle 4:	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	Section 4: Thematic engagement Appendix: Promoting well-functioning markets
Principle 5:	Signatories review their policies, assure their processes and assess the effectiveness of their activities.	Section 3: Proxy voting Section 5: Our global approach to active ownership Appendix: Our commitment, leadership, and governance Section 6: Escalation
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: 2023 Review / 2024 Outlook Section 2: Our engagement activities Section 3: Proxy voting Case studies
Principle 7:	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	Section 5: Our global approach to active ownership
Principle 8:	Signatories monitor and hold to account managers and/or service providers.	Section 3: Proxy voting Appendix: Our commitment, leadership, and governance Section 5: Our global approach to active ownership
Principle 9:	Signatories engage with issuers to maintain or enhance the value of assets.	Section 2: Our engagement activities Section 4: Thematic engagement Appendix: Schedule of companies engaged with Case studies
Principle 10:	Signatories, where necessary, participate in collaborative engagement to influence issuers.	Section 4: Thematic engagement Appendix: Collaboration
Principle 11:	Signatories, where necessary, escalate stewardship activities to influence issuers.	Section 6: Escalation
Principle 12:	Signatories actively exercise their rights and responsibilities.	Section 3: Proxy voting

Singapore Stewardship Principles		Addressed in:
Principle 1:	Develop and articulate stewardship responsibilities and governance structures.	Appendix: Our commitment, leadership, and governance
Principle 2:	Monitor investments regularly.	Section 5: Our global approach to active ownership
Principle 3:	Stay active through constructive and purposeful engagement.	Section 2: Our engagement activities Section 5: Our global approach to active ownership Section 6: Escalation
Principle 4:	Uphold transparency in managing conflicts of interest.	Section 7: Managing conflicts of interest
Principle 5:	Exercise rights and responsibilities on an informed basis.	Section 3: Proxy voting Section 5: Our global approach to active ownership Appendix: Our commitment, leadership, and governance
Principle 6:	Report stewardship activities periodically.	Section 2: Our engagement activities Section 3: Proxy voting Section 5: Our global approach to active ownership Appendix: Schedule of companies engaged with
Principle 7:	Take a collaborative approach in exercising stewardship responsibilities where appropriate.	Section 4: Thematic engagement Appendix: Collaboration

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

Investor Stewardship Group Framework (USA)		Addressed in:
Principle A:	Institutional investors are accountable to those whose money they invest.	Section 5: Our global approach to active ownership
Principle B:	Institutional investors should demonstrate how they evaluate corporate governance factors with respect to the companies in which they invest.	Section 5: Our global approach to active ownership
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 7: Managing conflicts of interest
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 3: Proxy voting
Principle E:	Institutional investors should address and attempt to resolve differences with companies in a constructive and pragmatic manner.	Section 6: Escalation
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 engagement Appendix: Collaboration

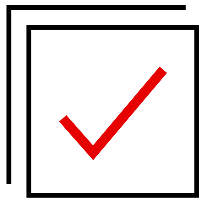
Australian Financial Services Council Standard 23 – Principles of Internal Governance and Asset Stewardship		Addressed in:
Organisational and Investment Approach:	Asset Managers should clearly state the purpose, values and underlying investment philosophy or approach of their organisation. Asset Managers should be transparent about their organisation's ownership, structure, internal governance and experience and competencies of its key staff.	Appendix: About UBS Appendix: UBS commitment to sustainability Appendix: 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.	Section 3: Proxy voting Section 5: Our global approach to active ownership Appendix: Our commitment, leadership, and governance
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 5: Our global approach to active ownership
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 5: Our global approach to active ownership
Asset Stewardship:	Asset Managers should endeavour to hold boards and management accountable where they fail to maintain acceptable standards.	Section 6: Escalation

Taiwan Stewardship Principles for Institutional Investors		Addressed in:
Principle 1:	Establish and disclose stewardship policies	Section 3: Proxy voting Section 5: Our global approach to active ownership Appendix: Our commitment, leadership, and governance
Principle 2:	Establish and disclose policies on managing conflicts of interest	Section 7: Managing conflicts of interest
Principle 3:	Regularly monitor investee companies	Section 5: Our global approach to active ownership
Principle 4:	Maintain an appropriate dialogue and interaction with investee companies	Section 2: Our engagement activities Section 5: Our global approach to active ownership Section 6: Escalation
Principle 5:	Establish and disclose clear voting policies and voting results	Section 3: Proxy voting
Principle 6:	Periodically disclose the status of fulfilment of stewardship responsibilities	Section 2: Our engagement activities Section 3: Proxy voting Section 5: Our global approach to active ownership Appendix: Schedule of companies engaged with

Credit Suisse Asset Management stewardship

Credit Suisse Asset Management active ownership

As of 12 June 2023, UBS formally acquired Credit Suisse, however, during the 2023 reporting period, Credit Suisse Asset Management conducted stewardship and engagement activities independently. In this section, we report on Credit Suisse Asset Management's active ownership for the year.



Active ownership overview

It is our fiduciary duty to protect our clients' investments and to make decisions in our clients' best interests. Credit Suisse Asset Management's (CSAM) approach to active ownership is based on three principles:

1. **Effectiveness:** We engage with corporate issuers to gather information, share ideas and aim to achieve change on sustainability topics with measurable targets. We set clear time-bound objectives and review progress quarterly.
2. **Efficiency:** Our engagement process promotes efficiency through pre-engagement collaboration and post-engagement debriefs between fundamental and sustainable analysts in order to ensure focus on investment relevance.
3. **Economies of scale:** We are members of industry initiatives as we believe this approach enables us to leverage the collective benefits to drive systemic changes. We also seek to introduce new and financially material issues to these initiatives based on the changing investor landscape.

Throughout the year we evolved our active ownership processes to improve the collaboration between portfolio managers, fundamental analysts and sustainable investment specialists. Changes introduced include the introduction of outcomes-based objectives for listed holdings and strengthening the implementation of green leases for our direct Swiss real estate investments. We also introduced a minimum threshold of gender-related diversity requirements for boards across developed markets at the beginning of 2023. On board succession planning, we consider how tenure is managed across the board; ensuring there is a good balance of different competencies, while making sure enough fresh experience and views are secured. As a point of escalation, where lack of diversity persists, we may vote against the chair of the nomination committee (or other members of the board, as appropriate) at the next annual general meeting (AGM).

Corporate governance

Corporate governance is the key topic for our active ownership approach. We aim to ensure that companies follow global best practices. Our approach to engagement on corporate governance runs in annual cycles, beginning with the collection of relevant information during our proxy voting reviews. Our proxy voting analysis serves as the basis for our engagements. We follow up with companies we believe engagement could affect change on significant issues. Generally, we monitor companies over a multiyear period as we pursue medium- to long-term goals through our engagements.

