

**LUX IM – ESG UBS ACTIVE DEFENDER**

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 ACTIVE DEFENDER** (“the Sub-fund”) invests in other UCITS and/or UCI, including exchange traded funds (“ETFs”) (together “Target Funds”) that take account of environmental (E) and/or social (S) considerations in accordance with Article 8 of the Regulation on sustainability-related disclosures in the financial services sector, and/or to investment strategies that aim to make sustainable investments and/or to reduce carbon emissions in accordance with Article 9 of the Regulation on sustainability-related disclosures in the financial services sector.

The Target Funds’ selection is based on their qualification under Article 8 (1) and 9 of Regulation (EU) 2019/1088 as well as on the investment manager’s assessment of and due diligence performed on the investment process applied therein with the aim to ensure the integration of binding ESG criteria on an ongoing basis.

The Sub-fund further 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 Sub-fund is expected to dedicate a minimum of 70% of the investments in Target Funds in the ones that are aligned to the promoted environmental and social characteristics, being Target Funds qualified under Article 8 or Article 9 of SFDR. The minimum proportion of sustainable investments of the Sub-fund is 10%.

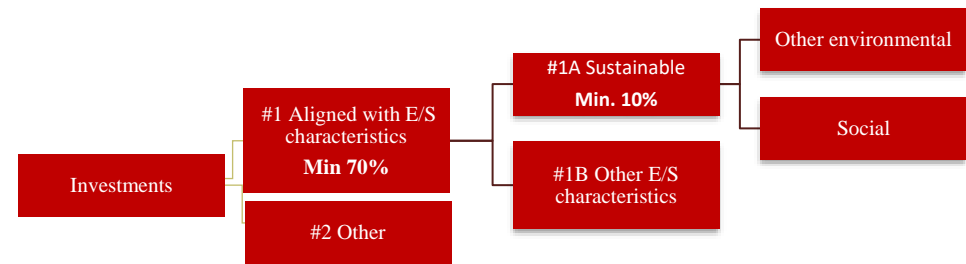
No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.

## Sustainable Finance Disclosure Regulation Level 2 – Website Disclosure

| Section   | Regulatory Requirements   | Disclosure draft  |
|---|---|---|
| <b>Summary</b><br><br><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><br><br><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 other UCITS and/or UCI, including exchange traded funds (“ETFs”) (together “Target Funds”) that take account of environmental (E) and/or social (S) considerations in accordance with Article 8 of the Regulation on sustainability-related disclosures in the financial services sector, and/or to investment strategies that aim to make sustainable investments and/or to reduce carbon emissions in accordance with Article 9 of the Regulation on sustainability-related disclosures in the financial services sector.</p> <p>The Investment Manager applies exclusions to the investment universe of the Sub-fund. The exclusion policy can be found here: <a href="https://www.ubs.com/global/en/asset-management/investment-capabilities/sustainability.html">https://www.ubs.com/global/en/asset-management/investment-capabilities/sustainability.html</a></p> <p>The Sub-fund utilizes investments in Target Funds to achieve its investment objective. For investments in Target Funds employing active equity and fixed income strategies managed by the Investment Manager or one of its affiliates, the portfolio manager of the Target Fund applies exclusions to the investment universe. These exclusions include thermal coal mining and thermal coal-based energy production &amp; oil sands. The portfolio 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. For investments in Target Funds employing passively managed strategies that track an ESG index, indicators for do no significant harm are taken into account by the Index provider as appropriate to the Index family. For investments in Target Funds employing active investment strategies managed by third party managers, the portfolio manager of the Target Fund may utilize different methodologies. Such Target Funds</p> |

| Section  | Regulatory Requirements   | Disclosure draft  |
|--|---|---|
|  |   | are assessed for do no significant harm criteria via the Investment Manager research process described above.   |
|  | <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 selects the appropriate principal adverse impacts and thresholds which are implemented for each strategy.</p> <p>This Sub-fund utilizes underlying investment strategies to achieve its investment objective.</p> <p>For investments in active equity and fixed income strategies managed by UBS Asset Management, the portfolio 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. The respective portfolio manager of the underlying investment strategy selects the appropriate principal adverse impacts and thresholds which are implemented for each investment strategy. For investments in passively managed strategies that track an ESG index, indicators for adverse impacts on sustainability factors are taken into account by the Index provider as appropriate to the Index family. For investments in third party managed funds, the portfolio manager of the underlying investment strategy may utilize different methodologies. Third party strategies are assessed for adverse impacts via UBS Asset Management's manager research process described above.</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>For investments in active equity and fixed income strategies managed by UBS Asset Management, companies violating the United Nations Global Compact (UNGC) principles, who do not demonstrate credible corrective action will be excluded from the sustainable investment universe. For investments in passively managed strategies that track an ESG index, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human rights are taken into account by the Index provider as appropriate to the Index family. For investments in third party managed funds, the portfolio manager of the underlying investment strategy may utilize different methodologies. Third party strategies are assessed for alignment with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights via UBS Asset Management's manager research process described above.</p>  |
| <b>Environmental or social characteristics of the financial product</b><br><br><b>Article 27 – SFDR L2</b> | 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 promote.   | <p>The Sub-fund invests in other UCITS and/or UCI, including exchange traded funds ("ETFs") (together "Target Funds") that take account of environmental (E) and/or social (S) considerations in accordance with Article 8 of the Regulation on sustainability-related disclosures in the financial services sector, and/or to investment strategies that aim to make sustainable investments and/or to reduce carbon emissions in accordance with Article 9 of the Regulation on sustainability-related disclosures in the financial services sector.</p> <p>The Target Funds' selection is based on their qualification under Article 8 (1) and 9 of Regulation (EU) 2019/1088 as well as on the investment manager's assessment of and due diligence performed on the investment process applied therein with the aim to ensure the integration of binding ESG criteria on an ongoing basis.</p>   |

