


Stewardship Annual Report

Highlights 2022

UBS Asset Management



UBS



The expectations for how investors approach active ownership continued to increase in 2022, as did the emphasis on activity that seeks to contribute to investment relevant and real-world outcomes.

We put stewardship of client assets at the center of our responsibilities. In our last report we noted there was still much for investors and companies to do, and that remains the case. We have continued to focus on the core principles of our approach.

We strongly believe that active ownership by investors can contribute to the long-term sustainability and success of companies and the markets in which they operate. Effective stewardship provides an opportunity for asset managers to identify and influence some of the most pressing

environmental, social and governance issues facing investors and companies. Stewardship responsibilities essentially go beyond the traditional financial analysis and are centered on assessing whether companies are sustainable and run for the long-term benefit of all stakeholders. In turn this seeks to support more sustainable economies.

These highlights focus on the outcomes that we believe our stewardship approach has had on portfolios on behalf of our clients and on the society we serve.

Research	<ul style="list-style-type: none"> – ESG Risk is monitored via a proprietary dashboard. The dashboard draws upon ESG data to provide a proprietary ESG Risk Signal to the fundamental analysts, in order to initiate an assessment of the ESG impact on the investment – Investment teams are supported with research on companies from a sustainability perspective by the SI analysts
Decision	<ul style="list-style-type: none"> – Interactions between portfolio managers, fundamental and SI analysts provide better awareness of any material sustainability risks – Pre-trade restriction controls enforce portfolio guidelines such as exclusions, risk screening and positive ESG promotion characteristics – ESG scores measure sustainability profiles to inform security selection/portfolio construction
Engagement	<ul style="list-style-type: none"> – Commitment to constructive dialogue with companies based upon thorough research, with clear objectives, including feedback on company actions and focused on achieving positive outcomes and solving existing concerns – Thematic People and Planet engagements, with an escalation pathway where progress against goals were not achieved
Proxy Voting	<ul style="list-style-type: none"> – Voting policy provides framework for voting in the best financial interest of our clients, applied consistently and underpinned with case-by-case reviews in certain situations – Aggregated global voting record disclosed (including rationales), as well as fund level reporting of votes for institutional funds in Australia, Switzerland, and Luxembourg, and for our regulated funds in the USA and Canada
Collaboration	<ul style="list-style-type: none"> – Supporting the enhancement of ESG best practices across the investment industry – Advocacy with policy makers and standard setters – Collective engagement where appropriate
Reporting	<ul style="list-style-type: none"> – Reporting that is providing transparency on portfolio ESG profile and stewardship activities – ESG regulatory disclosures in prospectuses and websites

An overview of our active ownership in charts and tables

Examples of sustainability outcomes achieved through engagement in 2022

Through the year we conducted 461 engagement meetings with 330 companies. We saw progress against objectives in 62% of our engagements.

Outcomes were seen across the full range of topics we engage on, including enhanced ESG disclosure, emission

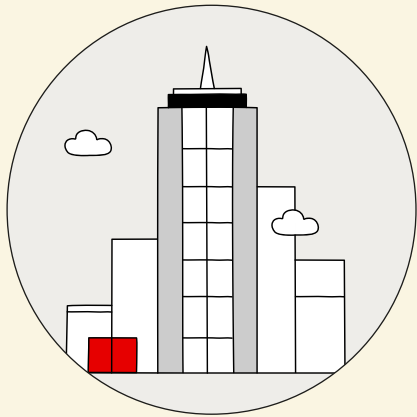
targets and transition plans, increased board diversity and independence, and improved pay structures.