Overall, we held 26 structured governance-focused engagements globally, meeting with chairs of the board of directors and remuneration committees, as well as lead independent directors and lead representatives of sustainability or other departments.

In 2023 some of the specific topics for discussion included:

Board of directors and core committee independence

We expect a majority of independent directors on boards, as well as on the audit and compensation committees, to protect companies against potential adverse developments due to governance deficiencies. Our engagement goal is to confirm there is a system of checks and balances between a majority-independent supervisory body and the nominated executives.

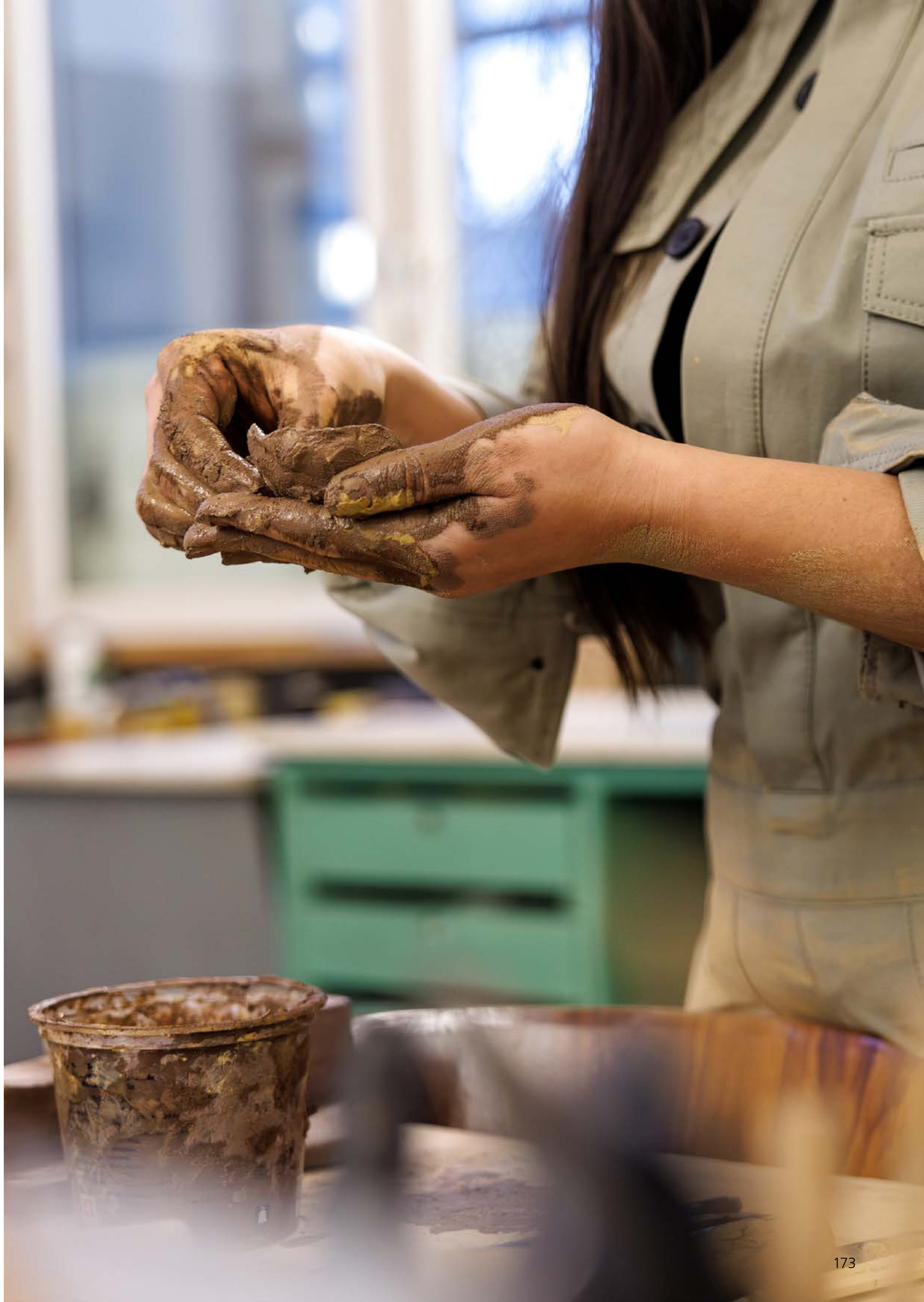
During 2023, we engaged with companies where we noted a lack of independence on audit committees and/or remuneration committees. In cases where the board chairperson also chaired the audit committee or the remuneration committee, the compensation of the chairperson might not be scrutinized as critically as our base case scenario.

Executive and board compensation

Executive management compensation must offer the right incentive structure to ultimately benefit the company in the long run and create material interest in the long-term future of the company.

In 2023, we continued to engage with North American investee companies on the topic of staggered vesting of long-term incentive plans. We emphasised our preference for a strict separation of duration of short-term incentive plans and long-term incentive plans given the different time horizons of the short and the long term. The latter ensures the best alignment of executive management's incentives with long-term investor interests.

Some investee companies included sustainability targets in their long-term incentive plan or announced that they will introduce it within the 2024 fiscal year. For the short-term incentive plans, it has increasingly become best practice to include sustainability targets. We see this as an encouraging trend, and fully support it. We may see frequent adjustments of these targets as more programs on decarbonization are implemented and due to the short-term horizon of short-term incentive plans. We encourage our investee companies to plan for the next steps and to adopt appropriate sustainability objectives in their long-term incentive plans as soon as they come up for revision. In our engagements, we noted the commitment, but a shortfall of specific actions and concrete timelines.



People and planet

Climate change

Our approach to climate includes engagement with key stakeholders such as international and national policymakers, and investee companies. Investors can play a role in encouraging businesses to decarbonize their operations and supply chain via credible plans.

We use proprietary Net Zero Categorisation Principles aligned with the IIGCC's Net Zero Investment Framework to categorize investee companies according to their advancement in transition. Criteria include commitments to achieving net zero, the credibility and feasibility of transition plans, and how net-zero strategies are reflected in compensation plans for executive management and capital allocation.

> In 2023, we analyzed more than 100 investee companies of the top-emitters across listed equity and corporate fixed income portfolios according to Net Zero Categorization Principles.

The analysis enabled investment and active ownership teams to ask informed questions during climate engagements.

The analysis resulted in priority sectors being materials, chemicals and consumer goods as we consider these sectors to have the highest engagement potential beyond the energy sector. Engagements in the mining sector focused on companies that are supplying key materials for the energy transition.

We conducted structured engagements with specific time-bound objectives on the topic of climate with 14 companies. In addition to these engagements, we have undertaken dialogues with clear sustainability-related feedback with 10 additional companies.

We see clear interconnectedness across sustainability topics such as biodiversity and food loss and waste. Our climate engagements also introduced related topics such as circularity and nature impact of portfolio companies.

Chemicals

Chemical pollution is a driver of the biodiversity crisis and a contributor to climate change, as the chemical sector is the largest industrial energy consumer and the third largest source of industrial CO_2 emissions[13].

Chemical pollution, biodiversity loss and climate change are strongly interconnected issues. Chemical pollution has profound, far-reaching impacts on biodiversity that are both direct and indirect[14]. Chemical pollution alters the chemical composition of soils, water and air, which has an adverse effect on ecosystems and the organisms that inhabit them. Hazardous pollutants also impact the food chain and the interactions between species. For example, pesticides, insecticides and other toxic chemicals can kill beneficial insects and other organisms that are important for pollination, leading to lower plant biodiversity. Moreover, the loss of biodiversity even exacerbates the impacts of chemical pollution.

> As biodiversity declines, ecosystems become less resilient, making them more vulnerable.

In other words, when an ecosystem loses species that help to break down pollutants, it becomes less able to cope with chemical pollution. This in turn would likely to reduce the ecosystems' ability to sequester carbon[15]. Changing climate is also likely to increase exposure to harmful chemicals. For example, an increase in wildfires can lead to increased aerial spreading of fire-retardant chemicals, thereby increasing chemical pollution and further exacerbating biodiversity loss[16].

Substantial material risks are associated with the production and use of hazardous and persistent chemicals. We observe both the regulatory landscape and the

ecological research community paying growing attention to hazardous, persistent chemicals being detrimental to our natural environment and people's health.

In 2023, we co-led engagements with two chemical companies and supported engagements for an additional company. Aligned with the investor initiative IIHC, our engagements focused on three key asks[17]:

1. Increase transparency to help investors appraise relevant risks at the company, disclose both the share of revenue and production volume of products that are, or contain, hazardous chemicals. This information should cover all operations (including subsidiaries) worldwide.

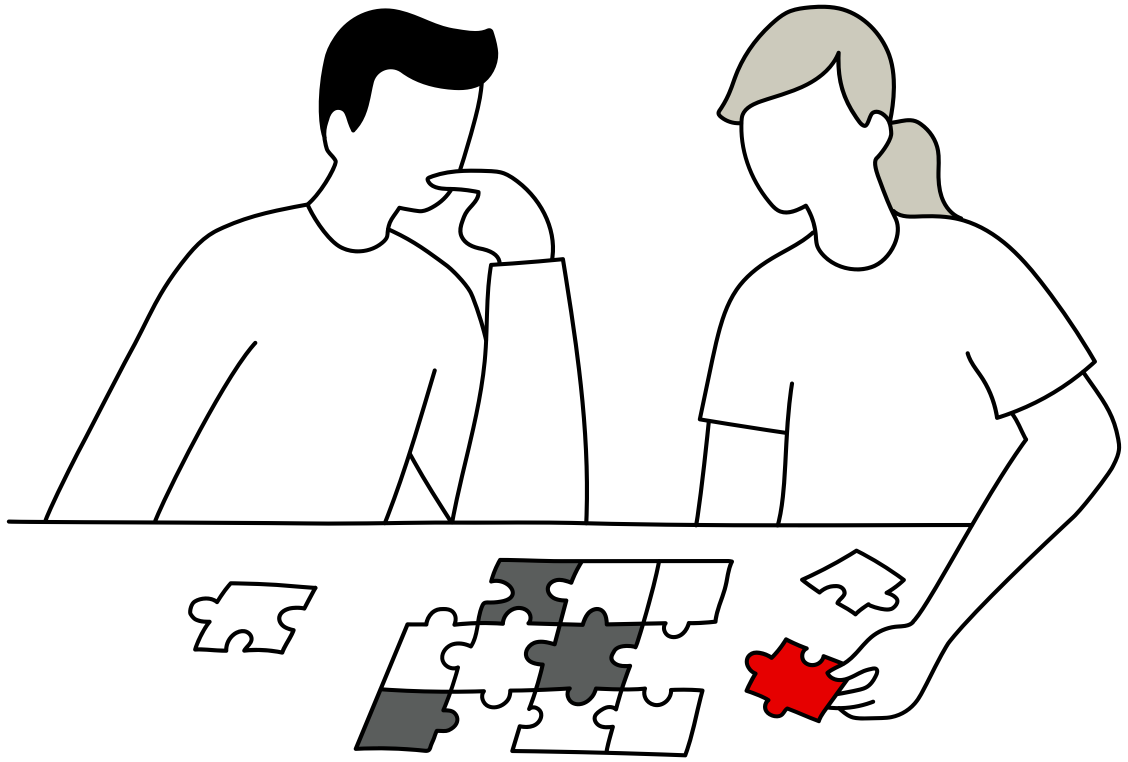
2. Publish a time-bound phase-out plan of products that are, or contain, persistent chemicals. The phase-out plan should include a realistic road map with clear KPIs to track progress.

3. Develop safer alternatives for hazardous chemicals. Following a robust evaluation, substantially ramp up R and D and investment in the development of safer alternatives. Although a universally accepted definition of safer alternatives is still pending, safer products that substitute the use of hazardous chemicals and support accelerated phase-out may present a significant opportunity for value creation.

13 Chemicals - IEA
14 Policy options to account for multiple chemical pollutants threatening biodiversity (lib4ri.ch)
15 Spohn, M., Bagchi, S., Biederman, L.A. et al. The positive effect of plant diversity on soil carbon depends on climate. Nat Commun 14, 6624 (2023). https://doi.org/10.1038/s41467-023-42340-0
16 Climate change and chemicals: what are the connections? (chemtrust.org)
17 Investor Initiative on Hazardous Chemicals (IIHC) (chemsec.org)