| Section   | Regulatory Requirements  | Disclosure draft  |
|---|--|---|
| Investment strategy<br><br>Article 28 – SFDR L2 | In the website section ‘Investment strategy’ referred to in Article 24, point (d), financial market participants shall describe all of the following:  |   |
|   | <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 mid-term capital growth with a moderate level of risk through an allocation based on a systematic multi-factor asset allocation process and tactical positioning depending on portfolio managers assessment of market conditions. The multi-factor asset allocation process consists of the investment manager’s ongoing assessment of a set of widely recognised indicators assembled and utilized in a systematic approach to portfolio construction. This ensures ongoing oversight and governance of the construction of the portfolio by the investment manager.</p> <p>In order to achieve its investment objective, the Sub-fund will essentially invest in Target Funds invested in transferable securities, such as debt securities, equity securities and Money Market Instruments issued by Governments, sovereign/supranational entities and corporates without any limitation in terms of industry, country and currency exposure.</p> <p>The investments’ selection is based on the Investment Manager’s assessment of the investment process applied therein with the aim to ensure the integration of the following binding elements.</p> <p>The Investment Manager integrates the ESG analysis within the investments’ selection process, as follows:</p> <ul style="list-style-type: none"> <li>Negative screening: The Target Funds’ selection is based on the assessment of the investment process applied therein with the aim to ensure the application of binding minimum exclusion criteria;</li> <li>Positive screening: The Target Funds’ selection will be based on their qualification as Article 8 or 9 under SFDR, investing at least 70% of the Sub-fund’s investments in Target Funds, in those that take account of environmental (E) and/or social (S) considerations in accordance with Article 8 of SFDR, and/or to investment strategies that aim to make sustainable investments and/or to reduce carbon emissions in accordance with Article 9 of SFDR.</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 governance practices are assessed for each target investment during the investment due diligence as well as when the target investments will be held by the Sub-fund with respect to the good governance practices considered by investment process of the Target Funds and adopted by the direct investments’ issuers, including, inter alia, the corporate governance structure; shareholders rights; accounting standards; business ethics..</p> <p>For investments in Target Funds employing active equity and fixed income strategies managed by the Investment Manager or one of its affiliate, good corporate governance is embedded in the investment strategy of the portfolio manager. The assessment of good governance includes consideration of board structure and independence, remuneration alignment, transparency of ownership and control, and financial reporting. The portfolio manager employs a proprietary ESG Risk Dashboard that combines multiple ESG data sources from internal and recognized external providers</p>   |

| Section  | Regulatory Requirements  | Disclosure draft  |
|--|--|---|
|  |  | <p>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.</p> <p>For investments in Target Funds employing passively managed strategies that track an ESG index, good governance practices of the investee companies are assessed by the index provider as appropriate to the index family.</p> <p>Investments in third party managed Target Funds are assessed via the UBS Asset Management manager research process. UBS Asset Management evaluates the strategies of external asset managers to ensure that they meet UBS sustainability standards (“equivalency principle”).</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 invests a minimum of 70% of the investments in Target Funds in the ones that are aligned to the promoted environmental and social characteristics, being Target Funds qualified under Article 8 or 9 of SFDR. The minimum proportion of sustainable investments of the Sub-fund is 10%. These investments have both environmental and social objectives however there are no specific minimum proportions for each of these categories.</p>  <pre> graph LR     Investments --&gt; N1["#1 Aligned with E/S characteristics<br/>Min 70%"]     Investments --&gt; N2["#2 Other"]     N1 --&gt; N1A["#1A Sustainable<br/>Min. 10%"]     N1 --&gt; N1B["#1B Other E/S characteristics"]     N1A --&gt; N1A1["Other environmental"]     N1A --&gt; N1A2["Social"] </pre> <p><i>#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.</i></p> <p><i>#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.</i></p> <p>At the Target Funds' level, 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> </ul> |



