July 2020
UBS Group AG

Operating Principles for Impact Management

Disclosure Statement

Foreword

UBS recognizes the critical role that we and other financial institutions play in mobilizing private and institutional capital to address social and environmental challenges. We constantly strive to support common frameworks and conventions, develop innovative products and solutions, and seek to engage the broad investor community. UBS was among the first banks to highlight the importance of the United Nations Sustainable Development Goals (SDGs) and the role of private capital in achieving them, and we are exceptionally proud to be a founding signatory to the Operating Principles for Impact Management.

For both our firm and our clients, impact investing sits at the intersection of driving intentional positive change for society and the environment, and achieving competitive financial returns. As interest in impact investing continues to grow, so does the need for industry collaboration to ensure that impact investing products and solutions do what they say on the tin. The Principles' mission to add discipline and transparency to the field with a clear, well-supported framework is a significant step forward in this direction.

We as an industry should use our reach and scale to channel even more investment towards sustainability by developing innovative solutions and raising investor awareness of the positive impact that their capital can deliver. Partnerships and alignment are key to solving our society's most pressing sustainability challenges and shaping a brighter future for the next generations.

We are pleased to see that more than 100 of our peers have become signatories in the inaugural year of the Principles, and we look forward to engaging with them as well as our clients to continue scaling our shared impact.

Axel A. Weber
Chairman of the Board of Directors

Overview

UBS Group AG is a founding signatory to the Operating Principles for Impact Management (the "Principles").

This Disclosure Statement affirms that UBS Group AG's Global Wealth Management and Asset Management divisions conduct their impact investing activities in alignment with the Principles. Total assets under management in alignment with the Principles (the Covered Assets) is USD 5.5 billion as of December 31, 2019. The Covered Assets only include investment solutions for our private and institutional clients that have been evaluated as meeting the requirements of our impact assessment framework for the "impact investing" label. They include both internally managed products from UBS Asset Management as well as products from third party fund managers.

UBS Global Wealth Management is the largest truly global wealth manager, with USD 2.6 trillion of invested assets as of December 31, 2019. We provide comprehensive advice, solutions and services to wealthy families and individuals around the world. Sustainable and impact investing is a core part of the advice and solutions UBS provides to its wealth management clients.

UBS Asset Management is a large-scale, diversified asset manager offering investment capabilities and styles across traditional and alternative asset classes to institutions, wholesale intermediaries and wealth management clients. Sustainable and impact investing is also a core part of the investment capabilities UBS provides to its institutional clients.

Principle 1

Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

The UN Sustainable Development Goals (SDGs) are core to UBS' group-wide sustainability efforts. As outlined in UBS' 2019 Sustainability Report, the SDGs represent one of three key interconnected frameworks underpinning the firm's sustainability efforts in the decade ahead. UBS was among the first banks to identify the importance of the SDGs in 2015 and specifically how to make them investable for clients. Multiple subsequent UBS Group whitepapers produced for the World Economic Forum (WEF) Annual Meetings further refine our analysis of and strategic commitment to addressing the SDGs.

UBS made an explicit public commitment at the 2017 World Economic Forum Annual Meeting to mobilize USD 5bn of private investors' capital into SDG-related impact investments over the subsequent five-year period.

Our wealth management business aims to be a leader in sustainable and impact investing for private clients. We offer both targeted and diversified impact investing solutions with the objective of enabling private clients to invest their capital to address social and environmental challenges across multiple thematic areas. Our process for sourcing, evaluating and onboarding these impact investing solutions incorporates extensive review of an investment strategy's intent, ability and relevance to drive measurable progress toward the SDGs and/or specific impact themes. We assess fund managers' theory of change, the extent to which impact objectives are clearly articulated and embedded into investment and portfolio management processes, and the robustness of impact measurement and management systems. We also track capital invested by our clients toward the SDGs and impact themes that we identify in numerous publications.

Impact investing solutions managed by our asset management platform are developed around impact objectives, at the portfolio level, using impact themes that are aligned with the SDGs. Each theme is mapped to a set of evidence-based impact metrics, which are supported by proprietary impact models that were developed in collaboration with academic partners.

As with the SDGs, our aim is also to be a leader in enabling investors to mobilize private and institutional capital to target climate change mitigation and adaptation while supporting the transition to a low- carbon economy.