Credit Suisse Asset Management proxy voting

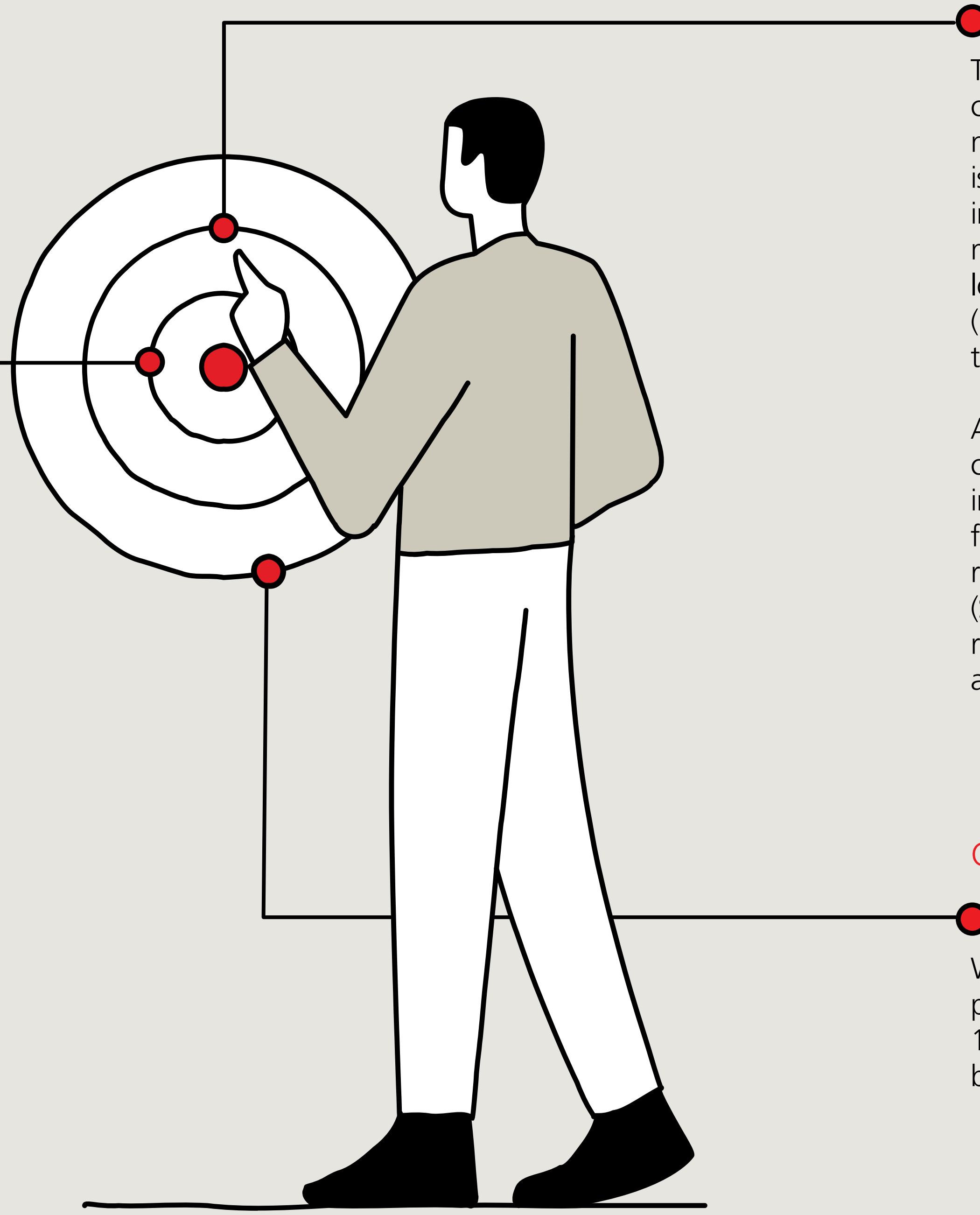
At the start of 2023, we further expanded our proxy voting coverage into small-cap issuers across our existing covered markets: Europe, North America and the developed Asia-Pacific region (Australia, New Zealand, Japan, Singapore and Hong Kong). Within the emerging markets, where we have covered China and Taiwan, we added South Africa. We continued to follow our best practices approach, especially on executive remuneration and board member elections. Our focus is on leveraging regulations that are already applied or are in the process of being established in the respective markets, accelerating good practices. Our goal is to protect the interests of minority shareholders, to avert conflicts of interests between various stakeholders in investee companies, and to strengthen the independence of the highest internal supervisory body at companies.



Our proxy voting methodology is focused on the following aspects:

Independence of the board of directors, particularly of the members of the audit and compensation committees

We believe an independent board of directors (BoD) is crucial to the economic success of a company. The independence and effectiveness of the BoD is crucial for providing oversight, ensuring that business strategy is implemented as planned.



Executive management compensation

The structuring of executive management compensation is of central importance to us. An attractive compensation framework is needed to retain and motivate executive management. However, it is necessary to bring the long-term interests of various stakeholders into alignment, especially the interests of the executive management and investors. We put a sharp focus on deferred long-term compensation laid out in the long-term incentive plan (LTIP). We consider LTIP a mandatory element, and the majority of the companies in which we invest have such a plan in place.

As in the previous year, we initiated a dialogue with those companies without an LTIP in which we have substantial equity interests through the shares we hold in client portfolios. We saw further progress in compensation reports throughout Europe. We reviewed for clear disclosure of the short-term incentive plans (STIP), as we need to understand the metrics and how rigorous the respective targets and thresholds are. The improved transparency and degree of disclosure enabled us to gain better insights.

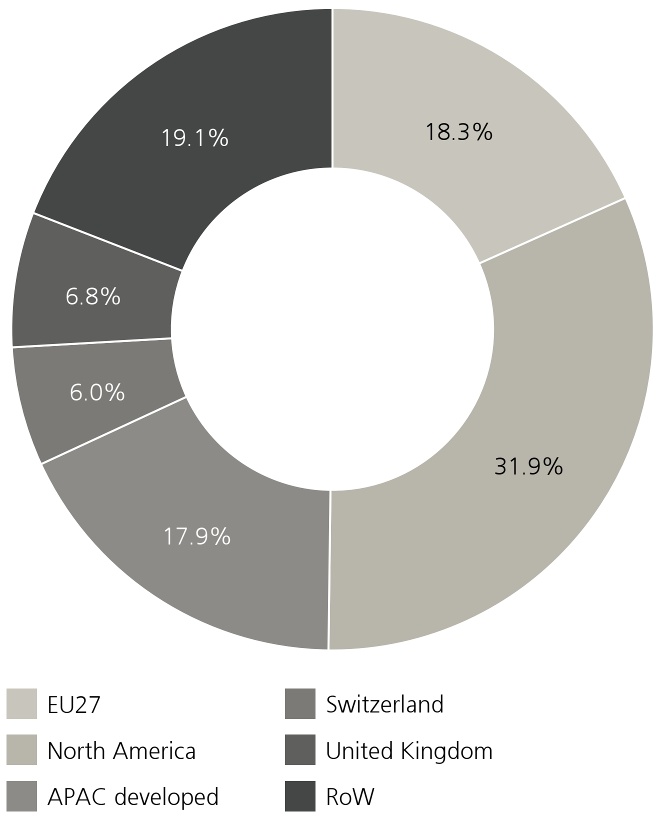
Capital measures

We take a critical stance on capital increases that do not provide preemptive rights for existing shareholders. Our threshold is a 10% dilution of voting rights, which we consider the current best-practice limit for Switzerland and Europe.

