

## **LUX IM – ESG UBS GLOBAL BOND SUSTAINABLE**

Sustainability-related disclosures required for Article 8 financial products under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector

### **Preamble**

**LUX IM – ESG UBS GLOBAL BOND SUSTAINABLE** (“the Sub-fund”) invests in securities of issuers that contribute to the Sub-fund’s promoted environmental and social characteristics, in line with the Sub-fund’s defined environmental, social and governance (hereinafter “ESG”) investment strategy. The environmental and social factors under consideration for include, but are not limited to, the following ones: environmental footprint and operational efficiency, environmental risk management, climate change, natural resource usage, pollution and waste management, employment standards and supply chain monitoring, human capital, diversity within the board of directors, occupational health and safety, product safety, as well as anti-fraud and anti-corruption guidelines.

The Sub-fund intends to invest in issuers that qualify as sustainable investment in accordance with Article 2 (17) of Regulation (EU) 2019/2088 (“SFDR”).

The Sub-fund is not considering the EU criteria for environmentally sustainable economic activities as defined under the EU Taxonomy Regulation to determine the attainment of the sustainable environmental or social characteristics that it promotes.

The following characteristics are promoted by the financial product:

1. The Sub-fund pursues a sustainability profile, as measures by the UBS ESG Consensus score higher than its investment universe or a minimum of 51% of its net assets invested in target issuers marked by an UBS ESG consensus score of 5 or higher (i.e. between 5 and 10);
2. The Sub-fund’s portion of investments in sovereign bonds from issuers showing controversies on the UBS ESG Risk Dashboard is lower than the one of its investment universe. If the investment universe contains no sovereign bonds from issuers with controversies, the Sub-fund is not permitted to hold any issuers with controversies.

At least 51% of the financial product’s assets are planned to be ESG aligned, 10% of the financial product’s assets will qualify as sustainable in accordance with article 2 (17) of the SFDR.

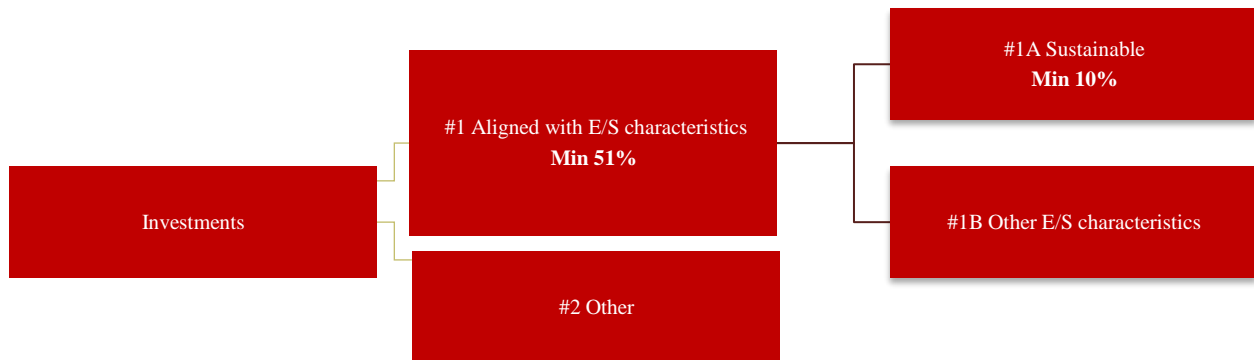
There is no reference benchmark designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.