For our institutional clients we systematically identify and measure climate change risks in active portfolios through the enhanced use of our proprietary tools and techniques, most notably glidepath and scenario analysis, with the goal of aligning investments to the most appropriate climate trajectory. It is our aim to establish ESG and climate risk metrics for all products and to further enhance levels of oversight and reporting. And in order to broaden the suite of climate solutions available to our clients, we aim to further expand our climate aware approach across asset classes, within active and passive.

Principle 2

Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

UBS has identified the SDGs as a key framework for impact on an overall portfolio and individual investment basis, and provides regular updates on its strategic impact priorities and assets under management as part of the Group Annual Report and annual Sustainability Report. UBS aims to consistently integrate strategic impact considerations on platform level, in aggregate, within its own actively managed impact solutions and across third-party fund management partners whose impact investing solutions are offered to private clients.

Our wealth management business has established governance and frameworks that seek to ensure impact is systematically incorporated throughout the investment process for all impact investing solutions, including research and strategy development, investment sourcing, approvals, and ongoing monitoring. We actively engage with impact fund management partners about ex-ante, ongoing and realized impact for each strategy and how they address SDG targets and align to identified impact themes, seeking to encourage rigor and consistency while recognizing that individual managers employ differing approaches to impact measurement and management. To enable strategic management and active monitoring of impact at the platform level, we require fund management partners to provide regular data and reporting on impact expectations and progress on an individual investment and portfolio level.

Managing impact within our asset management business' actively managed listed fund strategies and portfolios entails a process where impact, sustainability and financial criteria are all evaluated in the portfolio construction process. Impact achievements are measured through proprietary impact models as well as achievement of impact engagement targets that are set out at the time of investment.

Principle 3

Establish the Manager's contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels[1]. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Our wealth management business plays an important role in mobilizing private capital into impact investments that address a range of social and environmental challenges while seeking to generate market-rate financial returns. We contribute to the achievement of impact through multiple channels, including: actively identifying and developing investment solutions to address specific capital gaps in SDG-related or other high-impact thematic areas; consistently advocating for robust impact measurement and management approaches by fund management partners and the industry broadly; encouraging fund management partners to become signatories to the Principles; supporting the success of underlying investee companies through strategic introductions and promotion; and mobilizing additional private capital through publications, education, events and other initiatives designed to catalyze advisor and client interest in impact investing.

We also rigorously evaluate impact fund management partners' contribution to impact and additionality as part of our due diligence and onboarding of third party investment solutions, and advocate for continuous improvement through regular engagement and dialogue on individual deals and overall impact approach.

Our asset management business seeks to contribute to the achievement of impact through allocating capital to companies that already have a positive impact on the society and / or environment as well as long-term corporate engagement with companies in its portfolio oriented around positive change. Such engagement activities have two primary goals: to help the invested companies generate additional positive impact on social and environmental goals, and to help improve the financial performance of the companies through reducing risks and realizing opportunities.

[1] For example, this may include: improving the cost of capital, active shareholder engagement, specific financial structuring, offering innovative financing instruments, assisting with further resource mobilization, creating long-term trusted partnerships, providing technical/ market advice or capacity building to the investee, and/or helping the investee to meet higher operational standards.

Principle 4

Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact[1] potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact?[2] The Manager shall also seek to assess the likelihood of achieving the investment's expected impact.

In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards[3] and follow best practice[4].

Our wealth management business' impact assessment process for potential solutions for private clients includes an evaluation of ex-ante expected impact, where possible, and an evaluation of an impact fund manager's ability to realize that impact. We utilize the Impact Management Project's (IMP) five dimensions of impact to assess expected impact of a given investment, in addition to evaluating the efficacy of the manager's impact management system to support achievement of impact at the solution and underlying investment level, the likelihood of achieving that impact, and any likely impact risks.

Our wealth management business does not mandate the use of specific metric sets but evaluates whether the manager's approach to impact measurement and management is aligned with industry standards and best practices.

Our asset management business has developed frameworks for impact measurement and verifiability in conjunction with experts in the disciplines of public health and environmental science. These frameworks are data-based, science-informed and standardized; focused on social and environmental impacts in order to identify companies that generate a positive impact. These frameworks provide a baseline for assessing whether and how much an invested company's impact continues to improve over time.