Proxy voting by country and sector

We executed a total of 3,457 votes at ordinary and extraordinary annual general meetings (AGMs) in 2023 versus 2,329 in 2022.

Proxy voting by region

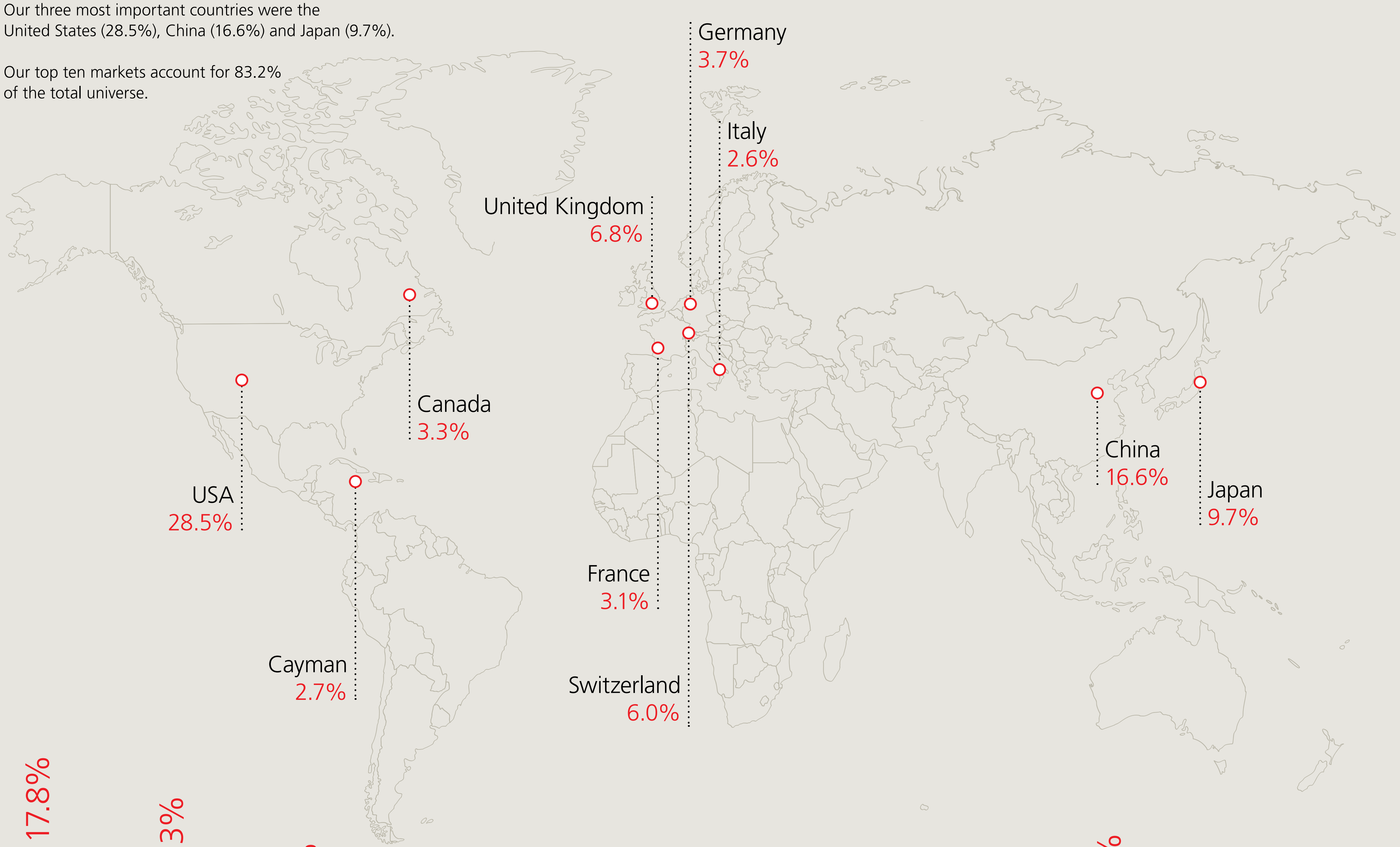


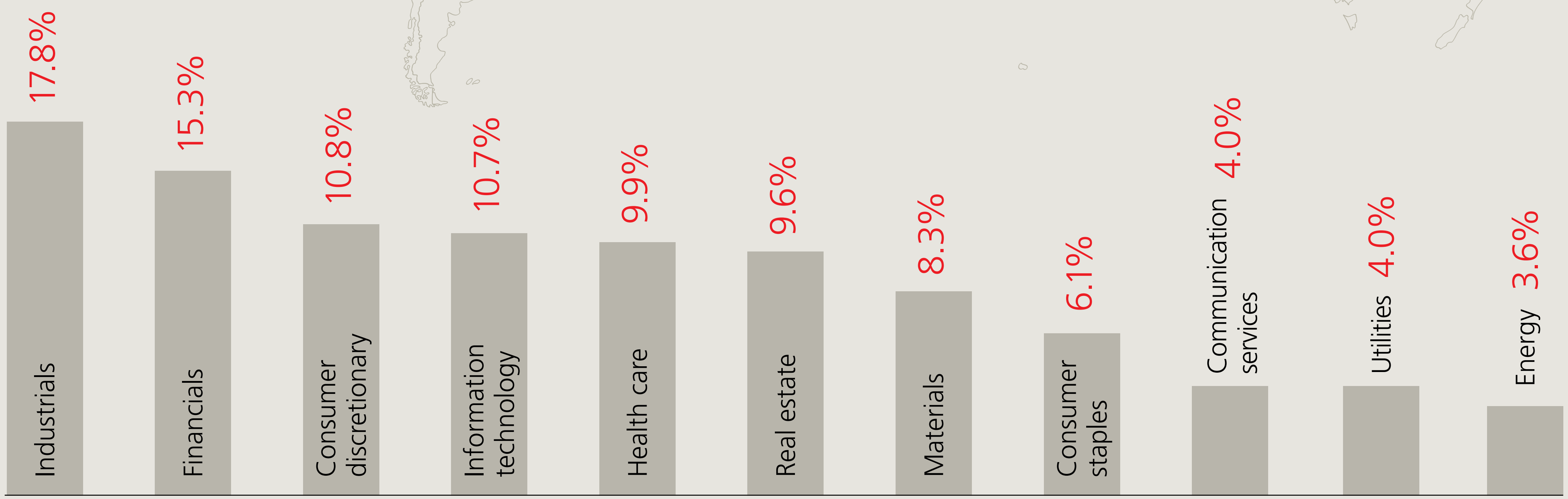
Source: Credit Suisse Asset Management 2023

Proxy voting by country

Our three most important countries were the United States (28.5%), China (16.6%) and Japan (9.7%).

