

# Verifier Statement

## *Independent Verification Report*

Prepared for UBS: July 16, 2024

### Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)<sup>1</sup>, UBS engaged BlueMark to undertake an independent verification of the alignment of UBS's impact management (IM) systems (Asset Management (Engage for Impact Fund and Global Sustainable Impact Mandate)<sup>2</sup> and Global Wealth Management) with the Impact Principles. UBS's assets under management covered by the Impact Principles (Covered Assets) totals \$11.314 billion,<sup>3</sup> as of December 31, 2023.

### Summary assessment conclusions

BlueMark has independently verified UBS Asset Management's (UBS AM) extent of alignment with the Impact Principles. Key takeaways from BlueMark's assessment are as follows:

*Principle 1:* UBS AM has a clearly defined impact strategy that invests in companies whose products and services contribute to 12 SDGs under the themes of food, health, water, climate, and people empowerment, supported by the fund's impact thesis and theme-level theory of change.

*Principle 2:* UBS AM manages impact performance at the portfolio-level using its revenue-based impact model and standardized assessment of impact dimensions. The firm incentivizes impact performance by assessing staff members on KPIs related to impact activities.

*Principle 3:* UBS AM contributes to the achievement of impact through active engagement and assesses the engagement potential of each investment, sets engagement objectives, and monitors progress and results of engagement activities within FactSet. The firm has developed case studies to showcase the effectiveness of its contributions.

*Principle 4:* UBS AM assesses product impact potential and engagement potential for each investment during the ex-ante due diligence process and records the analyses within a standardized Impact Profile template. To further align, the firm should set ex-ante impact expectations and eligibility criteria to enable more effective monitoring and decision-making.

*Principle 5:* UBS AM leverages its ESG Material Issues Framework to identify material ESG risks per sector and monitors ESG risks via its proprietary ESG risk dashboard. When monitoring indicates underperformance or new risks, the firm conducts in-depth analysis and engages with investees to improve performance.

*Principle 6:* UBS AM gathers impact data from portfolio companies and updates Impact Profiles on an annual basis to monitor impact performance. The firm has also developed a proprietary measurement methodology to model outcomes-level data. To further align, UBS AM should track progress against expectations and codify the monitoring processes.

*Principle 7:* UBS actively engages with companies to enhance sustainability practices and informally assesses the likelihood of continued impact upon exit. To further align, the firm should develop an exit policy that specifies actions taken to influence the sustainability of impact and a formal framework for assessing the sustainability of impact upon exit.

*Principle 8:* UBS AM reports overall portfolio level outcome metrics and select case studies to review its impact and holds monthly engagement meetings to reflect on progress and exchange knowledge of best practices in impact investing. To further align, the team should include a review of unintended consequences in its review process.

<sup>1</sup> Principle 9 states that signatories "shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact 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."

<sup>2</sup> BlueMark's analysis is based primarily on the information shared by UBS AM for the Engage for Impact fund. BlueMark relied on UBS AM's attestation that the Global Sustainable Impact Mandate is subject to the same IM system as the Engage for Impact Fund.

<sup>3</sup> Assets under management figure as of 12/31/2023. BlueMark's assessment did not include verification of the AUM figure.

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## Summary assessment conclusions

BlueMark has independently verified UBS Global Wealth Management’s (UBS GWM) extent of alignment with the Impact Principles. Key takeaways from BlueMark’s assessment are as follows:

*Principle 1:* UBS GWM aims to provide a set of credible impact investing fund solutions to its client and seeks to generate measurable, verifiable, and positive outcomes in the areas of People, Planet, and Partnerships. To further align, UBS GWM should develop a clear theory of change for each of its priority focus areas and reference relevant research.

*Principle 2:* UBS GWM leverages its “intent, measurement, and verification” framework to assess prospective funds and compares the overall portfolio and underlying companies’ contribution to SDGs in dollar values. To further align, UBS GWM should explicitly document its protocol of incentivizing impact performance and impact management-related activities of the staff members.