## Sustainable Finance Disclosure Regulation Level 2 – Website Disclosure

Section	Regulatory Requirements	Disclosure
<b>Summary</b>  <b>Article 25 – SFDR II</b>	<p>In the website section ‘Summary’ referred to in Article 24, point (a), financial market participants shall summarise all the information contained in the different sections referred to in that Article about the financial products that promote environmental or social characteristics. The summary section shall have a maximum length of two sides of A4-sized paper when printed.</p>	<p>Please refer to the standardized 2 pager summary <a href="https://www.bgfml.lu/site/en/home/sustainable.html">https://www.bgfml.lu/site/en/home/sustainable.html</a></p>
	<p>The website section ‘Summary’ referred to in Article 24, point (a), shall be provided in at least the following languages:</p> <p>(a) one of the official languages of the home Member State and, where different and where the financial product is made available in more than one Member State, in an additional language customary in the sphere of international finance;</p> <p>(b) where the financial product is made available in a host Member State, one of the official languages of that host Member State.</p>	
<b>No sustainable investment objective</b>  <b>Article 26 – SFDR L2</b>	<p>In the website section ‘No sustainable investment objective’ referred to in Article 24, point (b), financial market participants shall insert the following statement: “This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.”</p>	<p>This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.</p>
	<p>Where the financial product commits to making one or more sustainable investments, financial market participants shall in the website section ‘No sustainable investment objective’ referred to in Article 24, point (b), explain how the sustainable investment does not significantly harm any of the sustainable investment objectives, including all of the following:</p>	<p>The Sub-fund invests in securities of issuers that contribute to the Sub-fund’s promoted environmental and social characteristics, in line with the Sub-fund’s defined environmental, social and governance (hereinafter “ESG”) investment strategy.</p> <p>The following characteristics are promoted by the financial product:</p> <ol style="list-style-type: none"> <li>1. The Sub-fund pursues a sustainability profile, as measures by the UBS ESG Consensus score higher than its investment universe or a minimum of 51% of its net assets invested in target issuers marked by an UBS ESG consensus score of 5 or higher (i.e. between 5 and 10);</li> <li>2. The Sub-fund’s portion of investments in sovereign bonds from issuers showing controversies on the UBS ESG Risk Dashboard is lower than the one of its investment universe. If the investment universe contains no sovereign bonds from issuers with controversies, the Sub-fund is not permitted to hold any issuers with controversies.</li> </ol> <p>The Sub-fund will allocate a minimum of 10% of its assets in sustainable investments in accordance with Article 2 (17) SFDR.</p> <p>The Investment Manager applies exclusions to the investment universe of the Sub-fund, including, among others, thermal coal mining and thermal coal-based energy production &amp; oil sands. Furthermore, the Sub-fund does not invest in companies involved in controversial weapons i.e. cluster munitions, anti-personnel mines, chemical and biological weapons, or companies in breach of the Treaty on the Non-Proliferation of Nuclear Weapons. Investments are also positively screened according to the criteria pursued by the Sub-fund</p>

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	<ul style="list-style-type: none"> <li>how the indicators for adverse impacts in Table 1 of Annex I, and any relevant indicators in Tables 2 and 3 of that Annex I, are taken into account;</li> </ul>	<p>The Investment Manager consider principal adverse impacts (“PAI”) on sustainability factors in the investment process through the application of exclusions to the investment universe of the Sub-fund. Such exclusions take into consideration various PAI indicators, as described below.</p> <p>The exclusions include thermal coal mining and thermal coal-based energy production &amp; oil sands. The Investment Manager does not invest in companies involved in controversial weapons i.e. cluster munitions, anti-personnel mines, chemical and biological weapons, or companies in breach of the Treaty on the Non-Proliferation of Nuclear Weapons.</p> <p>Companies violating the United Nations Global Compact (UNGC) principles, who do not demonstrate credible corrective action will be excluded from the investment universe.</p> <p>Moreover, The Investment Manager employs a proprietary ESG Risk Dashboard, the Dashboard allows equity and credit analysts to quickly identify companies with significant ESG risks via the "UBS ESG Risk Signal". This clear, actionable signal serves as starting point for more in-depth analysis of the underlying sources of these risks and the links to their investment cases.</p> <p>More information on how principal adverse impacts are considered during the reference period will be made available in the periodic reporting of the Sub-fund.</p>
	<ul style="list-style-type: none"> <li>whether the sustainable investment is aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.</li> </ul>	<p>Companies violating the OECD Guidelines for Multinational Enterprises and the United Nations Global Compact (UNGC) principles, who do not demonstrate credible corrective action will be excluded from the investment universe.</p>
<b>Environmental or social characteristics of the financial product</b>  <b>Article 27 – SFDR L2</b>	<p>In the website section ‘Environmental or social characteristics of the financial product’ referred to in Article 24, point (c), financial market participants shall describe the environmental or social characteristics that the financial products promotes.</p>	<p>The Sub-fund invests in securities of issuers that contribute to the Sub-fund’s promoted environmental and social characteristics, in line with the Sub-fund’s defined environmental, social and governance (hereinafter “ESG”) investment strategy.</p> <p>The following characteristics are promoted by the financial product:</p> <ol style="list-style-type: none"> <li>The Sub-fund pursues a sustainability profile, as measures by the UBS ESG Consensus score higher than its investment universe or a minimum of 51% of its net assets invested in target issuers marked by an UBS ESG consensus score of 5 or higher (i.e. between 5 and 10);</li> <li>The Sub-fund’s portion of investments in sovereign bonds from issuers showing controversies on the UBS ESG Risk Dashboard is lower than the one of its investment universe. If the investment universe contains no sovereign bonds from issuers with controversies, the Sub-fund is not permitted to hold any issuers with controversies.</li> </ol>
<b>Investment strategy</b>  <b>Article 28 – SFDR L2</b>	<p>In the website section ‘Investment strategy’ referred to in Article 24, point (d), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> <li>the investment strategy used to meet the environmental or social characteristics promoted by the financial product;</li> </ul>	<p>The investment objective of the Sub-fund is to provide capital preservation and attractive return over the medium to long-term by investing in a diversified and flexibly managed portfolio across a broad range of global fixed income sectors such as government bonds, investment grade and high yield corporate bonds, emerging markets bonds and securitized bonds. The portfolio construction process combine the top-down macroeconomic assessment and</p>

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		<p>the bottom-up analysis of the target issuers based on the analysis of the financial fundamentals and the integration of binding environmental, social and governance (“ESG”) factors, in accordance with the ESG policy adopted by the Investment Manager.</p> <p>Target investments are subject to the following sustainability indicators, in order to assess their eligibility for investment by the Sub-fund and thus to measure the attainment of the pursued environmental and social characteristics:</p> <ul style="list-style-type: none"> <li>▪ Negative screening: exclusion of target issuers involved in controversial conduct and/or activities;</li> <li>▪ ESG integration: taking into account material ESG risks as part of the research process.</li> </ul> <p>The following binding elements are used to select investments to attain the characteristics promoted:</p> <ul style="list-style-type: none"> <li>▪ The Sub-fund pursues a sustainability profile, as measures by the UBS ESG Consensus score higher than its investment universe or a minimum of 51% of its net assets invested in target issuers marked by an UBS ESG consensus score of 5 or higher (i.e. between 5 and 10);</li> <li>▪ The Sub-fund’s portion of investments in sovereign bonds from issuers showing controversies on the UBS ESG Risk Dashboard is lower than the one of its investment universe. If the investment universe contains no sovereign bonds from issuers with controversies, the Sub-fund is not permitted to hold any issuers with controversies.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ the policy to assess good governance practices of the investee companies, including with respect to sound management structures, employee relations, remuneration of staff and tax compliance.</li> </ul>	<p>Good corporate governance is a key driver of sustainable performance and is therefore embedded in the Investment Manager’s investment strategy.</p> <p>The Investment 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.</p> <p>An actionable risk signal highlights ESG risks to the Investment 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.</p>
<p><b>Proportion of investments</b></p> <p><b>Article 29 – SFDR L2</b></p>	<p>In the website section ‘Proportion of investments’ referred to in Article 24, point (e), financial market participants shall insert the information referred to in Article 14 and shall distinguish between direct exposures in investee entities and all other types of exposures to those entities.</p>	<p>The Sub-Fund will invest at least 51% of its net assets in investments that are aligned to the promoted environmental and/or social characteristics. (# 1). The minimum proportion of sustainable investments is 10%. (#1A). The Sub-Fund does not use derivatives to attain its environmental or social characteristics. The Sub-fund’s investment in other UCITS and/or UCI, including ETFs (“target funds”), will focus on the target funds which adhere to similar ESG and sustainable investment criteria as the ones adopted by the Sub-fund.</p>

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		 <pre> graph LR     Investments --&gt; N1["#1 Aligned with E/S characteristics Min 51%"]     Investments --&gt; N2["#2 Other"]     N1 --&gt; N1A["#1A Sustainable Min 10%"]     N1 --&gt; N1B["#1B Other E/S characteristics"] </pre> <p>#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.</p> <p># 2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.</p> <p>The category #1 Aligned with E/S characteristics covers:</p> <ul style="list-style-type: none"> <li>- The sub-category #1A Sustainable covers sustainable investments with environmental or social objectives.</li> <li>- The sub-category #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.</li> </ul> <p>To classify as sustainable investments, target issuers meet three given criteria:</p> <ul style="list-style-type: none"> <li>• contributes to an environmental or social objective;</li> <li>• does not significantly harm any of such objectives; and</li> <li>• it follows good governance practices.</li> </ul> <p>The following tests are applied:</p> <ul style="list-style-type: none"> <li>• a negative screening test to exclude issuers that fail the good governance (based on governance qualification assessment) and/or “do no significant harm” criteria (based on the implementation of an exclusion policy and assessment of controversies);</li> <li>• a positive test, which requires a given issuer to make either a positive contribution to one or more of the UN SDGs (balance-sheet based), or to the environment, or to a social objective (non balance-sheet based)</li> </ul> <p>A target issuer that does not fail the negative screening and passes at least one of the positive tests is considered as sustainable in its entirety.</p> <p>The remaining investments of the Sub-fund (“#2 Other”) may be invested in securities of issuers not aligned with the promoted environmental or social characteristics, such as (i) ancillary cash and cash equivalents for liquidity purposes within the limits prescribed by applicable laws , (ii) derivatives which may be used for hedging and investment purposes as per the applicable provisions of the Investment Policy of the Sub-fund; (iii) investments in securities of target issuers which are not aligned with the promoted environmental or social characteristics and/or for which data needed for the measurement of attainment of environmental or social characteristics is not available and may be used within the Sub-fund’s investment objective of capital preservation and attractive return over the medium to long-term No specific minimum environmental or social safeguards are applied for investments in cash; financial derivatives and securities not aligned with the pursued ESG characteristics. A negative screening is applied to direct investments in target issuers, avoiding that investments are made in issuers involved in controversial behaviours and/or controversial activities.</p>



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<b>Monitoring of environmental or social characteristics</b>  <b>Article 30 – SFDR L2</b>	<p>In the website section ‘Monitoring of environmental or social characteristics’ referred to in Article 24, point (f), financial market participants shall describe how the environmental or social characteristics promoted by the financial product and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted by the financial product are monitored throughout the lifecycle of the financial product and the related internal or external control mechanisms.</p>	<p>The Investment Manager integrates the ESG analysis within the investments’ selection process, as follows:</p> <p><b>ESG Integration</b></p> <p>ESG Integration is driven by taking into account material ESG risks as part of the research process. ESG integration enables the Investment Manager to identify financially relevant sustainability factors that impact investment decisions and to incorporate ESG considerations when implementing investment decisions, and allows ESG risks to be systematically monitored and compared to risk appetite and constraints. It also assists in portfolio construction through securities selection, investment conviction and portfolio weightings.</p> <p>For corporate issuers, this process utilizes an internal UBS ESG material issues framework which identifies the financially relevant factors per sector that can impact investment decisions. This orientation toward financial materiality ensures that analysts focus on sustainability factors that can impact the financial performance of the company and therefore investment returns. ESG integration can also identify opportunities for engagement to improve the company’s ESG risk profile and thereby mitigate the potential negative impact of ESG issues on the company’s financial performance. The Investment Manager employs a proprietary ESG Risk Dashboard that combines multiple ESG data sources in order to identify companies with material ESG risks. An actionable risk signal highlights ESG risks to the Investment Manager for incorporation in their investment decision making process.</p> <p>For non-corporate issuers, the Investment Manager applies a qualitative or quantitative ESG risk assessment that integrates data on material ESG factors.</p> <p>The analysis of material sustainability/ESG considerations can include many different aspects, such as the following among others: the carbon footprint, health and well-being, human rights, supply chain management, fair customer treatment and governance.</p> <p>The ESG analysis of the target issuers relies on internal research activity complemented with external research and data from specialised external providers and encompasses the following binding elements.</p> <p>The Investment Manager integrates the ESG analysis within the investments’ selection process, as follows:</p> <p><b>Negative Screening</b></p> <p>Exclusion of target issuers that</p> <ul style="list-style-type: none"> <li>▪ are involved in severe controversies according to the United Nations Global Compact;</li> <li>▪ are involved in specific activities (according to specific thresholds applied to the revenues deriving from such activities): <ul style="list-style-type: none"> <li>○ controversial and nuclear weapons;</li> <li>○ conventional weapons;</li> <li>○ adult entertainment;</li> <li>○ coal;</li> <li>○ tobacco;</li> <li>○ gambling;</li> <li>○ thermal coal mining and thermal coal-based energy production &amp; oil sands</li> </ul> </li> </ul> <p>The following binding elements are used to select investments to attain the characteristics promoted:</p> <ul style="list-style-type: none"> <li>▪ The Sub-fund pursues a sustainability profile, as measures by the UBS ESG Consensus score higher than its investment universe or a minimum of 51% of its net assets invested in target issuers marked by an UBS ESG consensus score of 5 or higher (i.e. between 5 and 10);</li> </ul>