| Section  | Regulatory Requirements   | Disclosure draft   |
|--|---|--|
|  |   | <ul style="list-style-type: none"> <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: (i) ancillary cash for liquidity management within the limits prescribed by applicable laws; (ii) accessory investments in financial derivative instruments used for hedging and/or investment purposes as per the applicable provisions of the Investment Policy of the Sub-fund; (iii) investments in Target Funds which are not aligned with the promoted environmental or social characteristics and may be used within the Sub-fund’s investment objective. As minimum environmental or social safeguards, with respect to #2 Other that are investments in Target Funds, these Target Funds must comply with the Sub-fund’s exclusion strategy as well as with the Good Governance requirements to be eligible.</p>  |
| <p><b>Monitoring of environmental or social characteristics</b></p> <p><b>Article 30 – SFDR L2</b></p> | <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>Negative Screening</b></p> <p>The Target Funds’ selection is based on the assessment of the investment process applied therein with the aim to ensure the application of binding minimum exclusion criteria.</p> <p>The Investment Manager applies exclusions to the investment universe of the Sub-fund. The exclusion policy can be found here: <a href="https://www.ubs.com/global/en/asset-management/investment-capabilities/sustainability.html">https://www.ubs.com/global/en/asset-management/investment-capabilities/sustainability.html</a></p> <p>The Sub-fund utilizes investments in Target Funds to achieve its investment objective. For investments in Target Funds employing active equity and fixed income strategies managed by the Investment Manager or one of its affiliates, the portfolio manager of the Target Fund applies exclusions to the investment universe. These exclusions include thermal coal mining and thermal coal-based energy production &amp; oil sands. The portfolio 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>For investments in Target Funds employing passively managed strategies that track an ESG index, indicators for do no significant harm are taken into account by the Index provider as appropriate to the Index family.</p> <p>For investments in Target Funds employing active investment strategies managed by third party managers, the portfolio manager of the Target Fund may utilize different methodologies. Such Target Funds are assessed for do no significant harm criteria via the Investment Manager research process described above.</p> <p>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> |

| Section   | Regulatory Requirements   | Disclosure draft  |
|---|---|---|
|   |   | <b>Positive Screening</b><br>The Target Funds' selection will be based on their qualification as Article 8 or 9 under SFDR, investing at least 70% of the Sub-fund's investments in Target Funds, in those s that take account of environmental (E) and/or social (S) considerations in accordance with Article 8 of SFDR, and/or to investment strategies that aim to make sustainable investments and/or to reduce carbon emissions in accordance with Article 9 of SFDR.   |
| <b>Methodologies for environmental or social characteristics</b><br><br><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.   | In order to attain the promoted environmental and social characteristics, the eligibility of target investments is assessed based on the above-described negative screening and positive screening procedures (see 'Monitoring of the sustainable investment objective').<br><br>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.  |
| <b>Data sources and processing</b><br><br><b>Article 32 – SFDR L2</b>                               | In the website section 'Data sources and processing' referred to in Article 24, point (h), financial market participants shall describe all of the following: <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> | <div></div> <div> The data sources used by the Investment Manager refer essentially to the official pre-contractual documentation of the Target Funds and to the information provided within the assessment of the investment process applied therein, which enable to assess their qualification under Article 8 or Article 9 of SFDR and binding minimum exclusion criteria. </div> <div> Taking into account the nature of such data sources, being essentially official pre-contractual documentation and information provided within the due diligence performed on the Target Funds, data quality is ensured at all times. </div> <div> Data mentioned above about the Target Funds is processed in order to ensure that the Sub-fund is compliant with the applicable binding elements. </div> <div> Taking into account the nature of such data sources, being essentially official pre-contractual documentation and information provided within the due diligence performed on the Target Funds , data is no subject to estimation. Target Funds could use estimate data for a minor extent taking into consideration the nature of their investment universe. </div> |
| <b>Limitations to methodologies and data</b>  | 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: <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> </ul>  | <div></div> <div> 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 universe of the Sub-fund </div>   |

| Section   | Regulatory Requirements   | Disclosure draft  |
|---|---|---|
| <b>Article 33 – SFDR L2</b>   |   | provides an appropriate level of disclosure and coverage of required information by the Investment Manager to allow for the application of the investment methodology.  |
|   | <ul style="list-style-type: none"> <li>how such limitations do not affect how the environmental or social characteristics promoted by the financial product are met.</li> </ul>   | 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.   |
| <b>Due Diligence</b><br><br><b>Article 34 – SFDR L2</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 financial product, including the internal and external controls on that due diligence.  | 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. |
| <b>Engagement policies</b><br><br><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.  | This section is not applicable, as the Sub-fund is not deploying an ESG engagement strategy for the attainment of the promoted environmental or social characteristics.   |
| <b>Designated reference benchmark – Optional</b><br><br><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.   |