[1] Impact is considered the material effect/s on people and the environment resulting from the investment, as outlined in Principle 1. Impacts assessed under Principle 4 may also include positive ESG effects derived from the investment.
[2] Adapted from the Impact Management Project (www.impactmanagementproject.com).
[3] Industry indicator standards include HIPSO (indicators.ifipartnership.org/about); IRIS (iris.thegiin.org); GIIRS (b- analytics.net/giirsfunds); GRI (www.globalreporting.org/Pages/default.aspx); and SASB (www.sasb.org), among others.
[4] International best practice indicators include SMART (Specific, Measurable, Attainable, Relevant, and Timely), and SPICED (Subjective, Participatory, Interpreted & communicable, Cross-checked, Empowering, and Diverse & disaggregated), among others.

Principle 5

Assess, address, monitor, and manage potential negative impacts of each investment.

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG)[1] risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice[2]. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

Our wealth management business assesses the systems and processes of potential impact fund management partners for identifying and addressing environmental, social and governance (ESG) risks of underlying investments. The assessment goes hand-in-hand with active conversations and ongoing dialogue with fund managers throughout the life of investments on reported incidents as well as processes for avoiding or mitigating such risks to support the overall achievement of impact and commercial success.

Our asset management business has adopted standard processes for identifying and documenting environmental, social and governance (ESG) risks for the companies in which it invests. Where risks are identified, mitigation strategies are implemented in the form of stewardship activities and active engagement. Through engagement, we work with our investee companies in order to identify material ESG factors and to collaborate with management in order to realize positive improvements to mitigate these risks over time.

[1] The application of good ESG management will potentially have positive impacts that may or may not be the principal targeted impacts of the Manager. Positive impacts resulting from ESG matters shall be measured and managed alongside with, or directly embedded in, the impact management system referenced in Principles 4 and 6.

[2] Examples of good international industry practice include: IFC's Performance Standards (www.ifc.org/performancestandards); IFC's Corporate Governance Methodology (www.ifc.org/cgmethodology), the United Nations Guiding Principles for Business and Human Rights (www.unglobalcompact.org/library/2); and the OECD Guidelines for Multinational Enterprises (http://mneguidelines.oecd.org/themes/human-rights.htm).

Principle 6

Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action[1]. The Manager shall also seek to use the results framework to capture investment outcomes[2].

Our wealth management business regularly monitors progress toward the impact and financial objectives of the impact investing solutions on its platform. We require impact fund management partners to provide annual impact reporting at a minimum, and we conduct regular update calls on a quarterly and ad-hoc basis to monitor progress on commercial and impact objectives. Ongoing dialogue with fund managers about portfolio-level and investment-level results enables evaluation of reported impact against ex-ante expectations and discussion of what actions are being taken to address impact and financial performance.

Our asset management business has an established process for evaluating the expected impact of each engagement that it undertakes, assessing progress made on engagement activities over time. Escalation tools are available when expected impact can no longer be achieved.

[1] Actions could include active engagement with the investee; early divestment; adjusting indicators/expectations due to significant, unforeseen, and changing circumstances; or other appropriate measures to improve the portfolio's expected impact performance.

[2] Outcomes are the short-term and medium-term effects of an investment's outputs, while the outputs are the products, capital goods, and services resulting from the investment. Adopted from OECD-DAC (www.oecd.org/dac/).

Principle 7

Conduct exits considering the effect on sustained impact.

When conducting an exit[1] the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

Our wealth management business emphasizes with impact fund management partners our expectations around the importance of impact considerations and the sustainability of the targeted impact as part of the exit decision process for underlying investments. We engage actively with partners on portfolio development and seek to proactively discuss impact implications of anticipated exits on a case-by-case basis, while recognizing that they control the decision as investment manager.

Our wealth management business expects that fund managers with which it partners for impact investing solutions will follow through on commitments to prioritize impact objectives alongside financial objectives on an individual investment and portfolio basis, including upon exit. Failure to credibly deliver on these impact expectations will factor into the overall decision to work with a fund manager on future impact investing offerings.

Our asset management business considers the effect on sustained impact upon selling a position. Considerations include the likelihood of expected impact achieved without UBS's ongoing engagement activities.

[1] This may include debt, equity, or bond sales, and excludes self-liquidating or maturing instruments.

Principle 8

Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

Our wealth management business actively monitors and documents impact performance, reviewing regular impact reporting from fund management partners and engaging with them on a regular and ad-hoc basis to assess actual and realized impact against ex-ante expectations. We use these learnings to identify gaps in impact areas addressed as well as in assessment and monitoring practices.

