



UBS Asset Management Adverse Impacts Statement

This document outlines UBS Asset Management's approach to adverse impacts

Adverse Impacts

UBS Asset Management (UBS-AM) takes adverse impacts into account in a variety of ways across its investment processes. The extent to which adverse impacts are considered depends on the product feature or client objective.

Where applicable, direct actively managed strategies apply standard exclusions to industries with unacceptable adverse impacts:

As part of our standard process for actively managed strategies, UBS-AM excludes investments in controversial weapons, including cluster munitions, anti-personnel mines, and biological, chemical, and nuclear weapons. This includes companies involved in development, production, storage, maintenance, or transport of these weapons, and the involvement can be direct or as a majority shareholder.

Adverse impacts may be considered as part of the risk integration process

Risk integration procedures differ by asset class, as do the types of adverse impacts they consider. A description of UBS-AM's risk integration process is available in our Sustainable Investment Policy. Traditional Active Fixed Income and Equity Products with ESG Risk Integration consider adverse impacts as a source of investment risk: As part of its assessment of risks that result from ESG factors, UBS-AM screens issuers for ESG controversies. The screen is based on data from the United Nations Global Compact and United Nations Global Norms, which contain an assessment of 26 separate adverse impact indicators covering a broad selection of environmental and social topics. High levels of adverse impacts will lead to an unfavorable risk rating, which may cause the portfolio manager to exclude the investment. If potential for improvement through engagement has been highlighted, UBS-AM may seek to engage with the issuer on the identified risks.

Real Estate and Infrastructure (REPM)

Products with ESG Risk Integration: consider adverse impacts as a source of investment risk. The

investment process integrates ESG considerations into the due diligence of new investments and the ongoing ownership of existing investments. ESG Risk Integration is driven by implementing the relevant policies created by the REPM Sustainability Workgroup and individual countries, which identify ESG risk factors. Portfolio managers may exclude investments based on ESG risk factors. **Passive:** ESG risk integration takes place if the index methodology considers ESG criteria in the construction of the index. Adverse impacts are considered in the screening methodology of the index provider and its ESG data providers.

Consideration of adverse impacts as part of our stewardship strategy

As part of our stewardship policy, UBS-AM uses third party research to identify companies that may be in breach of international standards, as outlined in the United Nations Global Compact Principles. Where appropriate, UBS-AM engages with companies to close and remedy the identified breaches and address any management failures so as to avoid repeating the mismanagement or mistake in the future. Through our stewardship research process we will also seek to identify companies where material ESG and sustainability risks may present a future negative impact, and will utilize engagement and proxy voting to minimize adverse impacts where appropriate. Where UBS-AM has direct ownership of a physical asset, it aligns its partners to prescribed standards and KPIs which are monitored so that remedy actions can be taken if performance and standards fall short.

Creation of SI focus / SI Impact products designed to reduce adverse impacts

UBS-AM has developed a number of financial products that are designed to provide performance similar to that of standard benchmarks, but with a reduced level of adverse impacts. For SI focused products, sustainability – including the analysis of adverse impacts – plays a significant role in the investment process. Companies that exhibit elevated sustainability risks are actively avoided through the rule set for

portfolio construction of SI focused products. SI Impact products go one step further, actively seeking to invest in companies and projects with positive social and environmental external impacts on society or the environment. Our Climate Aware product line, which seeks to minimize carbon emissions and reduce brown exposure relative to a standard benchmark, is an example of this.

Reduction in climate adverse impacts as part of our commitment to sustainable investing

As signatories to both the Net Zero Asset Managers Initiative and the One Planet Asset Management Group, UBS AM is committed to reducing greenhouse gas emissions across our business. More information on our climate commitment can be found in our Sustainable Investment Policy.

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More explanations of financial terms can be found at ubs.com/am-glossary

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