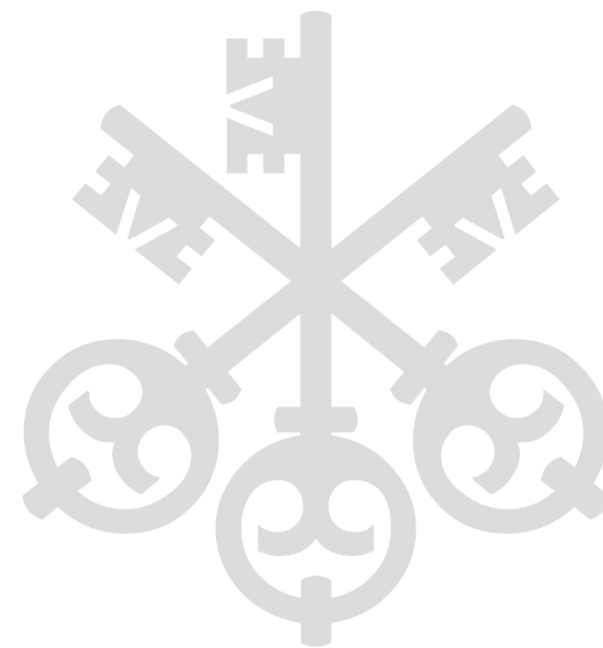


It's time to make a positive impact

Pensions Age - Sustainability Summit

Bruno Bertocci
Managing Director
Senior Portfolio Manager, Sustainable Investors



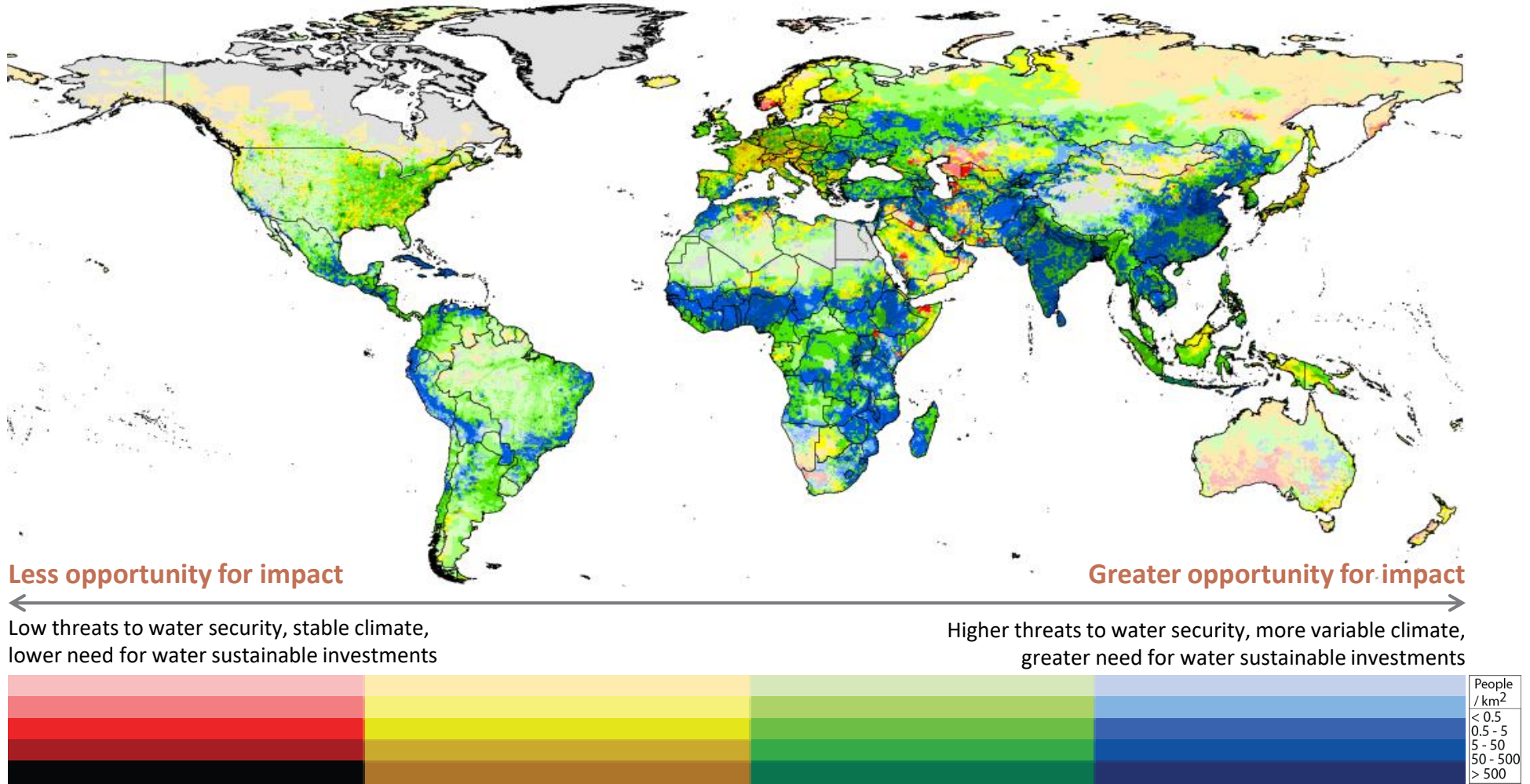
Section 1

Why Impact Investing?

Why now?

Did you know?

900 million people do not have access to clean water¹



Source: CUNY, UBS Analysis

Source: UNEP, 2010, "Sick Water? The central role of waste-water management in sustainable development."

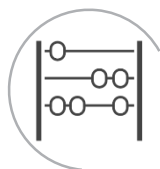
What is impact investing?

“ ...investments made into companies, organizations and funds with the intention to generate a positive social and environmental impact alongside a financial return¹

Core characteristics of impact investing include:



Intentionality



Impact measurement



Investment with return expectations



Verification: capital should be positively correlated with the intended social and/or environmental impact

¹ Global Impact Investing Network (GIIN): <https://thegiin.org/>

The fastest growing area within sustainable investing

	Exclusion	ESG Integration	Sustainability Focus	Impact
Definition	Exclusion of certain sectors or companies based on specific ESG criteria	Integration of material ESG factors into the financial analysis used by Portfolio Managers	Strategies with sustainability playing a significant role in the investment process	Investment in companies and projects with positive social and environmental impacts
Key requirements	Norms-based or values-based exclusions	Access to and consideration of material ESG information	Tilts toward SI themes, negative and/or positive screening	Measure and understand impacts of investments
Market size (USD trillion)	15.0	10.4	1.4	0.2
Market growth (CAGR 2014-16)	+12%	+17%	+15%	+57%

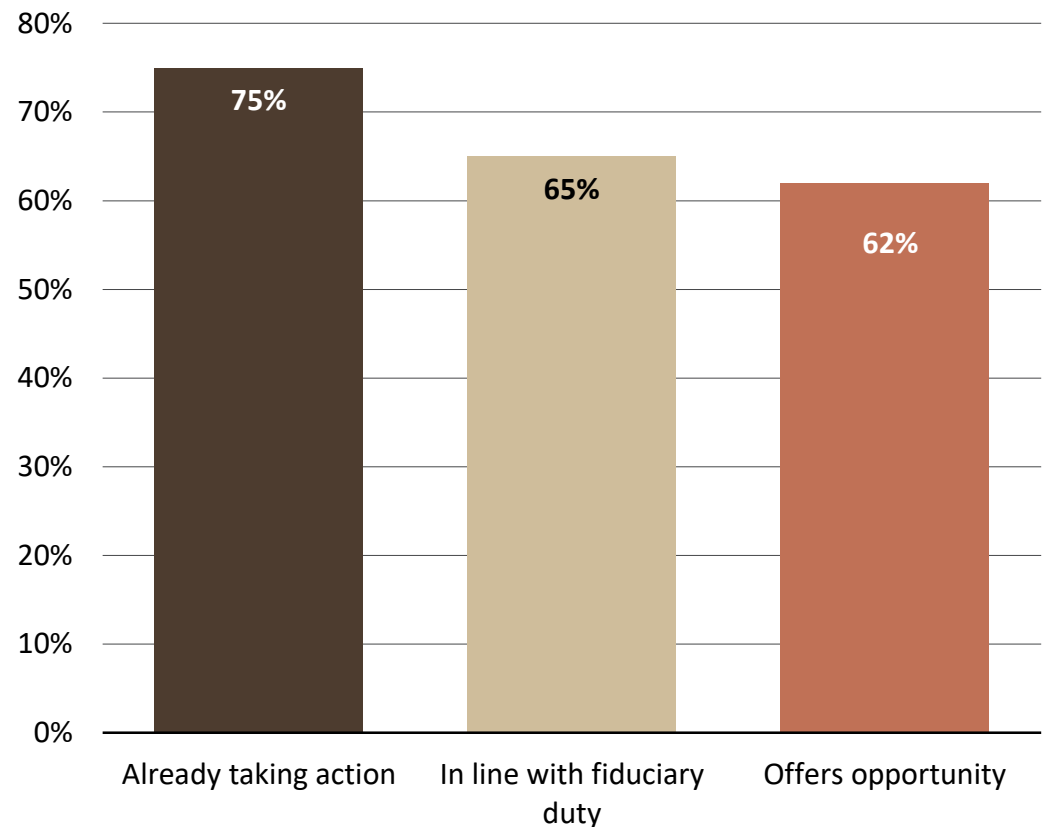
Source: Global Sustainable Investment Alliance, 2016 Global Sustainable Investment Review; The sum of these individual strategies, after adjusting for double counting since some assets are subjected to more than one category, results in the sustainable assets under management included in prior slide; "Sustainability Focus" includes the sum of "Positive/best-in-class screening" and "Sustainability themed investing" categories as defined in the GSIA report.

The UN Sustainable Development Goals (SDGs)

...a framework for sustainable and impact investing



Source: UNPRI



Source: ShareAction "Investors can play a central role in achieving the SDGs". Based on a survey of 52 global institutional investors. Available at <https://shareaction.org/press-release/investors-can-play-a-central-role-in-achieving-the-sustainable-development-goals/>

Section 2

How do you measure **your** Impact?

A science-based approach

Impact requires different measurement frameworks and different data



Company business activity:

Which products/technologies are aligned with impact categories and where they are sold



Science-based approach



Earth, environmental science and public health science:

To identify impacts on environment and society



- **Detailed business model analysis:** which products, which markets
- **Academic expertise** in earth and environmental science and public health science
- Assessment of **environmental and social impact** generated

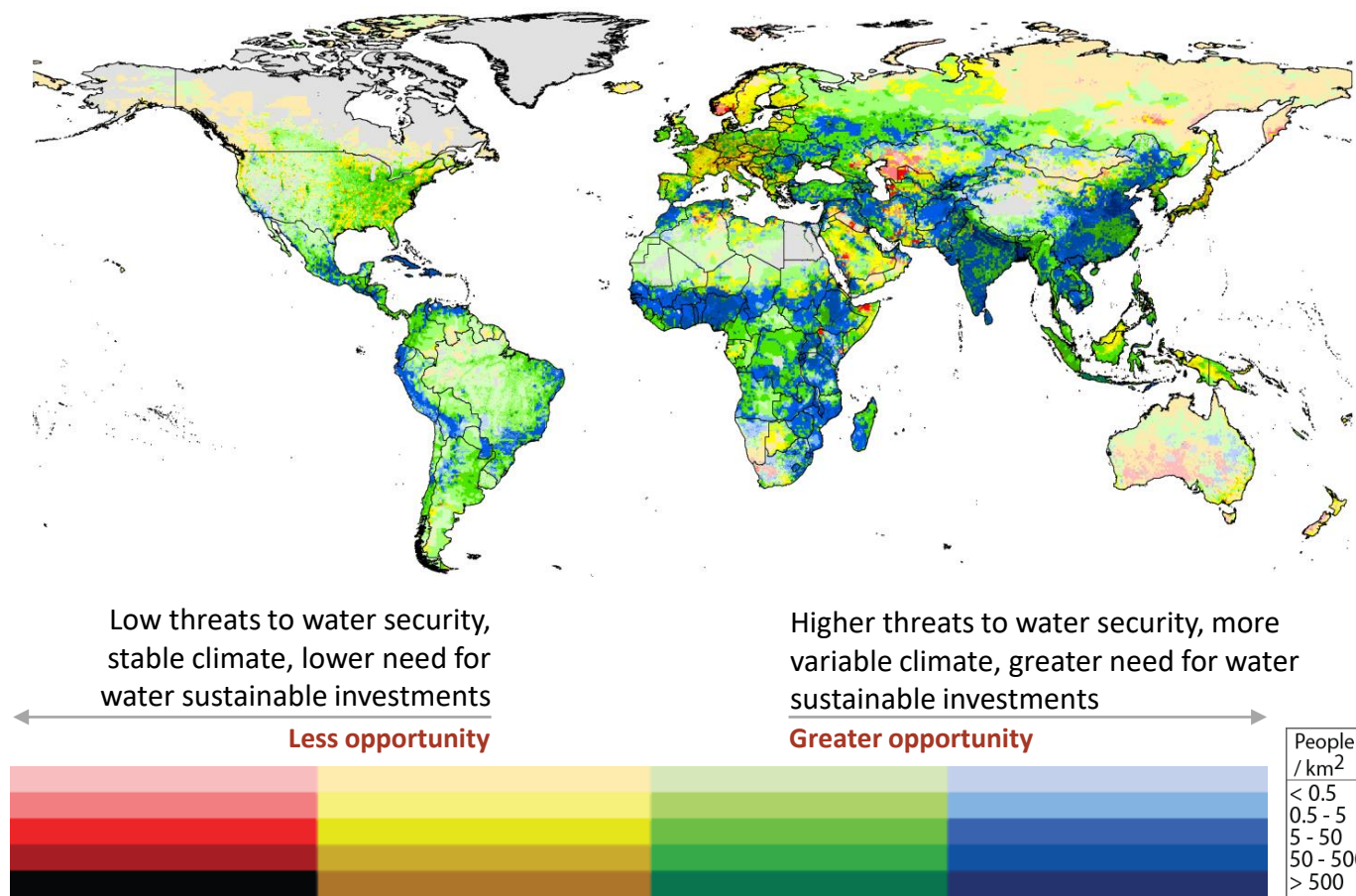
For illustrative purposes only

Example: Water impact varies across the globe

Mapping human needs: threats to rivers + climate vulnerability²

Multiple technologies contribute to water impact:

- Water efficiency/savings technology
- Clean drinking water and wastewater technologies
- Water pollution control technologies



Source: CUNY, UBS Analysis

Water impact measurement - Ecolab

Water treatment chemicals



Ecolab provides and protects clean water, safe food, abundant energy and healthy environments with their products. Sanitization products help hospitals deal with reducing infections.

Relevant Business activity

Industrial waste water treatment (23% total revenue)

Conversion factor (m3 water treated/revenue segment)

Impact

Water treated:
22,718,237,267 m3

Humans with access to additional clean water:
143,429,225
(assuming global distribution of sales, 57% NA, 18% Europe, 12% Asia)

UN SDG Indicators



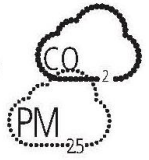







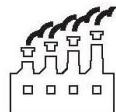
- Wastewater treated & saved
- Population served with clean water

Source: UBS Asset Management for illustrative purposes

UBS Sustainability: Score 10

Impact metrics aligned with UN SDG Indicators

Image 2

		UBS METRICS 		
UN SDG Goal	UN SDG indicator	Impact Focus	Primary Impact	Secondary impact
	<ul style="list-style-type: none"> Reduced air pollution and related mortality Reliance on renewable/clean energy Energy intensity, efficiency 		<ul style="list-style-type: none"> ✓ Carbon emissions avoided* ✓ Air pollution avoided* metric tonnes PM2.5 ✓ Annual lives extended ✓ Annual hospitalizations avoided ✓ Annual reduction in sick days 	<ul style="list-style-type: none"> ✓ Energy efficiency improvements ✓ Climate change disclosure (mitigation) ✓ Renewable energy produced* (MWH)
	<ul style="list-style-type: none"> Reduced mortality (CV, cancer, diabetes, etc), suicide/depression 		<ul style="list-style-type: none"> ✓ Annual reduction in sick days ✓ Annual hospitalizations avoided ✓ Annual lives extended 	<ul style="list-style-type: none"> ✓ Annual number of people treated (% of patient population)
	<ul style="list-style-type: none"> Wastewater treated & saved Population served Ecosystems benefiting 		<ul style="list-style-type: none"> ✓ Annual water savings (m³) ✓ Annual waste water treatment (m³) ✓ Annual number of people with adequate access to clean water 	<ul style="list-style-type: none"> ✓ Global water impact investments ✓ Annual waste water treatment (m³) ✓ Number of people with adequate access to clean water
	<ul style="list-style-type: none"> Ag yield Food waste avoided Sustainable seafood Access to nutritious food 		<ul style="list-style-type: none"> ✓ Increase in agricultural yield* ✓ Harvest, transport and storage losses avoided* ✓ Improvements in nutritional value ✓ Increase in number and % of people with local access to nutritional food* 	<ul style="list-style-type: none"> ✓ Reduced deforestation ✓ Reduced land degradation ✓ Increase biodiversity
	<ul style="list-style-type: none"> Material efficiency Labor relations Governance/supply chain R&D Toxics 		<ul style="list-style-type: none"> ✓ Material efficiency ✓ Health & Safety ✓ Governance ✓ Compensation ✓ Labor relations ✓ R&D ✓ Toxic materials 	

