

ANNEX II

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852	
Product name: UBS (Lux) Fund Solutions – Global Green Bond ESG 1-10 UCITS ETF	Legal entity identifier: 5493000LBA65ZPRI5023
<h3 style="color: green;">Environmental and/or social characteristics</h3>	
<p>Does this financial product have a sustainable investment objective?</p> <p> <input checked="" type="radio"/> <input type="radio"/> Yes <input type="radio"/> <input checked="" type="radio"/> No </p>	
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ____ %	<input checked="" type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 50% of sustainable investments
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ____ %	<input type="checkbox"/> with a social objective
	<input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments



What environmental and/or social characteristics are promoted by this financial product?

This financial product is passively managed and tracks an index (“Index/Reference Benchmark”). The following characteristics are promoted by the financial product:

The Reference Benchmark designated for the purpose of attaining the characteristic promoted by the financial product is the Bloomberg MSCI Global Green Bond 1-10 Year Sustainability Select Index (Total Return). The financial product intends to make sustainable investment by investing at least 90% of its total net assets in securities that are constituents of the Index. Securities are only eligible for the Index if they meet the MSCI ESG Research Green Bond Principles.

An independent research-driven methodology is used by the Index provider to evaluate index-eligible green bonds to ensure they adhere to established Green Bond Principles and to classify bonds by their environmental use of proceeds. Use of proceeds and project bonds are considered eligible if the use of proceeds falls within at least one of six eligible environmental categories defined by MSCI ESG Research (alternative energy, energy efficiency, pollution prevention and control, sustainable water, green building, and climate adaptation).

Green bonds are committed to a stated use of proceeds and there are processes for evaluating and selecting these green projects which are funded by the bond.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

● *What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?*

The above ESG characteristic is measured using the following indicators respectively:

The classification as green bonds is based on external providers and relates to:

-Green bonds: Use of proceeds to finance projects that advance environmental objectives (e.g. renewable energy, clean transportation).

For the Bloomberg MSCI Global Green Bond 1-10 Year Sustainability Select Index (Total Return), securities are independently evaluated by MSCI ESG Research along four dimensions to determine whether they should be classified as a green bond. These eligibility criteria reflect themes articulated in the Green Bond Principles and require commitments about a bond’s:

- Stated use of proceeds;
- Process for green project evaluation and selection;
- Process for management of proceeds; and
- Commitment to ongoing reporting of the environmental performance of the use of proceeds.

Issuers with relevant environmental or social revenue would originate from:

-Environmental revenues: related to alternative energy, energy efficiency, green building, pollution prevention, sustainable water, or sustainable agriculture.

Principal adverse impacts 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.

	<ul style="list-style-type: none"> ● <i>What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?</i>
	<p>The objectives of the sustainable investments that the financial product partially intends to make, is to contribute to environmental characteristics the financial product promotes.</p> <p>The financial product intends to make sustainable investment by investing at least 90% of its total net assets in securities that are constituents of the Index.</p>
	<ul style="list-style-type: none"> ● <i>How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?</i>
	<p>The financial product is passively managed and tracks an Index, securities are only eligible for the Index if they meet the MSCI ESG Research Green Bond Principles. Green bonds are committed to a stated use of proceeds and there are processes for evaluating and selecting these green projects which are funded by the bond.</p>
	<ul style="list-style-type: none"> – <i>How have the indicators for adverse impacts on sustainability factors been taken into account?</i>
	<p>The financial product excludes investments in companies involved directly in the use, development, manufacturing, stockpiling, transfer or trade of cluster munitions and/or anti-personnel landmines, nuclear weapons, biological weapons or chemical weapons.</p> <p>The financial product also excludes treasury or sovereign issuers that are classified as “Not Free” by Freedom House.</p>
	<ul style="list-style-type: none"> – <i>How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:</i>
	<p>The MSCI ESG Controversies tool monitors company involvement in notable ESG controversies related to the company’s operations and/or products, possible breaches of international norms and principles such as the UN Global Compact, and performance with respect to these norms and principles.</p>

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes

Yes, the financial product is passively managed and tracks the Index, securities are only eligible for the Index if they meet the MSCI ESG Research Green Bond Principles.