This table highlights the case studies featured in the 2022 Report

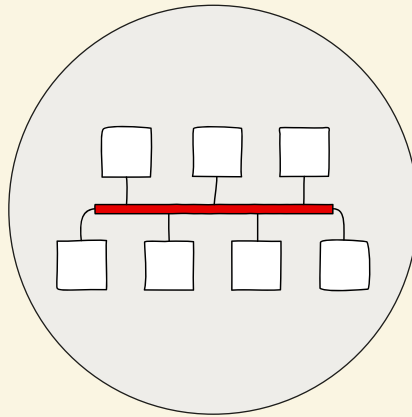
	Climate	Environmental stewardship	Human rights	Good work	Directors and boards	Remuneration	Shareholder rights & transparency	
Advanced Drainage Systems (ADS)_				●				Receptive to our feedback and committed to enhancing disclosures
Berkeley Group Holding		●				●		Supported controversial pay scheme after explanation of company, sector and management dynamics
Constellation Brands			●		●		●	Declassification of dual-class share structure
Equinor	●							Presented first energy transition plan for shareholder vote and strengthened targets to reduce operated scope 1 and 2 emissions
ExxonMobil	●							2050 net-zero target for operated assets, a range of mid-term climate targets and announced an increase in its investment in lower emission investments
Glencore	●			●				Published its climate change progress report, and outlined the completed and ongoing actions to address community concerns
Hargreaves Lansdown						●		Delivery of a clear cost plan and path to improve operating leverage
Intel Corp						●		Raised concerns on remuneration through our vote and directly with the board which committed to improving the CEO's package

	Climate	Environmental stewardship	Human rights	Good work	Directors and boards	Remuneration	Shareholder rights & transparency	
Inner Mongolia Yili Industrial Group Co.			●					Receptive to recommendations and plan to have internal discussion aimed at enhancing policies, practices and disclosure
Marathon Oil	●							Adopted additional medium-term methane intensity and overall carbon intensity targets
Microsoft				●				Enhanced the company's awareness of the need to address investor concerns over social issues
New World Development					●			Appointment of four new directors, three of which were fully independent, female candidates.
Original equipment manufacturer					●	●	●	We classified the governance concerns as Severe ESG Risk, which ultimately led to exclusion of the company from the investable universe for some sustainable portfolios
Phoenix Wind Repower	●	●						Strategy to be classified as a 'sustainable investment' under EU taxonomy
Rio Tinto plc	●							At the 2022 AGM we supported the company's enhanced scope 1 and 2 decarbonization targets and climate action plan which both addressed feedback we provided in earlier engagements
RWE	●							Agreement to an acceleration of lignite plant closures
Strauman					●			Refreshment of the board which is now fully in line with our independence requirements

Active ownership that makes a demonstrable contribution to investment portfolios and sustainability outcomes

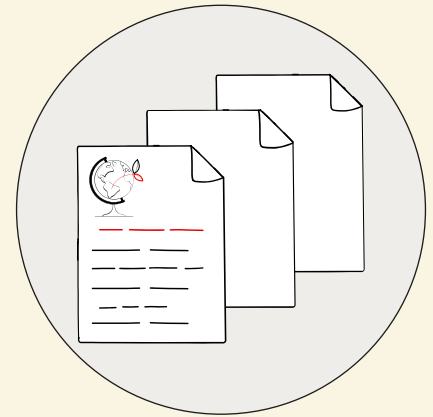


62% of engagements showed progress towards objectives.



Added 19 dedicated and experienced professionals to the Sustainable Investing and Impact team.

Onboarded 10-plus new data sets in 2022 which support our insight on companies.



Advanced our long-standing climate engagement program for net-zero, including enhanced expectations of companies, and linked voting actions.