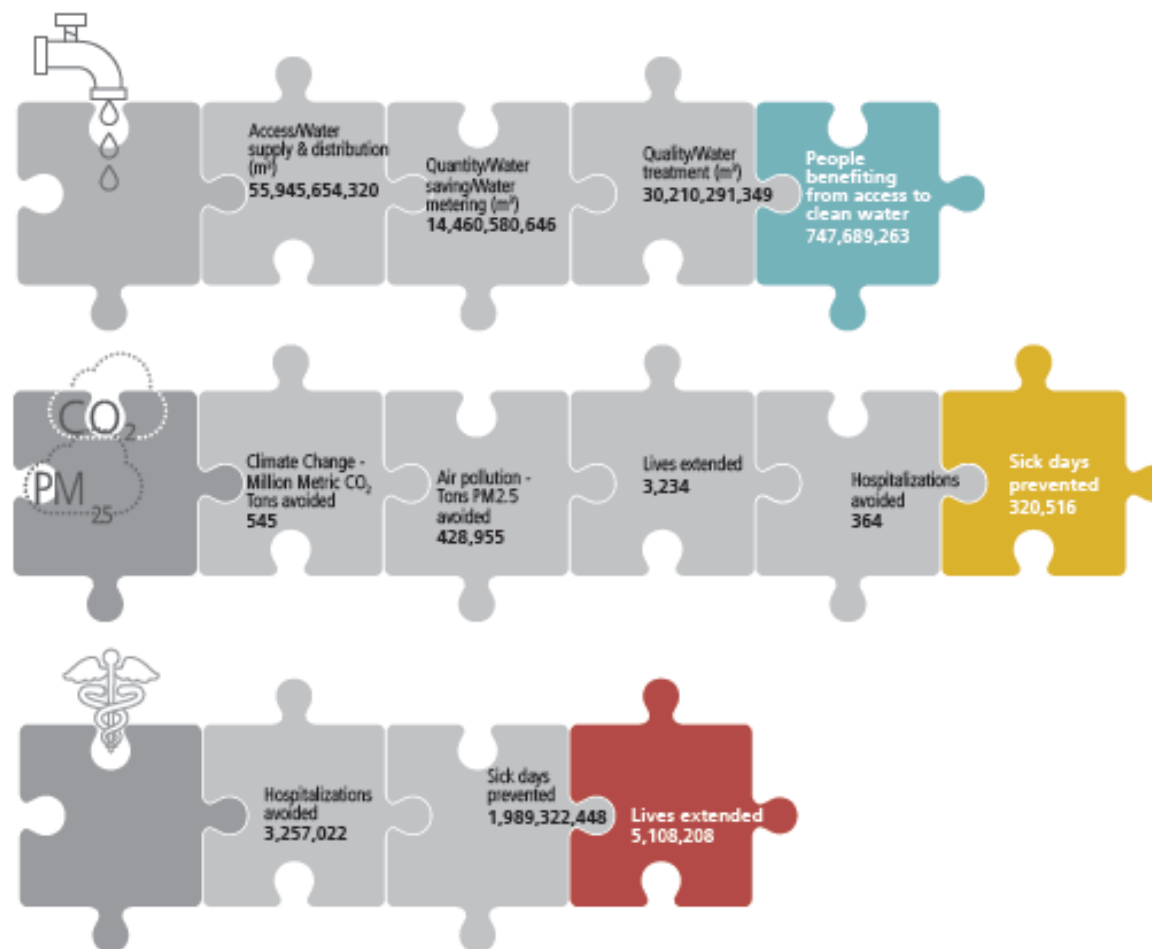
* Annual

For illustrative purposes only

Large scale global impact

Measureable direct impact

Impact category	Hospitalizations prevented	Lives saved	Sick days prevented	Access/Water supply & distribution (m ³)	Quality/Water treatment (m ³)	Quantity/Water saving/Water metering (m ³)	Air pollution - tons PM2.5 avoided	Climate Change - Million Metric CO ₂ tons avoided	People benefiting from access to clean water
Total Portfolio	3,257,386	5,111,442	1,989,642,965	55,945,654,320	30,210,291,349	14,460,580,646	428,955	545	747,689,263