Our top ten markets account for 83.2% of the total universe.

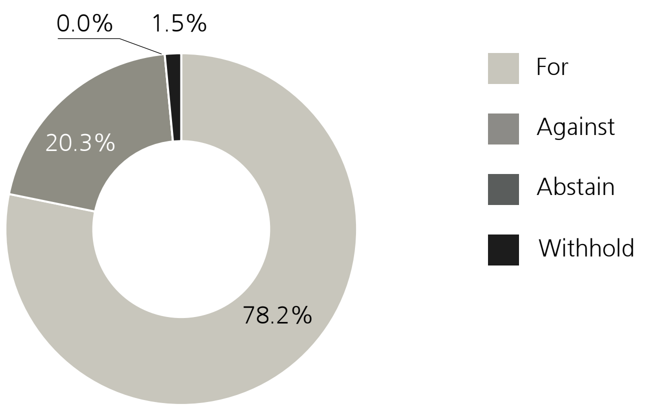




Proxy voting by sector

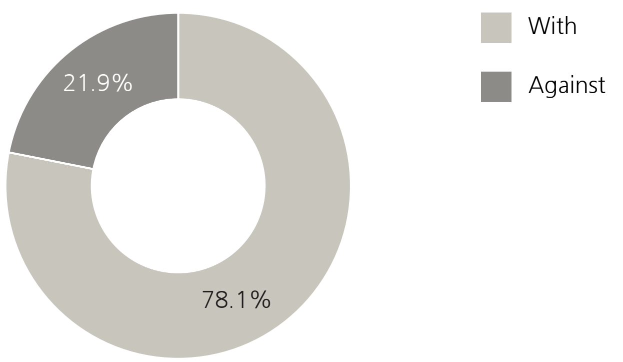
Source: Credit Suisse Asset Management 2023

Our voting record



Source: Credit Suisse Asset Management 2023

Vote alignment with management

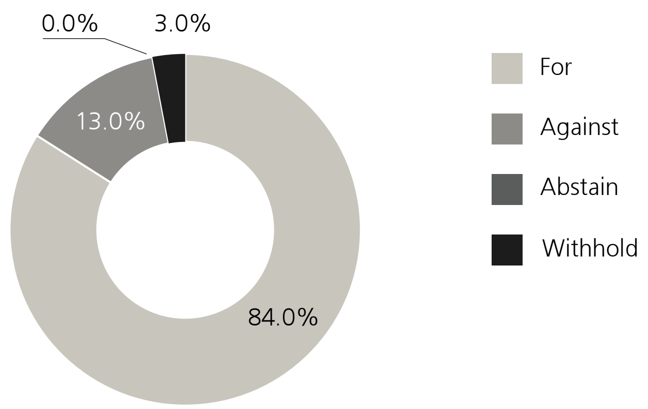


Source: Credit Suisse Asset Management 2023

Overall, we endorsed 78.2% of all motions. (vs. 78.0% in 2022 and 77.6% in 2021) and we rejected 20.3% (vs. 20.3% in 2022 and 21.0% in 2021) and withheld votes on 1.5% (vs. 1.3% in 2022 and 0.9% in 2021). This is a specific approach in North America, where there is no option for an active deselection or rejection in board member elections, unlike in Europe or APAC developed. Combined, our rejection rate was 21.7% (21.6% in 2022). Our abstentions decreased to 0% (vs. 0.4% in 2022).
We endorsed approximately three-quarters of all motions (78.1% vs. 77.1% in 2022) and rejected 21.9% vs. (22.0% in 2022).

Board elections

Votes in elections to the BoDs

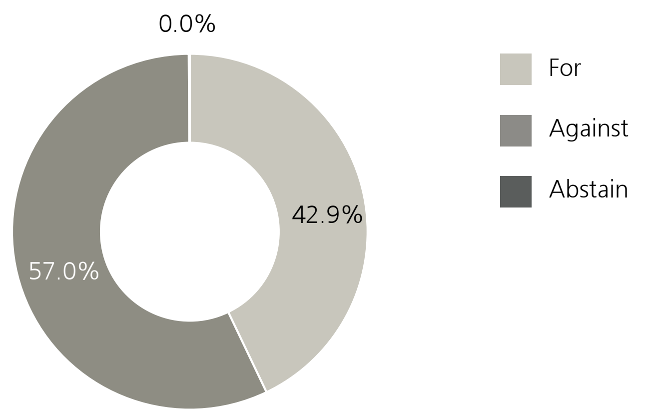


Source: Credit Suisse Asset Management 2023

For board elections we endorsed globally 84.0% of all candidates (2022: 83.7%) and rejected 13.0%. If we add withholds in the North American region to the active rejections, we did not support 16.0% of people elections (2022: 16.2%). There was a very low number of abstentions (less than 0.1%).

Compensation

Votes on compensation issues



Source: Credit Suisse Asset Management 2023

Our overall support on compensation matters decreased to 42.9% (2022: 46.0%). We note particularly low support for North American voting items, including US omnibus stock plans. Even though they are aimed mainly at the general workforce, they are also accessible to members of the BoD, with the short vesting period being a concern for us.

Credit Suisse Asset Management proxy voting committee

This committee consists of representatives from Credit Suisse Asset Management's legal, compliance, risk, portfolio management and sustainable investing teams. The committee passes decisions on individual warranted deviations from our proxy voting methodology and adjudicates escalation cases in which the assessment by our portfolio managers irreconcilably diverges from that of our active ownership team.

The committee also passes decisions on modifications and improvements to our proxy voting methodology, which we undertake each year to incorporate the latest developments in corporate governance and sustainability best practices into the voting rules.

There were no escalation cases submitted by the investment teams in 2023.

Shareholder proposals

We supported 67.8% of all shareholder proposals (2022: 72.5%). We observe many shareholder proposals to be overly prescriptive for corporations. The base intention may be positive from a sustainability perspective, but in some cases we considered the proposed wording to be overly restrictive and often beyond, from an investor point of view, what is economically feasible for the company. We voted against the recommendation of the BoD and the management in 56.1% of the motions (2022: 60.8%).

The topics put forward by the shareholder proposals universe were broad, but there are some clear trends. Additional reporting and disclosure is a key focus. Generally, we support additional and improved reporting because it enables us to gain a better understanding of companies and more insights into our investment cases. This also raises awareness with investee companies that investors will look more carefully into operational matters that affect society and our environment. Increased transparency of the full value chain is becoming best practice. Reports on climate change and GHG emissions have also been in focus in 2023. Better disclosure was often requested for political contributions, political lobbying, and on gender pay gaps. Drug pricing and distribution reviews were further topics. Assessments were requested for human rights risks, or to improve human rights standards or policies. Racial equity and/or civil rights audit were other items.