*Principle 3:* UBS GWM contributes to the achievement of impact through strategic engagements with fund managers to improve alignment with the Impact Principles and capacity-building activities. To further align, UBS GWM should implement a centralized system to track and capture the outcomes its engagement.

*Principle 4:* UBS GWM uses its proprietary Impact Due Diligence Questionnaire to collect a prospective fund’s impact management practices and capabilities and produces an Impact Assessment Memo structured in the “intent, measurement, and verification” format. To further align, UBS GWM should set clear and explicit impact threshold for fund eligibility and set ex-ante expectations for a fund’s impact performance.

*Principle 5:* UBS GWM uses its proprietary ESG Due Diligence Questionnaire to collect a prospective fund’s ESG management practices and risks. The firm deploys the questionnaire annually to monitor ESG performance and identify any new risks or underperformance. To further align, the team should add structures to its monitoring notes.

*Principle 6:* UBS GWM monitors the impact performance of its investments through regular touchpoint and ad-hoc monitoring calls and captures qualitative updates in a standardized monitoring template. To future align, UBS GWM should consider monitoring actual vs. expected performance.

*Principle 7:* UBS GWM sets expectations for IMM best practices and revokes the impact investing label if the fund deviates from UBS GWM’s definition. UBS GWM also evaluates each fund’s approach to preserve impact beyond exit. To further align, UBS GWM should document its approach to influence impact sustainability and develop an exit questionnaire to document impact achievement and the likelihood of impact continuing upon exit.

*Principle 8:* UBS GWM revisits the Impact Assessment memo and leverages the Impact Monitoring sheet to review impact achievement and update its IMM process and tools based on lessons learned. To further align, the team should also review unintended consequences and document the main discussion points and next steps from the review meetings.

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### Assessment methodology and scope

UBS provided BlueMark with the relevant supporting documentation<sup>4</sup> for the policies, processes, and tools related to the IM system applicable to the Covered Assets. The scope of BlueMark’s work was limited to processes in place related to the Covered Assets as of July 2024. BlueMark’s assessment of the IM system included an evaluation of both the system itself and supporting documentation, as well as the consistency of the draft disclosure statement with the IM system. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.<sup>5</sup>

BlueMark’s full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the Impact Principles, using BlueMark’s proprietary rubric, and examining processes and policies against the following criteria:
  - *Compliance* of the IM system with a threshold level of practice;
  - *Quality* of the IM system’s design in terms of its consistency and robustness; and
  - *Depth* of sub-components of the system, focused on completeness
2. Interviews with UBS staff responsible for defining and implementing the IM system;
3. Testing of selected UBS transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to UBS, outlining areas of strong alignment and recommended improvement, as well as BlueMark’s proprietary benchmark ratings on the extent of alignment to each of the Impact Principles.

### Permissions

This statement, including our conclusions, has been prepared solely for UBS in accordance with the agreement between our firms, to assist UBS in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit UBS to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate UBS alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than UBS or our work or this statement except where terms are expressly agreed between us in writing.

### About BlueMark

BlueMark, a Delaware-registered public benefit company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to “strengthen trust in impact investing” and to help bring more accountability to the impact investment process. BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; and Portland, OR; and is headquartered at 154 W 14th St, 2nd Floor, New York, NY 10011. Its outside investors include S&P Global, Temasek Trust Capital, Blue Haven Initiative, Gunung Capital, Tsao Family Office, Ford Foundation and Radicle Impact. For more information, please visit [www.bluemark.co](http://www.bluemark.co).

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<sup>4</sup> BlueMark’s analysis is based primarily on the information shared by UBS AM for the Engage for Impact fund. BlueMark relied on UBS AM’s attestation that the Global Sustainable Impact Mandate is subject to the same IM system as the Engage for Impact Fund.

<sup>5</sup> The scope of BlueMark’s assessment procedures does not include the verification of the resulting impacts achieved. BlueMark’s assessment is based on its analyses of publicly available information and information in reports and other material provided by UBS. BlueMark has relied on the accuracy and completeness of any such information provided by UBS. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from UBS.