For illustrative purposes only

Section 3

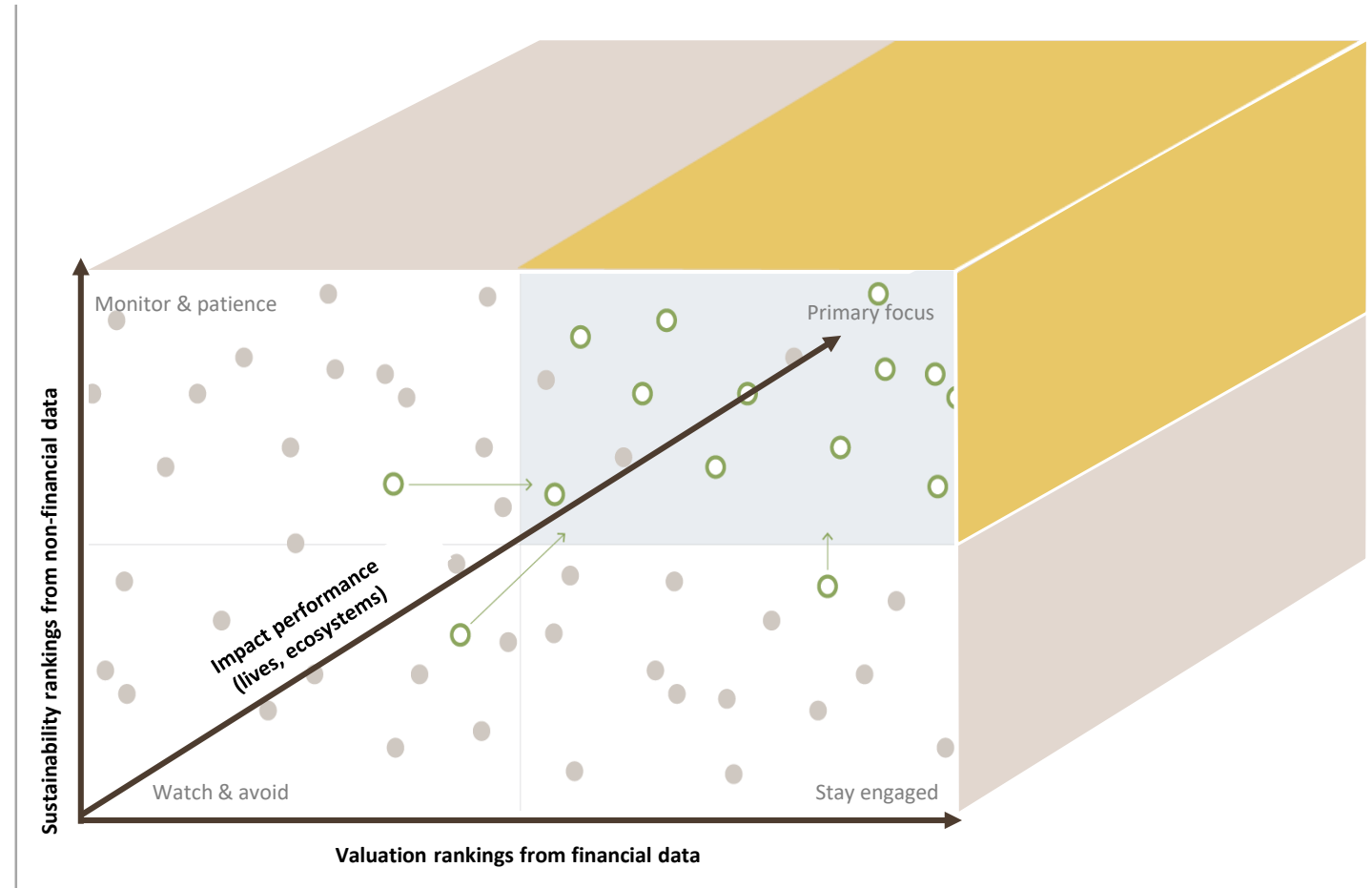
A unique approach to impact investing

Incorporating ESG and impact into portfolio construction

A 3D approach to investing

Universe of companies with business models aligned with impact themes

Portfolio selection combines attractive valuation, strong sustainability score and positive impact