Theme
Climate – biodiversity nexus

Region
Europe

Country
Switzerland

Sector
Food products

Number of engagements
Two

Most senior engagement
Head of net zero

Case study

Barry Callebaut

Case study results: Strengthening the science-based approach in insetting strategy improving scope 3 emissions reduction quality.

Purpose of engagement

Barry Callebaut is one the world's leading manufacturers of high-quality chocolate and cocoa products. The company has a global network with production sites in Europe, Africa, North and South America as well as Asia Pacific. The company is involved from the sourcing of cocoa beans to the final chocolate product. Barry Callebaut was one of the companies in our climate engagement focus list (see methodology above). Due to recent credibility issues in voluntary carbon markets and carbon offset projects, we discussed the permanence of insetting efforts, investing in sustainability initiatives in its operations and supply chain, through nature-based solutions in on its decarbonization path.

Action

In 2022, we had an investor dialogue with the company focusing on food loss and waste as well as biodiversity. Building on our previous interaction, we conducted two engagement meetings with the company. The first meeting took place in September 2023 with the investor relations officer and ESG and communications lead. In October 2023 we had a follow-up meeting focused on insetting with the global lead of Thriving Nature.

Barry Callebaut appreciated our interest in its insetting strategy. The company sees insetting as a continuous improvement and its agroforestry approach as more powerful than using offsetting for achieving climate targets. Barry Callebaut's current monitoring for carbon sequestration is based on yearly sampling and monitoring for 20 years. Carbon sequestration is only claimed for the surviving trees and a correction is applied for reversals. The current guidelines on insetting do not include a buffer for unforeseen risks. While there is currently no industry-related buffer modelling/methodology, we recommended that integrating future climate scenarios and setting a withholding buffer based on science would improve risk management.

As investors, we expressed that we value transparency and comparability and encouraged Barry Callebaut to proactively support standard setting on this matter. The company acknowledged that establishing a clear framework and guidance on implementing an insetting withholding buffer is a positive step to improve credibility of a company's climate strategy if such an approach is to be used.

As investors, we expressed that we value transparency and comparability and encouraged Barry Callebaut to proactively support standard setting on this matter. The company acknowledged that establishing a clear framework and guidance on implementing an insetting withholding buffer is a positive step to improve credibility of a company's climate strategy if such an approach is to be used.

Outcomes

The company was receptive to our feedback and acknowledged our request for change. As a first step, in its latest Forever Chocolate Progress Report published in November 2023, Barry Callebaut has applied a 20% withholding buffer in addition to independent verification of carbon removals. This buffer is applied to safeguard against potential unforeseen losses of planted trees under the company's agroforestry activities. As an investor, we are pleased that Barry Callebaut is playing an active role in carbon removal in its supply chain by using an agroforestry insetting approach.

Theme
Strategy, financial and reporting/social

Sub-theme
Reporting disclosure/data privacy and artificial intelligence

Region
Americas

Country
US

Sector
Education

Number of engagements
One

Most senior engagement
CFO

Case study

An Education technology company

Case study results: Pioneering the publication of AI guidance principles in the education technology sector.

Purpose of engagement

The company is a provider of cloud-based software solutions in the K–12 education sector. Serving millions of users worldwide, the company's mission is to power the education ecosystem with unified technology to improve students' learning outcomes and school operations.

As the company operates in the education technology sector, we consider key factors such as responsible AI, data security and privacy, and educational outcome metrics to be material. This engagement aims to not only enhance disclosure practices but also advocates for the integration of responsible AI principles, aligned with our commitment to fostering transparency and ethical practices in the educational technology landscape.

Action

The portfolio manager and active ownership specialists met with the company's CFO, and senior IR in September 2023 to cover the topic of responsible AI as an extension of the strategy engagement discussion.

This engagement discussion highlighted the improvement of the ESG score in MSCI by reducing carbon emissions through renewable energy sources and improving board independence post the recent IPO.

As investors, we have encouraged the company to incorporate quantitative impact metrics in its sustainability report, specifically concerning its reach to students and the effectiveness of its learning outcomes. The company is committed to collecting and disclosing such data from larger districts to generate impact metrics, demonstrating a commitment to transparency for investors. Despite having its own pledge on data privacy and safety, we shared with the company our ten-point pledge on data privacy and safety in our impact report. We noticed the company's recent developments in AI and adaptive learning. We encouraged the company to implement responsible AI principles firmwide, and also be clear on the business case of specific product use cases and how the company identify and mitigate associated risks effectively. We shared specific objectives for the ethical AI use from our published impact report with the company.

Outcomes

The company responded proactively to our engagement and acknowledged the concerns raised during the engagement in September 2023. In November 2023, the company published its AI guidance principles aligned with our recommendations.

Status and next steps

The company is working towards improved quantitative disclosure on impact metrics, aiming to enhance its MSCI score. The publication of AI principles is one step towards the right direction of enhanced disclosure on material issues given its accelerated use of the technology.

Theme
Strategy, financial and reporting/social

Sub-theme
Reporting disclosure/data privacy and artificial intelligence

Region
Europe

Country
Germany

Sector
Pharmaceuticals/life sciences

Number of engagements
Three

Most senior engagement
Head of crop science, head of global regulatory scientific affairs, sustainability venture lead – environmental impact tool crop science

Case study

Bayer

Case study results: Improved clarity on controversies that helps update valuation models and improved disclosure for work on chemicals that uplifted externally validated scores.

Purpose of engagement

Bayer bought Monsanto as part of its reinvention as a life-science firm with a focus on health and agriculture. At the time the deal was proposed in 2016, the competitive landscape of the agricultural-science space was shifting dramatically – Dow and DuPont were merging, and so were ChemChina and Syngenta.

The Monsanto acquisition in 2018 has led to a long tail of financial and reputational risks. We engaged with senior executives such as head of ESG strategy, head of crop science, head of global regulatory scientific affairs and the sustainability venture lead (specifically, regarding the company environmental impact tool for crop science), to understand the residual financial risks exposure based on ongoing lawsuits and how sustainability-related due diligence is now integrated into M and A transactions and valuation. This helps to explain ex post financial exposure to transform prior controversies considerations into forwardlooking risk mitigation engagement objectives.

To take the forward-looking view on product stewardship and safety further, we engaged on exposure to forever chemicals (PFAS) and actions taken to look for safe chemical alternatives as business opportunities.

For the purpose of this case study, we focused on the improvement of Bayer's product stewardship strategy and approach.