Examples of engagement outcomes achieved

Increased board diversity and independence

Publication of energy transition plans

Announcement of new or strengthened emission reduction targets

Declassification of company's dual-class share structure

2022 UBS-AM firm wide engagements: Overview

We held

461

meetings

They covered

330

companies across regions and sectors

There was progress against objectives in

62%

of engagement interactions

The dialogue in

25%

of the cases gave us specific insights in relation to AGM items and proxy voting

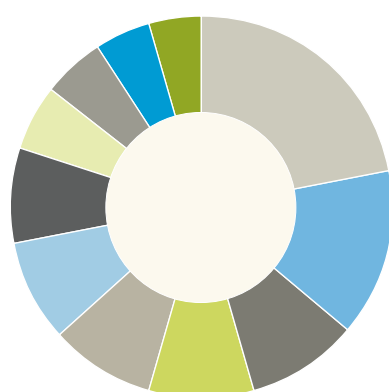
44%

of engagements were with CEO/CFO and other C-suite

25%

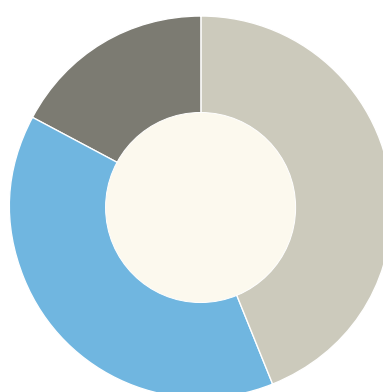
of engagements were with Chair and non-executive board members

Percentage of companies engaged by sector



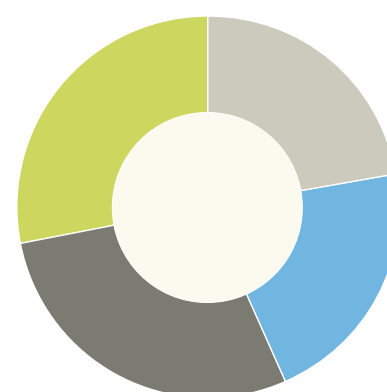
Financials	22%
Industrials	14%
Information Technology	9%
Consumer Discretionary	9%
Health Care	9%
Energy	9%
Materials	8%
Consumer Staples	6%
Communication Services	5%
Utilities	5%
Real Estate	4%

Percentage of companies engaged by region



Europe, Middle East and Africa	44%
Americas	39%
Asia Pacific	17%

Engagement meetings by theme



Environmental	40%
Social	38%
Governance	51%
Strategy, Financial Performance and Capital Allocation	50%

Source: UBS Asset Management 2022

Exercising voting rights is an integral part of our active ownership approach

We voted at

12,368

meetings in 60 countries on 123, 229 separate resolutions

Voting against management on

19,795

resolutions, representing 16% of votes cast

We voted on

1,116

shareholder resolutions which were focused on ESG issues

We supported

58%

of the ESG shareholder resolutions

At

64%

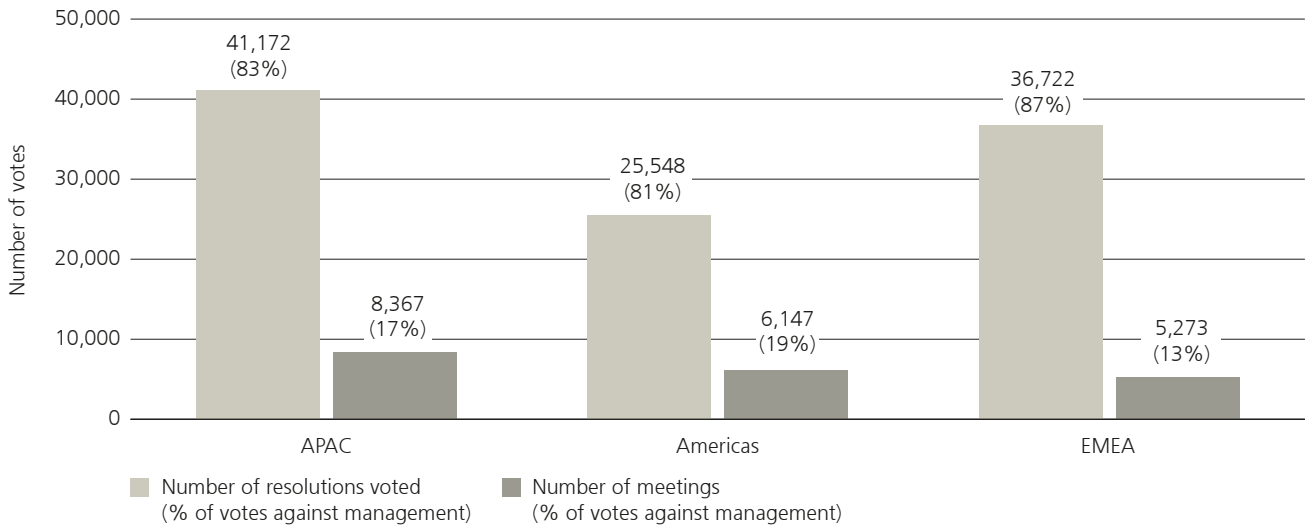
of the meetings voted globally at least one resolution was cast as a vote against management

