

UBS (Lux) Equity Fund - Global Sustainable (USD)

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

When assessing “do no significant harm” (DNSH), we consider selected principal adverse impact indicators based on availability and appropriateness. These indicators are combined into a signal based on individual thresholds defined per indicator. A fail on a single indicator leads to an investment failing the DNSH criteria.

Principal adverse impacts (the “PAI”) are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters. UBS integrates PAI indicators in its decision making process. At present, the following PAI indicators are considered by means of exclusions from the investment universe: 1.4 “Exposure to companies active in the fossil fuel sector”: – Companies that exceed a certain revenue threshold (as per the UBS AM Sustainability Exclusion Policy) from thermal coal mining and its sale to external parties or from oil sands extraction are excluded. – Companies that exceed a certain revenue threshold (as per the UBS AM Sustainability Exclusion Policy) from thermal coal-based power generation are excluded. 1.10 “Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises”: – Companies violating the United Nations Global Compact (UNGC) principles which do not demonstrate credible corrective action as determined by UBS-AM’s Stewardship Committee are excluded 1.14 “Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)”: – UBS-AM does not invest in companies involved in: cluster munitions, anti-personnel mines or chemical and biological weapons, nor does it invest in companies in breach of the Treaty on the Non- Proliferation of Nuclear Weapons. UBS-AM considers a company to be involved in controversial weapons if the company is involved in development, production, storage, maintenance or transport of controversial weapons, or is a majority shareholder (>50% ownership stake) of such a company. The link to the Sustainability Exclusion Policy can be found in the section headed “Sustainability Exclusion Policy” in the main body of the Sales Prospectus.

Companies violating the United Nations Global Compact (UNGC) principles which do not demonstrate credible corrective action as determined by UBS-AM’s Stewardship Committee are excluded

Environmental or Social characteristics of the financial product

The following characteristic(s) are promoted by the financial product:

1. A lower Weighted Average Carbon Intensity (WACI) than the reference benchmark or a low absolute carbon profile.
2. A sustainability profile that is higher than its benchmark’s sustainability profile or a UBS ESG Blended score between 7 and 10 (indicating a strong sustainability profile).

The benchmark is a broad market index which does not assess or include constituents according to environmental and/or social characteristics and therefore is not intended to be consistent with the characteristics promoted by the financial product. No ESG reference benchmark has been designated for the purpose of attaining the characteristics promoted by the financial product.

The above characteristic(s) is / are measured using the following indicators respectively:

1. Scope 1 and 2 Weighted Average Carbon Intensity (WACI): – Scope 1 refers to direct carbon emissions and therefore includes all direct greenhouse gas emissions from owned or controlled sources of the relevant entity or issuer. – Scope 2 refers to indirect carbon emissions and therefore includes greenhouse gas emissions from the generation of electricity, thermal energy and/or steam that is consumed by the relevant entity or issuer. Low absolute carbon profile is defined as below 100 tonnes of CO₂ emissions per million US dollars of revenues.
2. The UBS Blended ESG Score is an average of ESG assessments from UBS, MSCI, and Sustainalytics. It offers a comprehensive sustainability profile by combining different ESG evaluations, covering environmental, social, and governance aspects. This score evaluates a range of material ESG factors like environmental impact, risk management, labor standards, and anti-corruption policies. Entities are rated on a scale from 0 to 10, with 10 being the best sustainability profile.

Investment Strategy

The following binding element(s) of the investment strategy is / are used to select the investments to attain the characteristic(s) promoted by this financial product:

1. A lower Scope 1 and 2 Weighted Average Carbon Intensity (WACI) than its benchmark or a low absolute carbon profile.
2. A sustainability profile that is higher than its benchmark’s sustainability profile or a UBS ESG Blended score between 7 and 10 (indicating a strong sustainability profile).

The calculations do not take account of cash, derivatives and unrated investment instruments.

The binding element(s) are calculated at quarter end using the average of all business days’ values in the quarter.

Good corporate governance is a key driver of sustainable performance and is therefore embedded in the Portfolio Manager’s investment strategy. The Portfolio Manager employs a proprietary ESG Risk Dashboard that combines multiple ESG data sources from internal and recognized external providers in order to identify companies with material ESG risks. An actionable risk signal highlights ESG risks to the Portfolio Manager for incorporation in their investment decision making process. The assessment of good governance includes consideration of board structure and independence, remuneration alignment, transparency of ownership and control, and financial reporting.

Proportion of Investments

The minimum proportion of the investments used to meet the environmental and/or social characteristics promoted by the financial product is 67%. The minimum proportion of sustainable investments of the financial product is 40%.

Derivatives are not used for the attainment of the characteristics promoted by this financial product. Derivatives are primarily used for hedging and liquidity management purposes.

Monitoring of environmental or social characteristics

The portfolio manager has data indicators and a systemic pre-trade guideline control in place to monitor the stated environmental or social characteristics promoted by the financial product, specifically the binding targets stated in the investment strategy, there is a monitoring oversight control. There are also independent controls & audit by our delegated fund administrators

Methodologies

The performance of the indicators used to measure the environmental or social characteristics promoted by the financial product are measured daily, assessed quarterly and reported annually.

Data sources & processing

The data sources used to attain the stated environmental or social characteristics are supplied from a leading industry vendor

1. Weighted Average Carbon Intensity and carbon profile, carbon metrics are supplied from a leading industry vendor

Data is consumed from leading providers, processed in accordance with defined guidelines and supplemented with analyst recommendation.

Limitations to methodologies & data

We apply a minimum coverage threshold for the data sources used to attain the stated environmental or social characteristics of the financial product, these thresholds ensure that the binding targets can be monitored and measured. Accuracy of data is dependent on 3rd party providers, coverage of data sources can be < 100% due to uncovered asset types, incomplete or inconsistent data and gaps in the coverage of these 3rd party providers.

Due diligence

UBS Group and UBS AM invest significant resources in ESG data. Within UBS AM, the data selection and onboarding process is jointly handled by our Sustainable Investment team and QED (data science). This ensures that datasets provide meaningful insights and that they are robust from a data quality point of view. Also, the data selection and onboarding is just one part, extracting insights and actually using it in investment decisions is what really matters.

Engagement policies

Through our research process we will also seek to identify companies where material ESG and sustainability factors may present a future negative risk. We will prioritize such companies for engagement and additionally utilize proxy voting as part of our stewardship activities 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.

Designated reference benchmark

Not Applicable