

LUX IM – ESG UBS GLOBAL CLIMATE CHANGE (“Sub-fund”)

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

Section	Disclosure
No sustainable investment objective	<p>The Sub-fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.</p> <p>The Sub-fund will allocate a minimum of 40% of its assets in sustainable investments in accordance with Article 2 (17) SFDR.</p> <p>The Investment Manager selects attractively valued companies that are on the forefront of the transition to a low-carbon economy, contributing to climate mitigation, adaptation and transition.</p>
Environmental or social characteristics of the financial product	<p>The Sub-fund invests in securities of issuers that contribute to the Sub-fund’s promoted environmental characteristics such as companies that contribute and/or benefit from the reduction of CO2 emissions, with the aim to achieve a lower weighted average carbon intensity than its benchmark, being the MSCI AC World – Net Return Index in EUR (Bloomberg code: NDEEWN Index).</p>
Investment strategy	<p>The investment objective of the Sub-fund is to provide capital growth over the long term by investing in companies that contribute and/or benefit from the reduction of CO2 emissions, , with the aim to achieve a lower weighted average carbon intensity than its benchmark, being the MSCI AC World – Net Return Index in EUR (Bloomberg code: NDEEWN Index).</p> <p>The asset allocation of the Sub-fund will be essentially focused on companies that exhibit leadership in one of the three climate categories:</p> <ul style="list-style-type: none"> (i) climate adaptation (ii) climate mitigation (iii) climate transition <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"> ▪ Negative screening: exclusion of target issuers involved in controversial conduct and/or activities; ▪ ESG integration: taking into account material ESG risks as part of the research process; ▪ Consideration of principal adverse impacts (PAI) <p>The following binding elements are used to select investments to attain the characteristics promoted:</p> <ul style="list-style-type: none"> ▪ The Sub-fund pursues a lower Scope 1 and 2 Weighted Average Carbon Intensity than the one of its benchmark; ▪ The Sub-fund pursues a lower implied temperature score than the one of its benchmark; ▪ The Sub-fund pursues a “green to brown ratio” higher than the one of its benchmark. <p>Good corporate governance is a key driver of sustainable performance and is therefore embedded in the Investment Manager’s investment strategy.</p>
Proportion of investments	<p>The Sub-Fund will invest at least 67% 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 40%. (#1A)</p> <p>To classify as sustainable investments, target issuers meet three given criteria:</p> <ul style="list-style-type: none"> • contributes to an environmental or social objective; • does not significantly harm any of such objectives; and • it follows good governance practices. <p>The following tests are applied:</p> <ul style="list-style-type: none"> • 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); • 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) <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. 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>

Section	Disclosure
	<pre> graph LR Investments --> A["#1 Aligned with E/S characteristics Min 67%"] Investments --> B["#2 Other"] A --> A1["#1A Sustainable Min 40%"] A --> A2["#1B Other E/S characteristics"] </pre>
Monitoring of environmental or social characteristics	<p>The ESG analysis of the target issuers relies on internal research activity complemented with external research and data from specialised external providers.</p> <p>ESG Integration is driven by taking into account material ESG risks as part of the research process. 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.</p> <p>The Investment Manager integrates the ESG analysis within the following investments selection processes:</p> <ul style="list-style-type: none"> ▪ Negative screening (severe controversies and specific activities, e.g. controversial and nuclear weapons; conventional weapons; adult entertainment; coal; tobacco; gambling; thermal coal mining and thermal coal-based energy production & oil sands) ▪ ESG integration (e.g. UBS ESG material issues framework) ▪ PAI consideration <p>The Sub-fund excludes companies with a sustainability profile that indicates a severe ESG risk.</p> <p>The following binding elements are used to select investments to attain the characteristics promoted:</p> <ul style="list-style-type: none"> ▪ The Sub-fund pursues a lower Scope 1 and 2 Weighted Average Carbon Intensity than the one of its benchmark; ▪ The Sub-fund pursues a lower implied temperature score than the one of its benchmark; ▪ The Sub-fund pursues a “green to brown ratio” higher than the one of its benchmark.
Methodologies for environmental or social characteristics	<p>In order to attain the promoted environmental and social characteristics, the eligibility of target issuers is assessed based on ESG integration, negative screening, and consideration of principal adverse impacts.</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>
Data sources and processing	<p>The data sources used to attain the stated environmental and social characteristics is supplied from multiple recognised industry vendors, and is processed in accordance with defined guidelines and supplemented with analyst recommendation.</p> <p>The data quality is ensured through the choice of leading providers, and is processed in accordance with defined guidelines and supplemented with analyst recommendation.</p>
Limitations to methodologies and data	<p>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>
Due Diligence	<p>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.</p>
Engagement Policies	<p>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.</p>
Designated reference benchmark	<p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.</p>