In

36%

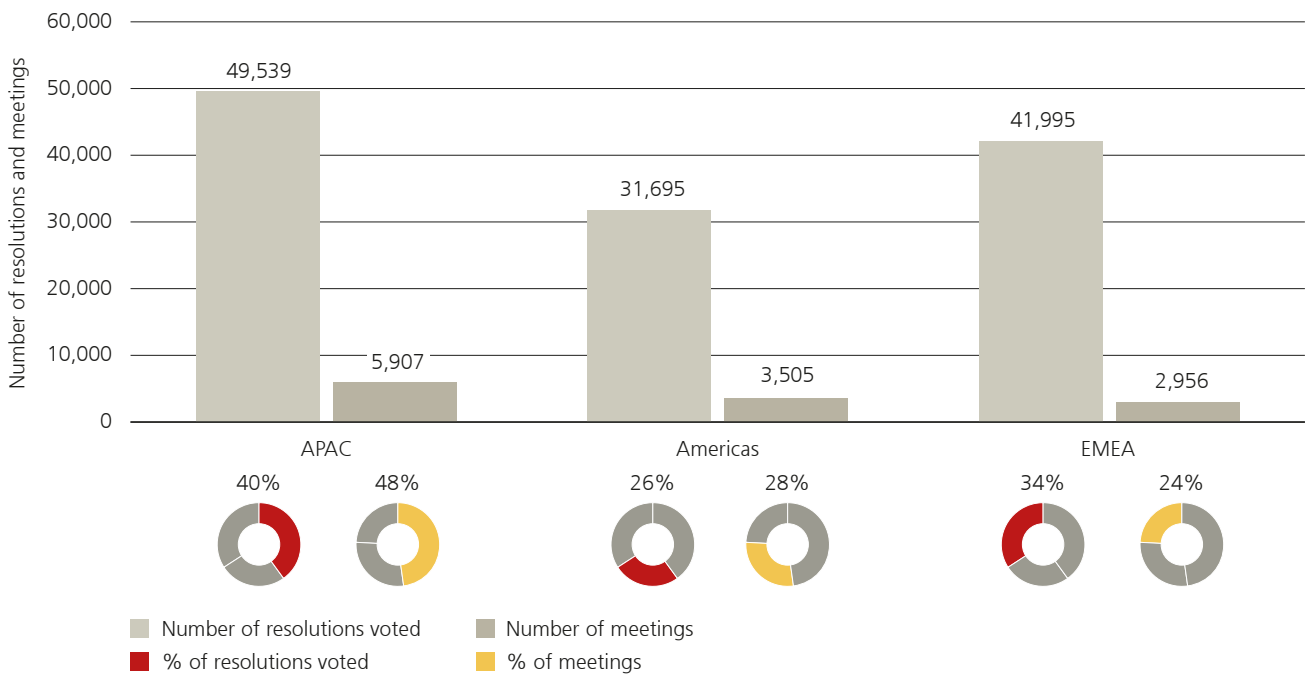
of the meetings we voted with management on all proposals

Number of votes with and against management



Source: UBS Asset Management 2022

Meetings and resolutions voted by region



Source: UBS Asset Management 2022

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Source for all data (if not indicated otherwise): UBS Asset Management.
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UBS Group AG has agreed to acquire Credit Suisse Group AG.



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