

# Diversity, equity and inclusion (DEI)

## UBS Asset Management's DEI expectations

We believe that organizations should be representative of the communities in which they operate, and that a diverse, equitable and inclusive board and workforce presents a wide array of benefits. Here we explain our global expectations with regards to DEI also recognizing the need to adhere to any local laws and regulations, where relevant.

These expectations have been developed with reference to the International Sustainability Standards Board (ISSB) standards. They are used as an input into our voting decisions with core principles outlined in [UBS AM voting policy](#).

### Diversity

There is increasing research to support a positive correlation between diversity of perspectives and corporate financial performance.<sup>1</sup> Business culture that embraces different views is an important indicator of a good place to work where employees feel respected and valued. Diverse teams can offer a range of different viewpoints and opinions and can therefore be more creative and better positioned to unlock innovation and product quality that drives market growth.<sup>2</sup>

The variety of perspectives can also help to promote effective decision-making by avoiding reliance on narrow frameworks.<sup>3</sup> Having a diverse team of professionals increases the chances that products and services are more relevant to the needs and preferences of a wide range of customers, and more responsive to rapid changes in global markets.<sup>4,5</sup>

Employees and job seekers value employers' approach to DEI. Employers offering diverse, equitable and inclusive environments will be more likely to attract and retain top talent.<sup>6</sup> This is expected to become a greater focus in the

coming years as the workforce is increasingly made up of Millennials and Gen Z who include this among their values and key factors in choosing their workplaces.<sup>7</sup> On the flip side, companies and other investee entities lagging on diversity, equity and inclusion might be exposed to reputational and litigation risks, among others.

### Equity

Equity is concerned with the actions taken to achieve a state of equality of outcomes. Inequalities can be manifested through prejudice, oppression and discrimination – direct and indirect – and can be systemic through behaviour, policies, practices and cultures.

Equity is about ensuring equality of access, treatment, outcomes and impact in both employment and service delivery. The benefits include making an organization more successful through employee motivation, retention and attraction of talent, preventing serious or legal issues, better serving a diverse range of customers and improving ideas and problem-solving.

### Inclusion

Employees should have a sense of belonging, feeling safe to express their ideas, opinions, suggestions, and experiences without fear of judgement.<sup>8</sup> An inclusive culture allows employees to be their authentic selves, providing a foundation for effective communication, collaboration, inspiration, creative thinking, and innovation.

Creating an inclusive culture has been shown to be beneficial for employee engagement and productivity. It can have a ripple effect on team morale, retention and profitability. Research shows that inclusion promotes a sense of belonging and enhances employee satisfaction which in turn could lead to enhanced productivity.<sup>9</sup>

<sup>1</sup> Delivering through Diversity, McKinsey, 2018

<sup>2</sup> The Business Case for More Diversity, The Wall Street Journal research center, 2020

<sup>3</sup> Delivering through Diversity, McKinsey, 2018

<sup>4</sup> Diversity matters even more: The case for holistic impact, McKinsey, 2023

<sup>5</sup> How Investing in DEI Helps Companies Become More Adaptable, Harvard Business Review, 2023

<sup>6</sup> Diversity & Inclusion Workplace Survey, Glassdoor, 2020

<sup>7</sup> Gen Z are not 'coddled.' They are highly collaborative, self-reliant and pragmatic, according to new Stanford-affiliated research, Stanford University, 2022

<sup>8</sup> Mental Health at Work, ILO

<sup>9</sup> Reasons Why Inclusion Is a Competitive Advantage, Harvard Business Review, 2023

## Our expectations

### Governance

We expect:

- **Board level processes** to be in place to address how DEI are included in the oversight of an organization's purpose and strategy;
- **That the Board of Directors is comprised of diverse** individuals from across genders and ethnicities, acknowledging the potential this creates for enabling greater diversity of perspectives;
- **The Board of Directors and senior management to have clear oversight of DEI** commitments and commitments to communicate effectively with relevant stakeholders including investors, employees, suppliers, vendors, contractors, customers and community;
- **The Board to periodically assess the DEI issues** in its business processes and whether they are being managed effectively, and for the Board to be informed in a regular and timely manner of any significant DEI issues and key measures. This requires an appropriate escalation process to be in place;
- **Organizations to be able to demonstrate how they have embedded DEI** in their internal policies and process, with a clear and accessible disclosure on the governance of DEI in their organization, including their processes to provide remedy and redress;
- **Linkage of board and management incentives to progress** on DEI metrics (as part of the wider sustainability strategy).

### Policy & Strategy

We expect the composition of Boards of Directors to reflect:

- **A public policy** which includes a commitment on DEI;
- **Diversity in senior positions and in the workforce more widely.** To support this, we look for organizations to have at least 40% of the Board comprised of diverse appointees by 2025, initially focused on the dimensions of gender and ethnicity. We also expect Boards to have at least one female board member;
- **Local market regulatory standards regarding gender or ethnic diversity**, where those standards are superior to these expectations;
- **Companies in a developed market** with at least 10 board members or a market capitalization of more than US\$10bn, to have 30% female board representation;
- **Companies in a market where ethnic diversity** data is available to appoint, or disclose plans to appoint, at least one director from an underrepresented ethnic background;
- **For UK companies**, we expect the Board to meet the requirements of the Hampton Alexander Review and endorse the recommendations of the Parker Review relating to increasing ethnic diversity at the board and senior management levels.

We expect a credible strategy to be in place to promote DEI, elements of which may include the following:

- **Pipeline:** Actively contributing to building a pipeline of diverse and inclusive talent through, for example, working with schools and universities, running internships and industrial placement programs, maintaining channels to facilitating feedback between the organization and potential candidates, using gender-neutral language in job descriptions, setting a communication plan which highlights how DEI is embedded into the corporate culture;
- **Talent acquisition:** Designing, implementing and maintaining inclusive and equitable hiring and onboarding practices, ensuring that talent acquisition process and the recruiting environment are inclusive at each stage, ensuring that interview panels are diverse, offering flexible working options;
- **Talent development:** Creating and implementing robust talent development programs, and promotion and retention processes;
- **Influence:** Contributing to external initiatives to help address a lack of DEI in their industries;
- **Metrics and targets:** Monitoring DEI metrics and targets;
- **We also expect responses to cases of significant controversies or allegations** that raise serious concerns about the handling of racial topics. Such responses may include conducting race equity audits on the effectiveness of policies and strategies, or identifying gaps or areas for improvement in policies, practices, products and services, and efforts to combat systemic racism.

### Disclosure

We expect disclosure to encompass:

- **The provision of details on the DEI strategy** in public disclosure and clear articulation of how DEI considerations are embedded into the development and delivery of products and services and across the organization;
- **Reporting of a breakdown of workforce** by gender and ethnicity at least, where relevant. In the US, we expect companies to report in line with the EEO-1 guidelines;
- **Reporting of a breakdown** of Pay Equity and Gap across workforce;
- **Reporting of any additional DEI metrics** monitored as part of the DEI strategy.

For more information on our active ownership activities, including the implementation of these expectations, please visit our [Sustainable Investing webpage](#).

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