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		<ul style="list-style-type: none"> <li>The Sub-fund's portion of investments in sovereign bonds from issuers showing controversies on the UBS ESG Risk Dashboard is lower than the one of its investment universe. If the investment universe contains no sovereign bonds from issuers with controversies, the Sub-fund is not permitted to hold any issuers with controversies.</li> </ul> <p>The Sub-fund's investment in other UCITS and/or UCI, including ETFs ("target funds"), will focus on the target funds which adhere to similar ESG and sustainable investment criteria as the ones adopted by the Sub-fund.</p>
<b>Methodologies for environmental or social characteristics</b>  <b>Article 31 – SFDR L2</b>	In the website section 'Methodologies for environmental or social characteristics' referred to in Article 24, point (g), financial market participants shall describe the methodologies to measure how the social or environmental characteristics promoted by the financial product are met.	<p>In order to attain the promoted environmental and social characteristics, the eligibility of target issuers is assessed based on the above-described ESG integration, negative screening, and consideration of principal adverse impacts (see 'Monitoring of the sustainable investment objective').</p> <p>Internal controls are in place in respect of investment decision making for the Sub-fund. These include, but are not limited to, pre-trade and post-trade controls to ensure all applicable binding elements are observed at all times and independent oversight by risk management functions as required.</p> <p>The Investment Manager of the Sub-fund is using internal research activity complemented with external research and data from specialised external providers.</p>
<b>Data sources and processing</b>  <b>Article 32 – SFDR L2</b>	<p>In the website section 'Data sources and processing' referred to in Article 24, point (h), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> <li>the data sources used to attain each of the environmental or social characteristics promoted by the financial product;</li> <li>the measures taken to ensure data quality;</li> <li>how data are processed;</li> <li>the proportion of data that are estimated.</li> </ul>	<p>The data sources used to attain the stated environmental and social characteristics is supplied from internal and multiple recognised external providers. Rather than exclusively relying on an ESG score from a single provider, the UBS ESG consensus score approach mentioned above enhances the plausibility of the sustainability profile quality. The UBS ESG consensus score is a normalised weighted average of ESG score data from internal and recognised external providers. Data is consumed from leading providers, processed in accordance with defined guidelines and supplemented with analyst recommendation.</p>
<b>Limitations to methodologies and data</b>  <b>Article 33 – SFDR L2</b>	<p>In the website section 'Limitations to methodologies and data' referred to in Article 24, point (i), financial market participants shall describe all of the following:</p> <ul style="list-style-type: none"> <li>any limitations to the methodologies referred to in Article 24, point (g), and to the data sources referred to in Article 24, point (h);</li> <li>how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met.</li> </ul>	<p>Considering the above detailed investment methodology as well as the data sources, the limitations to the attainment of the promoted environmental and social characteristics are deemed non-material, as the Investment Manager applies a minimum coverage threshold for the data sources in order to ensure that the binding elements can be monitored and measured.</p> <p>Based on the details above, there is no material effect on the attainment of the environmental or social characteristics promoted by the Sub-fund identified.</p>
<b>Due Diligence</b>	In the website section 'Due diligence' referred to in Article 24, point (j), financial market participants shall describe the due diligence carried out on the underlying assets of the	In order to qualify for initial investment, the investments must comply with the binding elements applied by the Sub-fund. This compliance has to be ensured by the Investment Manager through pre-trade compliance mechanism in place.

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<b>Article 34 – SFDR L2</b>	financial product, including the internal and external controls on that due diligence.	
<b>Engagement policies</b>  <b>Article 35 – SFDR L2</b>	In the website section ‘Engagement policies’ referred to in Article 24, point (k), financial market participants shall describe the engagement policies implemented where engagement is part of the environmental or social investment strategy, including any management procedures applicable to sustainability-related controversies in investee companies.	Through the adopted research process the Investment Manager will also seek to identify companies where material ESG and sustainability factors may present a future negative risk. The Investment Manager will prioritize such companies for engagement to minimize adverse impacts where appropriate.
<b>Designated reference benchmark – Optional</b>  <b>Article 36 – SFDR L2</b>	In the website section ‘Designated reference benchmark’ referred to in Article 24, point (l), financial market participants shall describe whether an index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by the financial product, and how that index is aligned with the environmental or social characteristics promoted by the financial product, including the input data, the methodologies used to select those data, the rebalancing methodologies and how the index is calculated.	No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.