

# How we are implementing the Principles for Responsible Investment

## **Principle 1 - We will incorporate ESG issues into investment analysis and decision making processes**

UBS Global Asset Management provides traditional (equity, fixed income and multi-asset), alternative, real estate, infrastructure and private equity investment solutions to private clients, financial intermediaries and institutional investors worldwide. With a number of different investment areas and a range of strategies within each area, the approach to ESG issues necessarily varies across the firm and, to some extent, across countries according to local market customs and client needs.

Nevertheless, across each investment area, we have established a general approach to environmental and social factors and to corporate governance, subject always to any client-specific instructions and following any local laws or standards applicable in the domiciles of assets or funds.

In our equities investment area, environmental and social factors are assessed as part of research and stock selection processes for active equities strategies. To supplement our own analysts' research, we use environmental and social performance measures from various external providers, which analyze companies' performance based on environmental and social issues and measure the environmental intensity of different industries.

We have written corporate governance principles which apply across both active and passive equities holdings. We have always viewed governance monitoring as part of our investment process. Our governance and stewardship team are an integral part of our investment area, ensuring that engagement on governance is joined within the investment process.

For real estate investments, we have integrated our sustainability and responsible property investment strategies into the management of our investments across the entire ownership cycle of a project, incorporating environmental and social risks into the evaluation criteria when acquiring, selling, developing or operating properties.

In our infrastructure investment area, ESG issues are carefully assessed as part of the due diligence process when acquiring assets and in ongoing asset management.

## **Principle 2 - We will be active owners and incorporate ESG issues into our ownership policies and practices**

Our written corporate governance principles apply globally. Wherever possible, we seek to influence the corporate responsibility and corporate governance practices of the companies we invest on behalf of our clients. Where we have been given the discretion to vote on behalf of our clients, we will exercise our delegated fiduciary responsibility by voting in a manner we believe will most favourably impact the economic value of their investments.

We vote globally so long as there is no conflict with the efficient management of client portfolios. In the year to 31 December 2014, we voted at 7,325 company meetings globally on a total of 74,655 separate resolutions. We declined to support management on 5,246 or some 7% of these resolutions.

The meetings we voted at break down by region as follows:

<b>Region</b>	<b>Shareholder meetings voted</b>	<b>Total resolutions voted</b>	<b>Number of votes with management</b>	<b>Number of votes against management</b>	<b>Number of abstentions</b>
Asia Pacific (ex-Australasia and Japan)	1,239	10,340	9,248	1,092	0
Australasia	381	1,994	1,814	180	6
Japan	803	8,801	8,151	650	0
Europe (ex-UK)	1,097	13,453	11,722	1,731	3
UK	887	12,021	11,756	265	10
North America	2,410	22,405	21,506	899	1
Other	508	5,641	5,212	429	3
<b>Total</b>	<b>7,325</b>	<b>74,655</b>	<b>69,409</b>	<b>5,246</b>	<b>23</b>

Source: UBS Global Asset Management

Good corporate governance should, in the long term, lead towards both better corporate performance and improved shareholder value. Thus, we expect board members of companies in which we have invested to act in the service of their shareholders, view themselves as stewards of the company, exercise good judgment and practice diligent oversight of the management of the company.

We aim to be supportive, long-term shareholders on behalf of our clients. We seek to develop both a long-term relationship and an understanding of mutual objectives and concerns with the companies in which we invest on behalf of our clients. Through regular meetings (around 7000 globally each year) we make an assessment of management performance and monitor development over time. Engagement with company management on environmental, social and governance issues is undertaken by our own investment professionals. Our Corporate Governance Director leads our governance engagement with companies and works closely with the in-house analysts and portfolio managers. We maintain a comprehensive database of our governance engagements, votes cast and the reasons for voting against management or abstaining.

In our real estate investment area, we have integrated our sustainability and responsible property investment strategies into the management of our investments across the entire ownership cycle of a project. In infrastructure investment, ESG principles are embedded in our processes when actively managing assets in our portfolio.

### **Principle 3 - We will seek appropriate disclosure on ESG issues by the entities in which we invest**

As one of the original signatories (in 2002) to the Carbon Disclosure Project (now CDP), we are part of the group of investors seeking to understand better the potential impact of carbon emissions on climate change by identifying the policies of the largest quoted companies in the world.

We are also a signatory to the Extractive Industries Transparency Initiative (EITI), which seeks to improve the transparency of payments made by mining and oil companies to host governments when negotiating contracts and also covers the transparency of revenues received by the governments.

In addition to these specific initiatives, our analysts look at all companies for any issues that have the capacity to significantly impact the share price. These include environmental and socially driven investment risks, the likely ability to manage these risks, plus any profit opportunities that may result.

In our infrastructure investment area, comprehensive controls are put in place over investee companies to ensure compliance with relevant obligations, including management accountability and transparency on ESG issues.

**Principle 4 - We will promote acceptance and implementation of the Principles within the investment industry**

We communicate clearly our stance on ESG issues through our website, publications and proactively in the RFPs that we complete. We participate in collaborative initiatives and educational industry events that focus on ESG themes.

Our investment strategies are managed with long-term time horizons, as appropriate. Our investment professionals are incentivized accordingly, with their performance being judged over at least one and three year periods.

We rank the brokers we use on a number of criteria including the quality of their research on ESG issues.

**Principle 5 - We will work together to enhance our effectiveness in implementing the Principles**

We are a member of the ABI Investment Committee and also the Conference Board's Council on Corporate Governance, which brings together asset managers and companies for constructive debate.

In addition to being a signatory to the Principles for Responsible Investment, we are one of the original signatories (in 2002) to the Carbon Disclosure Project, a member of the International Corporate Governance Network (ICGN), the Asian Corporate Governance Association (ACGA) and a signatory to the Extractive Industries Transparency Initiative (EITI). We are also a founding partner of the Global Initiative for Sustainability Ratings.

Our real estate investment area is a member of the US Green Building Council and the UNEP FI Property Working Group.

**Principle 6 - We will each report on our activities and progress towards implementing the Principles**

We publish an overview of our ESG approach, including our governance policies and how we integrate ESG across each investment area, on our external website.

We publish annual reviews of our engagement activity as well as more detailed quarterly reporting to our clients in some markets.

Details of all our votes at UK meetings, as well as the voting record for our US, Canadian and Australian mutual funds, are published on our website.

We have published a Responsible Property Investment policy for our real estate investment area.

