

VERIFIER STATEMENT

Independent Impact Management Verification

Prepared for UBS: April 2, 2020

**BACKGROUND**

As a signatory of the Operating Principles for Impact Management (the Principles), UBS is committed to disclosing the degree of alignment of its impact management (IM) systems with the Principles.¹ UBS engaged Tideline to undertake the assessment.

ASSESSMENT METHODOLOGY

Tideline reviewed both the UBS Asset Management (UBS AM) and UBS Wealth Management (UBS WM) IM tools and processes for the purpose of assessing their degree of alignment with the Principles.² To do so, Tideline used a proprietary rubric informed by:

1. The text of each Principle and associated implementation guidance;
2. Tideline's proprietary process assessment criteria, which are mapped to each Principle; and
3. Tideline's retained knowledge of the state of IM practices

SUMMARY ASSESSMENT

Tideline conducted an assessment to verify UBS AM and UBS WM IM systems' degree of alignment with the Principles. As of December 31, 2019, UBS' assets under management covered by the Principles totals USD\$5.5 billion. Key takeaways from the assessment are:

Areas of strength:

- For the Asset Management portion of the Covered Assets, UBS articulates impact objectives at the portfolio-level using select thematic areas and aligns these with the UN SDGs and impact metrics. UBS also uses a standard set of impact, ESG, and commercial gating criteria when constructing and selecting companies for inclusion in its impact investing portfolio. Regarding ESG processes, UBS has a standard process for documenting ESG risks for portfolio companies and identifying opportunities to propose ESG improvements to their operations and supply chain practices.
- For the Wealth Management portion of the Covered Assets, UBS articulates impact objectives around mobilizing \$5 billion in client assets towards the UN SDGs by 2021 and supports its claim with rigorous due diligence of underlying Managers' impact management practices. At the platform-level, all products are required to meet specific impact criteria and are voted on by internal governance structures before receiving the 'impact' label. As part of its impact due diligence process, UBS assesses expected impact for each Manager using the IMP dimensions of impact.

¹ Principle 9 states that signatories shall "publicly disclose alignment with the Principles and provide regular independent verification 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."

² Tideline's full assessment for UBS states each of the Principles, describes the UBS IM processes covered by the Principles, and identifies areas where further alignment is appropriate and feasible. The scope of Tideline's assessment procedures does not include the verification of the resulting impacts achieved. Tideline's assessment is based on its analyses of publicly available information and information in reports and other material provided by UBS. Tideline has relied on the accuracy and completeness of any such information provided by UBS. The assessment results represent Tideline's professional judgment based on the procedures performed and information obtained.

SUMMARY ASSESSMENT (continued)

Areas for improvement:

- For the Asset Management portion of the Covered Assets, UBS could take steps to further standardize the process by which it establishes, documents, and monitors progress towards its impact and ESG engagement targets with portfolio companies. Given that UBS at present does not calculate ex-ante impact projections for its investments, it could consider doing so by building on its existing proprietary impact models. Finally, there might also be an opportunity for UBS to clarify its protocol around considering impact factors when choosing to sell holdings or 'exit' its investments.
- For the Wealth Management portion of the Covered Assets, UBS could consider further formalizing the process by which it articulates, documents, and collects evidence in support of its contribution to Managers' achievement of impact. There could also be an opportunity to continue standardizing its internal protocol and documentation around engaging with Managers in the event of either ESG risks and impact underperformance.

ABOUT TIDELINE

Tideline Advisors, LLC is a certified women-owned advisory firm in impact investing. Since its founding in 2014, Tideline has become a recognized leader in impact measurement and management, focused on the design and verification of IM systems with leading asset owners and managers. In 2020, Tideline established a subsidiary with a separate, dedicated team focused on impact management verification.

Tideline has offices in New York, NY and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA.