



UBS Asset Management Holding (No. 2) Ltd

Pillar 3 Report - 31 December 2020

Table of contents

3	Introduction and Scope
4	Risk Management Objectives and Policies
7	Key Metrics
8	Governance
13	Own Funds
15	Capital Requirements
16	Pillar 1 Credit Exposures
18	Remuneration

Introduction and Scope

Scope of Pillar 3 disclosure

The Capital Requirements Directive “CRD” requires investment firms to publish information relating to their risk management and capital adequacy.

This Pillar 3 disclosure is based upon the EU regulations, Directive 2013/36/EU and Regulation 575/2013 (together known as “CRD IV”) and their related technical standards, as implemented within the UK by the FCA.

It complements the two other pillars of CRD IV;

- **Pillar 1** – Assesses the minimum capital requirements of a firm through the application of standard rules to address fixed overhead requirements, credit, market and operational risk;
- **Pillar 2** – Complements the Pillar 1 requirements by taking into consideration the need to hold additional capital in relation to the specific risk profile of the business; and
- **Pillar 3** – Comprises a set of disclosure requirements which enable external parties to assess information on a firm’s risks, its risk management procedures and its capital adequacy.

This statement is for the financial year ended 31 December 2020 and is produced on an annual basis using the last audited financial results of the entities in scope. These disclosures are not subject to audit and have been produced solely for the purposes of meeting the Pillar 3 regulatory requirements.

FCA regulatory supervision is performed at the level of UBS Asset Management Holding (No.2) Ltd which is the parent company of UBS Asset Management in the UK. The entities which form the basis of these Pillar 3 disclosures are as follows:

- UBS Asset Management Holding (No.2) Ltd (a non-regulated entity)
- UBS Asset Management Holding Ltd (a non-regulated entity)
- UBS Asset Management (UK) Ltd. (regulated by the FCA)
- UBS Asset Management Funds Ltd. (regulated by the FCA)

This group of entities is hereafter referred to as UBS AM UK.

The ultimate parent of UBS Asset Management Holding (No.2) Ltd. is UBS AG and further qualitative disclosures around the UBS Group's risk management policies and processes may be found in the UBS Group AG disclosures at the following link:

<https://www.ubs.com/global/en/investor-relations/financial-information/annual-reporting.html>

Risk Management Objectives and Policies

Declaration of adequacy of risk management arrangements

The management of UBS AM UK has assessed the adequacy of risk management arrangements of the companies in the scope of this disclosure. Based on this assessment, management considers that risk management systems put in place are adequate with regard to the profile and strategy of UBS AM UK. This statement is given and should be interpreted in accordance with the provisions of Article 435(1(e)) of Regulation (EU) No 575/2013.

Risk Control Framework for UBS Asset Management UK

UBS Asset Management in the UK is subject to the UBS Group Risk Management and Control Principles, which are designed to support optimal risk-return decisions. Holistic governance, together with aligned risk, compliance and finance processes are designed to help protect UBS AM UK from unacceptable damage to its financial strength, performance and reputation. The risk management and control processes of UBS AM UK are formulated to ensure that risk and return objectives are appropriately balanced in order to achieve sustainable earnings growth within the risk appetite established by the UBS AM UK Boards.

Three Lines of Defence Model

UBS takes a 'Three Lines of Defence' approach to risk and control as follows:

- 1) 1st Line of Defence – the business Senior Management Function holders (SMFs), who are responsible for proper risk management and culture within their daily business activities.
- 2) 2nd Line of Defence – Independent Risk Management and Control. The UK Chief Risk Officer (SMF4) and EMEA Head of Compliance & Operational Risk Control (SMF16) are members of the UK Management and Risk Committee. They are mandated with monitoring and challenging the effectiveness of the management of risk by the business.
- 3) 3rd Line of Defence – Group Internal Audit, an independent and objective function which supports the business in achieving its defined strategic, operational, and financial and compliance objectives, with the Head of GIA being SMF5.

Identification of Key Risks

UBS AM UK conducts an annual Risk Identification Process where all relevant risks for the business are identified in the context of the business model.

UBS AM UK is exposed to the following risks in achieving its strategic objective:

- I. Business Risk
- II. Financial Risk
- III. Operational Risk

		Level 1 risk categories	Level 2 risk categories	
Conduct Risk	Reputational Risk	Business	Strategy	
			People	
			Group	
		Financial	Capital adequacy	Interest Rate
			Credit	Credit Concentration
			Market	Liquidity & Funding
		Operational	1. Theft, Fraud and Unauthorized Activity	8. Product & Services Risks
			2. Employment related risks	9. Transaction Capture and Operational Processing
			3. Market Conduct	10. Technology Production Stability and Change
			4. Governance, supervision and change initiatives	11. Business Continuity, IEO & 3rd Party Providers
			5. KYC / AML, Sanctions and ABC	12. Valuation & reporting
			6. Client-related Business Conduct	13. Primary Risk Management and Control
			7. Data protection, Cyber & Records Management	14. Model Risk
		Not relevant	Step-in	Residual
Investment	Settlement			
Securitisation	Pension			
Excessive leverage				

Business Risk

The key business risks are:

Strategy Risk

This is the risk of the firm's strategy failing to deliver the expected outcomes, earnings, and profitability, which can be influenced by both internal and external factors.

People Risk

The risk that people are inadequately allocated, capacity constrained or unavailable is considered under Business Risk.

Group Risk

This is the risk that the financial position of a firm may be adversely affected by its relationships (financial or non-financial) with other entities in the group, or by risks which may affect the financial position of the whole group (e.g. reputational, contagion etc.).

Financial Risk

The key financial risks are Capital Adequacy, Market, Credit, Credit Concentration, Liquidity and Funding, and Interest Rate Risk.

Capital Adequacy

The risk that AM UK has insufficient capital to comply with its regulatory requirements, which are in place to ensure that AM UK has sufficient financial resources to conduct our financial services business and a sufficient buffer to protect our investors.

Market Risk

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. Whilst UBS AM UK does not actively take market risk it arises in the form of FX risk on fees receivable in non-GBP currencies between the date of fees accruing and receipt and transfer into GBP.

Credit Risk / Concentration Risk

Whilst UBS AM UK does not actively take credit risk, it arises as a result of exposure to third party institutions where cash is deposited. This risk is actively managed and is mitigated through the holding of UK Gilts.

Liquidity & Funding Risk

Liquidity risk management assesses the ability to meet cash flow needs (under both normal and stressed conditions) without having a negative impact on day-to-day operations or overall financial position of the firm.

Interest Rate Risk in the Banking Book

Interest rate risk refers to the potential alteration of a company's net interest income and/or total net asset value caused by variations in interest rates.

Operational Risk

Operational risk is defined as the risk of a loss resulting from inadequate or failed internal processes, people or systems, or from external causes (deliberate, accidental or natural). As a result of AM UK's agency business model, operational risk is the most material risk to which AM UK is exposed.

AM UK assesses 14 categories of Operational Risk, as set out below:

1. Theft, Fraud and Unauthorized Activity
2. Employment-related Risk
3. Market Conduct
4. Governance, Supervision and Change Initiatives
5. KYC/AML, Sanctions and ABC (Anti-Bribery & Corruption)
6. Client-related Business Conduct
7. Data Protection, Cyber & Records Management
8. Product & Services Risks
9. Transaction Capture and Operational Processing
10. Technology Production Stability and Change
11. Business Continuity Management, Inter Entity Outsourcing & 3rd Party Vendors
12. Valuation & Reporting
13. Primary Risk Management and Control
14. Model Risk

Risk Appetite Framework

UBS AM UK's Risk Appetite Framework closely follows that of the UBS Group and is designed to ensure that risk-taking is in line with the entity's strategic priorities, capital and liquidity plans, as well as the risk culture established through UBS pillars, principles and behaviors. The Risk Appetite Statement for UBS AM UK is formulated against the background of the UBS Group Risk Appetite Framework with which legal entities and divisions must comply.

The UBS AM UK Boards are responsible for setting and implementing the Risk Appetite Framework, together with monitoring business performance against it on an ongoing basis. The Boards approve the Risk Appetite Statements annually, with a mid-year review of appropriateness, and review Management Information against the Risk Appetite Statements on a regular basis and determine actions to be taken should risk appetite be exceeded.

Key Metrics

Key Metrics

The following is a summary of the key metrics of UBS AM UK.

Key Metrics

<i>GBP million</i>	31.12.2020	31.12.2019
Total Credit Exposure	401	388
Total RWA	401	388
<i>Of which credit risk</i>	<i>132</i>	<i>141</i>
<i>Of which market risk</i>	<i>35</i>	<i>27</i>
<i>Of which additional fixed overheads</i>	<i>234</i>	<i>220</i>
Capital Ratio - CET1	45.03%	45.98%
Capital Ratio - Tier 1	45.03%	45.98%
Capital Ratio - Total Capital	45.03%	45.98%

Governance

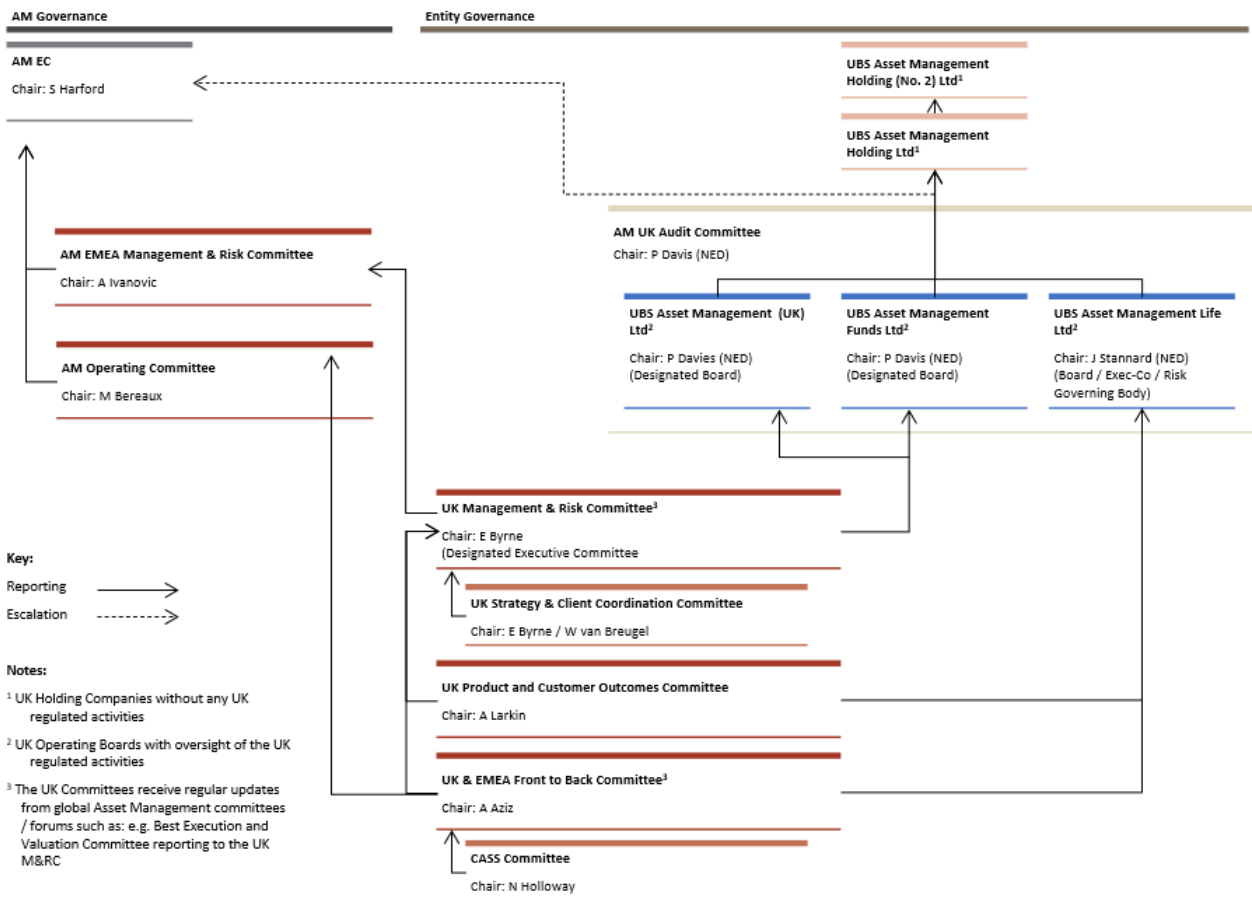
UBS AM UK is committed to having a strong control environment, consistent with all UBS Group entities, in order to promote high standards of entity governance.

UBS AM UK has well defined management structures, which are supported by a number of committees, each of which operates with agreed terms of reference and is aligned to the wider Asset Management governance framework. Throughout the organisation there is a proper definition of management and staff responsibilities, with respective reporting lines supported by defined documented procedures necessary for efficient day-to-day operation of UBS AM UK. These procedures are reviewed and updated at least annually and, where appropriate, are subject to approval by the independent control functions of the UBS Group. UBS AM UK draws on the expertise within the Asset Management business division and the wider UBS Group.

The UK governance framework supports the Boards of the three main regulated entities, as well as the AM divisional governance bodies. For the purpose of this disclosure note there are three Boards which are relevant, the UBS Asset Management Holding (No. 2) Ltd Board, the UBS Asset Management (UK) Ltd Board, and the UBS Asset Management Funds Ltd Board.

The legal entity Boards are supported by several committees, including the UK Management & Risk Committee, the UK & EMEA Front to Back Committee, the UK Product and Customer Outcome Committee, the UK Strategy Client and Coordination Committee and the CASS Committee (Client Assets), as set out in the following chart:

UBS AM UK Governance Structure as at 31 December 2020



Recruitment Policy for the Management body

Our employees' skills, experience and commitment are key to delivering on our business strategy. Our human resource strategy seeks to hire, develop and engage talented employees at all levels who have the diverse backgrounds and capabilities to advise our clients, develop new products, manage risk and adapt to evolving regulations. We invest in our employees and promote initiatives that build engagement and a cohesive and collaborative culture. The Boards of UBS AM UK appoint directors, taking into consideration a broad range of qualities and competencies, and evaluate the balance of knowledge, skills, experience, and independence of the candidates.

Our commitment to pay fairness, diversity, equity and inclusion

UBS is committed to ensuring a workplace where employees are fairly treated, with equal opportunities for all. We pay for performance, and a strong commitment to pay fairness is embedded in our compensation policies. We conduct both internal and independent external reviews aiming to ensure that all employees are paid fairly. In 2020, UBS was certified by the EQUAL-SALARY Foundation for its equal pay practices in Switzerland, the US, the UK, Hong Kong and Singapore.

UBS is widely recognized as an employer of choice. A diverse workforce that reflects the experience of our global clients is important for our long-term success. We therefore strive to shape a diverse and inclusive culture across the firm to drive sustainable growth and innovation, deliver the best of UBS to our clients, and build a better place to work for all employees. Our broad view of diversity encompasses a range of aspects, including gender, ethnicity, LGBTQ, disability, mental health and inclusive leadership.

In a global business such as ours, a diverse workforce is a competitive advantage. Our strategy is to continuously shape a diverse and inclusive organization that is innovative, provides outstanding service to our clients, offers equitable opportunities for all and is a rewarding place to work for everyone. While race and ethnicity were already a priority in prior years, in 2020 we elevated our focus on this important topic. To increase the representation of diverse heritage employees at UBS, we take a multi-faceted approach, including setting aspirational ethnicity goals in several locations, such as the US and the UK, and rolling out race awareness training to all employees.

The Boards and Senior Management Team

The details of the directors of the UBS AM UK entities in scope for this disclosure note, together with the number of other directorships each member held as at 31 December 2020 are shown below:

Priscilla Davies - Non-Executive Director, Chair of UBS Asset Management (UK) Ltd.

Priscilla Davies joined UBS in September 2017 with over 25 years' experience in financial services across a range of sectors including asset management, alternative investments, private equity, infrastructure and real estate. During her executive career with Janus Henderson Investors (previously Henderson Global Investors) from 2000 to 2015 she held roles covering investments, finance and operations. She also managed Asian private equity, infrastructure and private equity fund of funds with £1bn of assets under management.

Prior to Janus Henderson, Priscilla was a tax advisor with PwC in both their London and Sydney offices. Priscilla is a Chartered Accountant and a member of the Chartered Accountants Australia and New Zealand and holds a Bachelor of Commerce (Accounting and Legal Studies) from the University of Wollongong.

Pete Davis - Non-Executive Director, Chair of UBS Asset Management Funds Ltd, Chair of UBS AM UK Audit Committee.

Pete is a Fellow of the Institute of Actuaries (1988) and has a First Class BSc. Honours degree in Mathematics from the University of Manchester (1981). During his executive career Pete worked for companies within the Zurich Financial Services Group between 1981 and 2014. His final role was Head of Global Funds Desk where he had global responsibility for commercial relationships and governance oversight of external asset managers as well as oversight of dealing and operating platforms. Previous roles at Zurich included Head of UK Fund Propositions, Business Development work within the UK IFA business, Product Marketing and 14 years in the Finance/ Actuarial Division.

Keith Jecks - Non-Executive Director, UBS Asset Management (UK) Ltd

Keith joined UBS in 2018 as a Non-Executive Director of UBS Asset Management (UK) Ltd. and member of the UBS AM UK Audit Committee. His early career began in 1975 at Friends' Provident, with moves to Hymans Robertson, IBM and Noble Lowndes (now part of Mercer) and Lloyds Investment Managers in 1986. In 1989 he became a Member of the Global Executive Committee at Kleinwort Benson Investment Management (KBIM) Holdings and CEO North America, based in New York for 3 years. He also held positions at Lloyds Investment Managers and Lazard Brothers Asset Management and was a partner at Watson Wyatt Partners until 2004.

Between 2004 and 2008 he was Global Head of Pension Fund Advisory for ABN AMRO where he established the global function providing investment banking solutions for pension funds, with teams in the UK, Netherlands, Asia, Japan, Switzerland, Italy and Nordic region. Keith's most recent executive career position was from 2008 to 2013 as Senior Investment Consultant with Towers Watson Ltd.

John Stannard - Non-Executive Director, UBS Asset Management Funds Ltd

John is a member of the board of UBS Asset Management Funds Ltd, and also chairs the board of UBS Asset Management Life Ltd. He is a member of the UBS AM UK Audit Committee covering all aspects of the UK business including investment management activities.

John's career began with a 2-year period as an Investment Analyst with Barclays Bank (Investment Management), followed by a similar length of time in software development with Hallmark Associates. From 1982-2015 John worked for Russell Investments, holding multiple senior roles, including MD for Client Communications and UK-Institutional, Head of Operations, Head of Client Service and Consulting, and COO (Europe). He also advised on Portfolio Strategy (design and development) in addition to management, reporting and mitigation of operational risk. John was also closely involved in Russell's work on "best-practice" governance and decision making for large funds.

Ian Ashment - Managing Director, Board Member of UBS Asset Management (UK) Ltd and other UBS subsidiaries.

Ian is Head of Systematic & Index Investments for UBS Asset Management. He joined UBS in 1985 as a Statistical Assistant/ Investment Trainee with the Active UK Equity Team. He proceeded to become Trainee Fund Manager for the Active European Equity team, then Fund Manager for the Quantitative Department in 1990, and was involved in indexation and risk measurement for both passive and active portfolios. He was responsible for setting up all investment management aspects of UBS ETFs. In 1995 he assumed the role of Senior Fund Manager (Passive Team) responsible for the management of a number of key index portfolios. In 2007 he became Global Head of Structured Beta & Indexing before assuming his current UBS position in 2016.

Other roles held include Chair of the FTSE Russell EMEA Equities Advisory Committee, Member of the FTSE Russell Policy Advisory Committee, Member of the S&P Global Advisory Panel Chairman of the FTSE Nationality Committee (2007 – 2010).

Adam Aziz - Executive Director, CEO of UBS Asset Management Funds Ltd.

Adam is the EMEA Regional Operating Officer and a member of the AM Operating Committee. He reports to the UK AM CEO and is Chair of the UK and EMEA Front to Back

Committee with oversight of the operating environment of the UK & EMEA business. He also has responsibility for implementation of the regulatory and governance framework. Prior to joining Asset Management, Adam had a number of roles across other divisions of UBS, including Group Functions and Wealth Management, having joined the Investment Bank as a graduate trainee in the Consumer & Retail team of the Corporate Finance department in 2005.

Ruth Beechey - Managing Director, Board Member of UBS Asset Management Holding (No.2) Ltd, UBS Asset Management Holding Ltd, UBS Asset Management (UK) Ltd and other UBS subsidiaries.

Ruth joined UBS Asset Management in 2000 and is Chief of Staff for the UK region. She previously held the role of Head of UK Legal & Compliance for UBS Asset Management in the UK. She is a member of the UK Management and Risk Committee. Prior to 2000 she worked at Deutsche Asset Management. She has over 25 years in the financial services industry, working at Birmingham Midshires Building Society before moving to the investment industry.

Ruth is a company-nominated Trustee Director of the UBS Pension and Life Assurance Scheme. She holds a University of Lancaster (UK) LLB (Hons) degree, a Post-Graduate Diploma from the College of Law, Chester (UK) and qualified as a Solicitor in 1996.

Eric Byrne - Chief Executive Officer, Head of UK Asset Management, Board Member of UBS Asset Management Holding (No.2) Ltd, UBS Asset Management Holding Ltd, UBS Asset Management (UK) Ltd, UBS Asset Management Funds Ltd and other UBS subsidiaries.

Eric was appointed Head of UBS Asset Management in the UK in October 2016 with responsibility for the management and strategic development of the UK business. He chairs the UK Management Committee and is a member of the EMEA Management Committee. Eric is also Head of Multi-Managers for the Real Estate & Private Markets (REPM) business for UBS Asset Management. He is a member of the REPM Management Committee as well as the Multi-Manager Investment, Valuation and Risk Committees.

Eric joined UBS Asset Management in 1996 in Hedge Fund Services in the Cayman Islands, where he became Chief Operating Officer, before returning to London in 2004. He established the internal control framework for Sarbanes Oxley for the business division and launched hedge fund and infrastructure third party funds. Prior to joining UBS, Eric held roles at Deloitte & Touche (1989–1993) and Barclays Capital (1993–1995). Eric qualified as a chartered accountant in 1992 (ACA, ICAEW).

Andrew Larkin - Managing Director, Board Member of UBS Asset Management Funds Ltd, Chair of UK Product and Customer Outcomes Committee.

Andrew joined UBS Asset Management as Head of Wholesale for the UK, Nordics and Benelux regions in January 2018 with responsibility for the ongoing development, implementation and management of UBS's wholesale strategy for financial institutions and retail clients.

Prior to joining UBS Asset Management Andrew was Head of Global Strategic Relationships at JP Morgan Asset Management where he was responsible for a team focusing on growing assets across the Private Banks, Family offices, Discretionary Mandates, Service Providers and the Intermediated Platform Market. Prior to joining JP Morgan in 2014 Andy also held positions at Neptune Asset Management, M&G Investments and Deutsche Asset Management.

Board Composition as at 31st December 2020

	Total Number of Directorships held as at 31 December 2020	Directorships under SYSC 4.3 A.7 (2) R that do not count for the limits under SYSC 4.3A 5R & 6R	Directorships as at 31 December 2020 after SYSC 4.3A7(2) adjustments (E= Executive, NE = Non-Executive)
P. Davies (Non-Executive Director)	3	0	3NE
P. Davis (Non-Executive Director)	8	5	3NE
K. Jecks (Non-Executive Director)	2	1	1NE
J. Stannard (Non-Executive Director)	3	1	1NE, 1E
I. Ashment	4	3	1E
A. Aziz	1	0	1E
R. Beechey	6	5	1E
E. Byrne	5	4	1E
A. Larkin	1	0	1E

All board members have equal voting rights on resolutions and decisions. The composition of the boards for the above-named entities is reviewed on an ongoing basis to ensure appropriate representation.

Own funds

Reconciliation of balance sheet total equity to regulatory capital

The following table provides a reconciliation of total equity per the balance sheet to the total regulatory capital in accordance with CRR (575/2013) Article 437 1(a) and Annex I of Commission Implementing Regulation (EU) 1423/2013.

Reconciliation of balance sheet total equity to regulatory capital

<i>GBP million</i>	31.12.2020	31.12.2019
Balance sheet total equity	185	181
Less:		
<i>Significant investments</i>	-	-
<i>Amount exceeding the 15% threshold</i>	-	-
<i>Intangible assets</i>	(4)	(3)
Total Own Funds	181	178

Nature and amounts of capital deductions from own funds

<i>GBP million</i>	31.12.2020	31.12.2019
Capital instruments and the related share premium accounts		
<i>of which: Instrument type 1</i>	181	181
<i>Retained earnings</i>	4	
<i>Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)</i>	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	185	181
Instruments of financial sector entities where the institution has a significant investment	-	-
Amount exceeding the 15% threshold	-	-
Intangible assets	(4)	(3)
Total Common Equity Tier 1 capital	181	178
Capital instruments and the related share premium accounts		
<i>of which: classified as equity under applicable accounting standards</i>	-	-
Total Additional Tier 1 capital	-	-
Total Tier 1 capital	181	178
Capital instruments and the related share premium accounts	-	-
Total Tier 2 capital	-	-
Total Own Funds	181	178

The capital base for UBS Asset Management Holding (No.2) Ltd and its subsidiaries is comprised entirely of CET1 capital with the following features.

Capital Instruments Main Features

	Common Equity Tier 1 'A' Shares	Common Equity Tier 1 'B' Shares
Issuer	UBS Asset Management Holding (No.2) Ltd	UBS Asset Management Holding (No.2) Ltd
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A
Governing law(s) of the instruments	English	English
<i>Regulatory treatment</i>		
Transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1
Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1
Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo	Solo
Instrument type (types to be specified by each jurisdiction)	CET1 Instrument	CET1 Instrument
Amount recognised in regulatory capital (as of most recent reporting date)	GBP 100	GBP 181million
Nominal amount of instrument	0.01	10
Issue price	Par	Various
Redemption price	Par	Par
Accounting classification	Shareholders' Equity	Shareholders' Equity
Original date of issuance	Various	Various
Perpetual or dated	Perpetual	Perpetual
Original maturity date	No Maturity	No Maturity
Issuer call subject to prior supervisory approval	N/A	N/A
Optional call date, contingent call dates and redemption amount	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A
<i>Coupons / dividends</i>		
Fixed or floating dividend/coupon	Floating	Floating
Coupon rate and any related index	N/A	N/A
Existence of a dividend stopper	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
Existence of step up or other incentive to redeem	No	No
Noncumulative or cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible
Write-down features	No	No
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	'A' Shares
Non-compliant transitioned features	No	No

Both 'A' and 'B' Share classes are held by the Company's immediate parent undertaking, UBS Asset Management AG.

'A' shares carry 100% of the voting rights of the Company on a one vote per share basis. They carry no rights to share in the profits of the Company and, on winding up of the Company, entitle the holder to the return of the nominal value of the shares.

'B' shares carry no voting rights. They carry the right to dividends as recommended by the Directors and unlimited rights to share in the surplus remaining on a winding-up after all liabilities and the rights of 'A' shares have been satisfied.

Capital requirements

Assessing capital requirements

Under the UBS Group entity framework, the Boards are ultimately responsible for the entities' capital adequacy in accordance with local policy, regulatory and legal requirements. As required under CRD IV, UBS AM UK monitors the adequacy of its capital resources on a quarterly basis and through the annual Internal Capital Adequacy Assessment Process, referred to as ICAAP. The ICAAP is owned and governed by the Boards.

Retained earnings are distributed as dividends to the parent in line with Group policy and are subject to the approval of the relevant Boards, following consideration of the future needs of UBS AM UK. The UBS AM UK group had a significant capital surplus as at 31st December 2020.

Pillar 1 capital requirements

<i>GBP million</i>	31.12.2020	31.12.2019		
	Total Risk Exposure Amount (TREA)	Capital Requirement	Total Risk Exposure Amount (TREA)	Capital Requirement
Credit, counterparty credit risks				
<i>Central Governments & Central Banks</i>	14	1	12	1
<i>Corporates</i>	35	3	26	2
<i>Institutions</i>	78	7	95	7
<i>Regional Governments & Local Authorities</i>	5	0	8	1
Total	132	11	141	11
Position, foreign exchange risk				
<i>Foreign exchange</i>	35	3	27	2
Additional risk exposure amount due to fixed overheads	234	18	220	18
Total Pillar 1 capital requirement	401	32	388	31

Pillar 1 Credit Exposures

Credit Exposure by counterparty type

As at year end GBP million	31.12.2020			31.12.2019		
	Average credit exposure	Credit exposure after accounting and regulatory offsets	RWA	Average credit exposure	Credit exposure after accounting and regulatory offsets	RWA
Total Credit Exposure						
<i>Central Governments & Central Banks</i>	14	14	14	12	12	12
<i>Corporates</i>	35	35	35	26	26	26
<i>Institutions</i>	78	78	78	95	95	95
<i>Regional Governments and Local Authorities</i>	5	5	5	8	8	8
Total	132	132	132	141	141	141

Credit Exposure by maturity

31.12.2020 GBP million	On demand	Due in 1 year or less	No stated maturity	Total
Total Credit Exposure				
<i>Central Governments & Central Banks</i>	-	14	-	14
<i>Corporates</i>	-	35	-	35
<i>Institutions</i>	20	20	38	78
<i>Regional Governments & Local Authorities</i>	-	5	-	5
Total	20	74	38	132

31.12.2019 GBP million	On demand	Due in 1 year or less	No stated maturity	Total
Total Credit Exposure				
<i>Central Governments & Central Banks</i>	-	12	-	12
<i>Corporates</i>	-	26	-	26
<i>Institutions</i>	17	40	38	95
<i>Regional Governments & Local Authorities</i>	-	8	-	8
Total	17	86	38	141

Credit Exposure by Geographical Region

As at 31.12.2020 GBP million	Credit Quality Step				Total
	UK	Europe, Middle East and Africa	Americas	Asia Pacific	
Total Credit Exposure					
<i>Central Governments & Central Banks</i>	13	1	-	-	14
<i>Corporates</i>	9	12	14	-	35
<i>Institutions</i>	57	8	11	2	78
<i>Regional Governments and Local Authorities</i>	3	2	-	-	5
Total	82	23	25	2	132

As at 31.12.2019 GBP million	Credit Quality Step				Total
	UK	Europe, Middle East and Africa	Americas	Asia Pacific	
Total Credit Exposure					
<i>Central Governments & Central Banks</i>	9	2	-	1	12
<i>Corporates</i>	12	13	1	-	26
<i>Institutions</i>	54	12	18	11	95
<i>Regional Governments and Local Authorities</i>	7	1	-	-	8
Total	82	28	19	12	141

Credit Exposure by Credit Quality Step

31.12.2020 GBP million	Credit Quality Step				Total
	1	2	3	4	
Regulatory net credit exposure before credit risk mitigation					
<i>Central Governments & Central Banks</i>	13	-	-	1	14
<i>Corporates</i>	-	-	35	-	35
<i>Institutions</i>	20	58	-	-	78
<i>Regional Governments & Local Authorities</i>	4	1	-	-	5
Total	36	61	34	1	132

31.12.2019 GBP million	Credit Quality Step				Total
	1	2	3	4	
Regulatory net credit exposure before credit risk mitigation					
<i>Central Governments & Central Banks</i>	11	1	-	-	12
<i>Corporates</i>	2	1	23	-	26
<i>Institutions</i>	18	3	74	-	95
<i>Regional Governments & Local Authorities</i>	-	8	-	-	8
Total	31	13	97	-	141

Remuneration

Remuneration policy and compensation structure

Remuneration at UBS operates within the UBS Total Reward Principles. These principles and supporting processes provide a compensation structure for all employee remuneration at UBS, including those in the UK.

The principles are published as part of the Compensation Report in the UBS Group AG Annual Report 2020, which can be accessed via the link below.

<https://www.ubs.com/global/en/investor-relations/financial-information/annual-reporting.html>

Remuneration awarded for 2020 in respect of UBS Material Risk Takers (MRTs)

The following tables show details of the awards made to UK-regulated MRTs in Asset Management entities at UBS, identified under the Regulatory Technical Standards of the European Banking Authority (EBA), in respect of the 2020 financial year. All data is as of 31 December 2020. In accordance with paragraph 2 of Article 450 of the CRR, which provides guidelines for compliance with the disclosure requirements to be appropriate to the size, internal organization and the nature, scope and complexity of the activities of the credit institution and without prejudice to Directive 95/46/EC ("EU Data Protection Directive"), awards have not been split between "senior management" and "other", or between "Management Function" or "Supervisory Function" as the small number of individuals concerned would risk the identification of individual compensation.

Number of beneficiaries and total remuneration

	Number of Beneficiaries	Total Remuneration (GBP 000's)
31.12.2020	64	52,442
31.12.2019	53	35,615

Total Remuneration

GBP 000's	Fixed Remuneration	Variable Remuneration
31.12.2020	18,102	34,340
31.12.2019	12,111	23,503

of which: Variable remuneration

GBP 000's	Number of Beneficiaries	Immediate Cash	Immediate Shares	Deferred Shares	Other Deferred Instruments
31.12.2020	60	18,140	-	11,954	4,245
31.12.2019	48	13,251	-	7,548	2,704

Summary of outstanding deferred remuneration, by vested and unvested portions, and vehicle type

GBP 000's	31.12.2020	31.12.2019
Deferred remuneration - granted during year	11,909	8,377
Deferred remuneration - distributed during year	8,643	6,735
Performance adjustments during year	-	-
Outstanding deferred remuneration at year end	40,620	28,507

In accordance with Article 450 of the CRR, UBS Asset Management can report there are 7 UK Asset Management MRTs receiving total remuneration between EUR 1,000,000 and EUR 1,500,000 and 7 receiving total remuneration in excess of EUR 1,500,000. The Company is unable to make a more detailed disclosure due to the small number of individuals concerned and the subsequent risk that individual compensation could be disclosed.

Summary of guaranteed incentives awarded to new hires

		Number of Beneficiaries	Amount (GBP 000's)
Total	2020	0	–

Summary of severance payments made

		Number of Beneficiaries	Amount (GBP 000's)
Total¹		1	n/a

¹ The Company is unable to make a more detailed disclosure for confidentiality reasons.

Contacts

Should you have any queries please contact:

UBS Asset Management Holding (No. 2) Ltd
5 Broadgate,
London EC2M 2QS
Tel: +44-(0)20-7568-0000

This document may contain statements that constitute “forward looking statements” including but not limited to statements relating to the anticipated effect of transactions described herein and other risks specific to UBS’s business, strategic initiatives, future business development and economic performance. While these forward-looking statements represent UBS’s judgements and expectations concerning the development of its business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS’s expectations.

This document is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to. It should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this material are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS as a result of using different assumptions and criteria. Neither UBS nor any of its affiliates, nor any of UBS’ or any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this material.

In this disclaimer UBS means UBS Group AG, UBS AG and UBS Asset Management Holding (No.2) Ltd.

ubs.com