Our wealth management business continuously reviews and modifies its impact investing governance and processes on the basis of evolving industry best practice and learnings from these ongoing interactions with fund management partners and underlying investments. For example, in order to enhance our evaluation of partner practices, we have evolved our impact due diligence framework in recent years to incorporate explicitly the IMP five dimensions and to more accurately reflect the tenets of the Operating Principles for Impact Management.

Our asset management business continues to evolve its processes and measurement methodologies to improve operational and strategic investment decisions, as well as management processes. We actively participate in various industry initiatives to contribute to and enhance industry standardization.

Principle 9

Publicly disclose alignment with the Principles and provide regular independent verification[1] of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

This Disclosure Note re-affirms the alignment of UBS Group AG's procedures with the Principles and will be updated annually.

The independent verification report on the alignment of UBS Group AG with the Operating Principles for Impact Management has been completed on April 2, 2020 and available as a separate document. This verification will be performed on a regular basis at no later than 2-year intervals, or earlier in the event of material change to our impact management processes.

Information on the current independent verifier is as follows: Tideline Advisors, LLC. Tideline has offices in New York, NY and San Francisco, CA and is headquartered at 915 Battery Street, San Francisco, CA 94111.

[1] The independent verification may be conducted in different ways, i.e., as part of a financial audit, by an independent internal impact assessment committee, or through a portfolio/fund performance evaluation. The frequency and complexity of the verification process should consider its cost, relative to the size of the fund or institution concerned, and appropriate confidentiality.

Disclaimer: This document and the information contained herein are provided solely for information purposes, and are not to be construed as a solicitation of an offer to buy or sell any securities or other financial instruments in Switzerland, the United States or any other jurisdiction. No investment decision relating to securities of or relating to UBS Group AG, UBS AG or their affiliates should be made on the basis of this document. No representation or warranty is made or implied concerning, and UBS assumes no responsibility for, the accuracy, completeness, reliability or comparability of the information contained herein relating to third parties, which is based solely on publicly available information. UBS undertakes no obligation to update the information contained herein.

Cautionary statement regarding forward-looking statements: This document contains statements that constitute "forward-looking statements," including but not limited to management's outlook for UBS's financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS's business and future development. While these forward-looking statements represent UBS's judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's expectations. The outbreak of COVID-19 and the measures being taken globally to reduce the peak of the resulting pandemic will likely have a significant adverse effect on global economic activity, including in China, the United States and Europe, and an adverse effect on the credit profile of some of our clients and other market participants, which may result in an increase in expected credit loss expense and credit impairments. The unprecedented scale of the measures to control the COVID-19 outbreak create significantly greater uncertainty about forward-looking statements in addition to the factors that generally affect our businesses, but not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), liquidity coverage ratio and other financial resources, including changes in RWA assets and liabilities arising from higher market volatility and other changes related to the COVID-19 pandemic; (ii) the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (iii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions; (iv) developments (including as a result of the COVID-19 pandemic) in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions, and changes to national trade policies on the financial position or creditworthiness of UBS's clients and counterparties as well as on client sentiment and levels of activity; (v) changes in the availability of capital and funding, including any changes in UBS's credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (vi) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, net stable funding ratio, liquidity and funding requirements, heightened operational resilience requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS's business activities; (vii) the degree to which UBS is successful in implementing further changes to its legal structure to improve its resolvability and meet related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions or to other external developments, and the extent to which such changes will have the intended effects; (viii) UBS's ability to maintain and improve its systems and controls for the detection and prevention of money laundering and compliance with sanctions to meet evolving regulatory requirements and expectations, in particular in the US; (ix) the uncertainty arising from the UK's exit from the EU; (x) changes in UBS's competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS's ability to compete in certain lines of business; (xi) changes in the standards of conduct applicable to our businesses that may result from new regulations or new enforcement of existing standards, including recently enacted and proposed measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (xii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA as well as the amount of capital available for return to shareholders; (xiii) the effects on UBS's cross-border banking business of tax or regulatory developments and of possible changes in UBS's policies and practices relating to this business; (xiv) UBS's ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xv) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xvi) UBS's ability to implement new technologies and business methods, including digital services and technologies, and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xvii) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xviii) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks and systems failures, the risk of which is increased while COVID-19 control measures require large portions of the staff of both UBS and its service providers to work remotely; (xix) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS's operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xx) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS's ability to maintain its stated capital return objective; and (xxi) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS's Annual Report on Form 20-F for the year ended 31 December 2019. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.