Action

In 2023 our meeting schedule with the company was as follows:

- June 2023: met with head of ESG strategy
- October 2023: virtual Q and A at crop science webinar
- November 2023: met with head of ESG strategy

Bayer acknowledged its ChemScore but asserted that the company have phased out numerous pesticide products in line with global and local regulations over the past decades. In less regulated countries, its maintain a consistent standard akin to operations in OECD nations, resulting in the discontinuation of specific Bayer products. However, due to expired patents, other chemical firms continue selling these pesticides as generics. As investors, we have encouraged the company to showcase circularity by design in principle and conduct life cycle assessments on potentially hazardous chemicals, aiming to minimize the product range where feasible.

On genetically modified organisms (GMO), we discussed the circumstances under which genetically engineered crops are appropriate, especially under the condition of food safety, biodiversity and climate impact.

During the crop science webinar, Bayer explained how it is using machine learning and artificial intelligence tools to improve precision agriculture. The subject matter experts shared examples of computational chemistry as part of its analytics to demonstrate that discovery, targeting and precision breeding can ultimately enhance yield management. The company also suggested that AI supports digital farming solutions, monitoring soil health and nature conditions.

Outcomes

In August 2023, Bayer proactively responded to the Investor Initiative on Hazardous Chemicals (IIHC), which produces ChemScore, which ranks the world's top 50 chemical producers on the company progress to reduce chemical footprint including use and exposure to hazardous chemicals.[18]

We were informed of Bayer's response, and we are pleased with its publicly available response on its website which allows fair access to information for investors.

The engagement objective we set for Bayer on improving its ChemScore in June 2023 has been completed, with the company's grade improving from D+ in 2022 to C- by November 2023.

Information that has led to the improvement in the score is directly linked to the publicly available response, for example, "Bayer more than doubles its score due to it having sustainable, circular, and bio-based products as well as demonstrating a decrease in hazardous waste."

Status and next steps

Focus on completing additional engagement objectives, such as improved revenue disclosure on PFAS (per- and polyfluorinated substances) and observation on the company insect conservation strategy that is aligned with business growth.

18 https://chemscore.chemsec.org/

Theme
Governance

Sub-theme
Board effectiveness, remuneration

Region
Europe

Country
Switzerland

Sector
Industrials

Number of engagements
Two

Most senior engagement
Remuneration committee chair, VP reward

Case study

A human resources provider and staffing firm

Case study results: Improved board governance performance review process with inaugural annual board evaluation with external facilitation.

Purpose of engagement

We have concerns over board of director competency and effectiveness, where no board evaluation has been published. We are also concerned about remuneration, particularly on the LTIP. The company has set up an LTIP and has established several sustainability targets, but there was no linkage to the LTIP.

Action

The first meeting was held with the chair of the BoD, the chair of the remuneration committee and the head of strategy in July 2023.

Board competency and effectiveness: We suggested an annual evaluation of the board as a standard practice. An external consultant should be introduced to coach on this matter and to put in place an approved process that can demonstrate effectiveness. More important for us was to get the company commitment to undergo an external board evaluation. We advised to have this as a recurring item, every third year or even shorter. This would allow the company to have two years of internal reflection and latest every third year getting an independent outside view. For all evaluations, key findings shall be disclosed as a summary in the corporate governance report.

Remuneration, Sustainability target for the LTIP: We suggested to add a sustainability target to the LTI. It shall be based on the internal materiality analysis and for steering the management with the right financial incentives. This input was appreciated, and we were reassured, that this will be taken forward. We set ourselves a timeline for the 2024 AGM. We sent an engagement letter to the company to summarize the meeting and set expectations to foster progress.

Outcomes

A follow up meeting requested by the company took place in December. The company responded to our request to conduct an annual board self-evaluation, as we have suggested, supported by a coach. The first self-evaluation has been completed and action points have been defined. The company also committed to an external evaluation every third year, first one planned for FY 2025.

On LTIP, the company is working on the scope 3 emission disclosure, which is a material indicator. Given the materiality of scope 3 emissions, a reduction in the scope 3 area shall form a new KPI for the LTIP with a weight of 20%. Starting from FY 2024, a reduction of 30% over a three-year timeframe is expected to be achieved, subject to final confirmation.

Next steps

We will review and analyze the FY 2023 integrated annual report to see the full disclosure in relation to the wording and details for the BoD self-evaluation and the proposed changes to the LTIP for the cycle 2024-2026.

Theme
Governance

Region
Europe

Country
Switzerland

Sector
Industrials

Number of engagements
Two

Most senior engagement
Board chair, nomination and compensation committees chair

Case study

A turbocharging and optimisation solutions firm

Case study results: Improved disclosure for short term incentive performance (STIP) targets and introduced sustainability indicator to long term incentive performance (LTIP) aligned with investors expectations.

Purpose of engagement

We have had a good relationship with the company for many years. We had concerns on over-boarding with a selected few board members and rejected the vote on the remuneration report in very limited cases. At the 2023 AGM, we rejected the remuneration report due to a lack of disclosure on the STIP and uncertainty in the interpretation of potential discretionary grants.

Action

The first engagement meeting was held in July with the chair of the remuneration committee, the chief HR officer, the global head of rewards, the vice president for reward and the senior IR Officer.

We asked for more transparency on STIP to understand how rigorous the targets and the measurements are. The company agreed that the summary table presented in the compensation report was too high-level and more granular data is needed by investors.

Our analysis showed that the company issued one-off performance awards outside of its remuneration policy that have not been sufficiently justified. Our dialogue clarified that there were no discretionary payments, it was rather an insufficient disclosure on the background on the one-off performance award.

During the engagement we mentioned that the LTIP, once it comes to the next revision, shall include a material sustainability target with a meaningful weight as part of the new metric. The company pointed to the sustainability goals it applies for the STIP. We shared our view and advocated putting a clear preference on the LTIP as some of these sustainability goals are more long term oriented. We see a trend for longer vesting and/or additional holding periods, but mainly for continental Europe. The chair stated that long vesting time could be counterproductive, especially when the company evaluate a US candidate, as the US market is used to shorter vesting cycles.

Outcomes

For the STIP the company committed to improving the compensation report with better structuring and clarity. The STIP will be reduced to 5-6 KPIs, but the tailor-made preference shall remain. There is also a clear commitment not to grant any discretionary payments.

On the LTIP, the company shared good news that evidenced our investor impact. In FY 2024 a sustainability target will be introduced. It will be based on the company materiality analysis.

Next steps

We will analyze the changes and improvements to the compensation report and improved disclosures in the FY 2023 annual report.

These two examples give us a good comfort that some BoD’s are open for change and willing to drive change in order to make progress, which all stakeholders will benefit from.

For investor educational purposes only: not an investment recommendation.
Source for all data (if not indicated otherwise): UBS Asset Management.

UBS Group AG has agreed to acquire Credit Suisse Group AG.

For professional / qualified / institutional clients and investors.

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