Natural capital

UBS Asset Management's natural capital expectations

In this document we explain our governance, strategy and disclosure expectations regarding managing natural capital risks and opportunities for companies with material impacts and dependencies on nature.

Our expectations are developed in line with industry standards and guidelines. These include TNFD, Nature Action 100, PRI Spring, the Finance Sector Deforestation Action (FSDA), Ceres' Corporate Expectations for Valuing Water, and Initiative on Hazardous Chemicals (IIHC).

These expectations have also 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.

Our expectations

Governance
We expect:

- **The Board of Directors and senior management to demonstrate** oversight and consideration of nature-related dependencies, impacts, risks, and opportunities in strategic decision making;
- **The Board of Directors to play a role** in overseeing the natural capital commitments and monitor and measure progress on metrics. Natural capital-related topics should be captured and covered as standing agenda items in regular executive-level meetings;
- **Board level processes** in place to address how natural capital issues are included in the oversight of an organization's purpose and strategy;
- **The Board to periodically assess** the natural capital issues in its business processes and whether they are being managed effectively.

Policy & Strategy
We expect:

- **Public commitments to minimizing contributions** to key drivers of nature loss, where relevant. This should include:
  - Committing to reducing resource footprint over time and no conversion of natural ecosystems across the value chain;
  - Conserving and restoring ecosystems at the operational level and throughout value chains by 2030, in line with the Global Biodiversity Framework;
  - Committing to not negatively impact water availability in water-scarce areas or water quality, across their value chain;
  - For companies with exposure to forest-risk commodities: introducing target dates for zero deforestation no later than 2025 and land conversion and cut off dates no later than 2020;
  - For companies with exposure to hazardous chemicals: commitment to phase out hazardous chemicals in line with the Investor Initiative on Hazardous Chemicals (IIHC).
- **Companies to assess material nature-related dependencies, impacts, risks and opportunities** at the operational level and throughout value chains. This should include location-based assessment of operations progressively across the value chain. The assessment should be guided by a robust management framework which meets the expectations outlined in the TNFD LEAP Nature Risk Assessment Approach;
- **A credible strategy to address nature loss**, including the following elements:
  - Development of a plan, where needed, to address material risks and opportunities identified. Apply the mitigation hierarchy of minimizing harm to nature first (avoid and reduce), before contributing to nature recovery (restore & regenerate), and finally system change (transform). The design and implementation of the plan should prioritize rights-based approaches and be developed in collaboration with indigenous peoples and local communities when they are affected;
  - Setting of targets that are time-bound, context-specific, science-based and informed by risk assessments on nature-related dependencies, impacts, risks and opportunities. We encourage companies to refer to emerging research and frameworks such as the work of WBCSD, WEF and Business for Nature to outline sector specific actions towards a nature positive future and the work of the Science Based Targets Network (SBTN);
  - Prior to approving new investments and projects, conducting externally assured or verified nature-focused impact assessments;
  - Publicly commit to and disclose the outcomes of supply chain mapping and establish traceability, where material and relevant, based on the risk and impact profile of commodities. For agriculture and forestry this can be done in accordance with the Accountability Framework;

  - Engagement with external parties among value chains, trade associations, policy makers and other stakeholders to create an enabling environment for implementing the company's plan and achieving its targets.

Disclosure
We expect:

- **Annual reporting on nature-related** dependencies, impacts, risks and opportunities in alignment with TNFD's disclosure recommendations (based on the categories of Governance, Strategy, Risk and Impact Management, Metrics and Targets):
  - We expect companies to disclose annual progress against their plans;
  - We encourage companies to disclose core global indicators and sector-specific metrics in line with TNFD's disclosure guidance;
  - We encourage disclosure of specific products, services and investments that contribute to a nature-positive economy.
- **Demonstrated use of a robust** monitoring and verification system to monitor compliance with strategies and policies.

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

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