For illustrative purposes only

An active engagement strategy is key

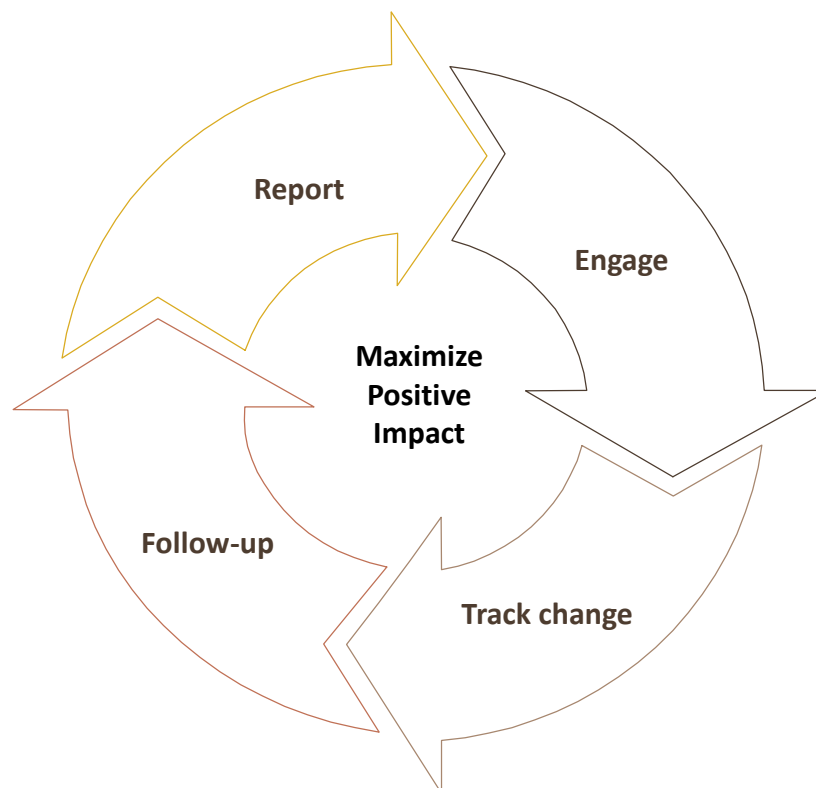
Goals

- Communicate with and educate investee companies on impact measurement methodologies
- Encourage companies to start measuring and reporting on impact and to help improve the methodology
- Influence company strategy to align with UN SDGs and track progress

Outcome

- Issue annual report on portfolio impact performance
- Report on engagement progress and how it contributed to impact maximization
- Inform investment decisions to maximize impact

Annual engagement cycle



For illustrative purposes only

Section 4

Summary

Key takeaway's

- Increasing demand from pension schemes for sustainable investments in their portfolio
- Evolution in investment approaches
- The UN's SDG's provide attractive investment opportunities for Impact investing
- Impact investing accessible through Listed Equities
- Intentionality, measurement, engagement and return expectations!

Appendix A

Additional information

A proven track record of sustainable product innovation

Active equities

Global Sustainable Equity
Morningstar™ rating: ★★★★★
\$1.2bn Long Term Themes Fund.

2 years managing
USD 2bn Global impact equity mandate.

NEW Global Impact Equity Fund (USD)
launched October 2017

Fixed income

Passive Sustainable Corporate Bonds ETFs,
managing 15% of Australian green bond
market

Active US credit strategy combining ESG

ETFs

No 1 ETF provider in Europe of Socially
Responsible and Sustainable equities and
fixed income indices.
24 Sustainable ETFs.

Impact/Private equity and infrastructure

Award-winning investing strategies such as
Global Equity Impact, Oncology Impact
fund and Clean Energy Infrastructure

100%



Real Estate & Private Markets equity
funds received a **Green Star** award
2 RE debt funds ranking 1st and 3rd
2 infrastructure funds ranking 1st and 12th

GRESB 2016

11 real estate funds
scored in the **top quintile**

Climate aware

Innovative rules-based equity strategy
& Winner of Funds Europe 2017:
European Fund Launch of the Year



Source: UBS Asset Management, as of March 2017,

Note: **Please note that past performance is not a guide to the future.** Global Equity Long Term Themes fund is not rated by Morningstar due to recent launch (inception date January 2016)

UBS commitment in practice

Our approach reflects the broader UBS principles

UBS Commitments

- One of the first signatories of **UN Environment Program Finance Initiative** (UNEP FI) in 1992 and **UN Global Compact**
- The only Swiss bank included in "The A List: The **CDP Climate Performance** Leadership Index 2014"
- Member of **FTSE4Good Index series** and included in **Dow Jones Sustainability Indices**
- **DJSI sector leader** for diversified financials
- **UBS & Society: Making sustainability the everyday standard** – a global program that aims to positively impact social and economic well-being of our local communities
- First bank to obtain **ISO 14001** certification for worldwide environmental management system in banking business in 1999
- Founder of the UBS Optimus Foundation
- Founding member of the Wolfsberg Group in 1999
- Expertise in helping clients in the areas of philanthropy and impact investing

UBS-AM Commitments

- Participant in the UN Global Compact since its inception in 2000
- Independent assurance of the GRI (Global Reporting Initiative) based sustainability disclosure
- UBS Asset Management signatory to Principles for Responsible Investment (PRI)
- Global Initiative for Sustainability Ratings steering committee
- Sustainability Accounting Standards Board™
- The Forum for Sustainable and Responsible Investing

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