Green bonds are committed to a stated use of proceeds and there are processes for evaluating and selecting these green projects which are funded by the bond. The issuer must clearly delineate and outline either specific projects or criteria of activities to be financed which fall into one of the six eligible environmental categories. By definition of the Green Bond Principles themselves, investment into these bonds do not cause significant harm to any environmental or social investment objective.

The financial product exclude investments in companies involved directly in the use, development, manufacturing, stockpiling, transfer or trade of cluster munitions and/or anti-personnel landmines, nuclear weapons, biological weapons or chemical weapons.

No



What investment strategy does this financial product follow?

This financial product is passively managed and seeks to achieve the objective by tracking the Index and, with regard to ESG criteria, giving exposure to global green bonds with high ESG ratings and to exclude the ones with negative social, environmental or governance impact.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● *What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?*

This financial product is passively managed and tracks an index. Its investment strategy is to replicate the Index while minimizing the related tracking error. Securities are only eligible for the Index if they meet the MSCI ESG Research Green Bond Principles.

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

The characteristic(s), the minimum proportion of sustainable investments and the minimum proportion of investments used to meet the environmental and/or social characteristics promoted by the financial product are calculated at quarter end using the average of all of business days' values in the quarter.

● *What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?*

Not applicable.

● *What is the policy to assess good governance practices of the investee companies?*

Assessment of good governance practices of the investee companies is performed by the Index provider.

MSCI analysis begins with an evaluation of each company's corporate governance, taking into consideration the company's ownership and control structures, the composition and effectiveness of its board, the effectiveness of its incentive practices and the integrity of its accounting. Corporate Behavior is also monitored, including any controversies that might have a significant negative impact on the company's value.

The MSCI ESG Controversies tool monitors company involvement in notable ESG controversies related to the company's operations and/or products, possible breaches of international norms and principles such as the UN Global Compact, and performance with respect to these norms and principles.

<https://www.msci.com/documents/1296102/14524248/MSCI+ESG+Research+Controversies+Executive+Summary+Methodology+-+July+2020.pdf/b0a2bb88-2360-1728-b70e-2f0a889b6bd4>



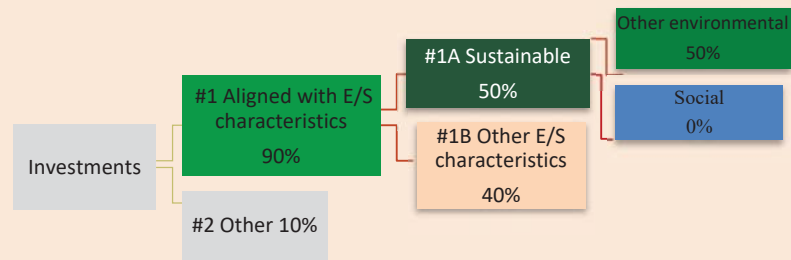
Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

The minimum proportion of the investments used to meet the environmental and/or social characteristics promoted by the financial product is 90%. The minimum proportion of sustainable investments of the financial product is 50%.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



#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.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

● ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

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



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable because sufficiently reliable data on EU Taxonomy alignment is scarce and the data coverage remains too low to support a meaningful commitment to a minimum proportion of EU Taxonomy aligned investments in this financial product. Disclosures and reporting on taxonomy alignment will develop as the EU framework evolves and data is made available by companies. On that basis, the minimum extent that investments underlying this financial product are sustainable investments with an environmental objective aligned with the EU Taxonomy is 0%.

To comply with the EU Taxonomy, the criteria for fossil gas include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For nuclear energy, the criteria include comprehensive safety and waste management rules.

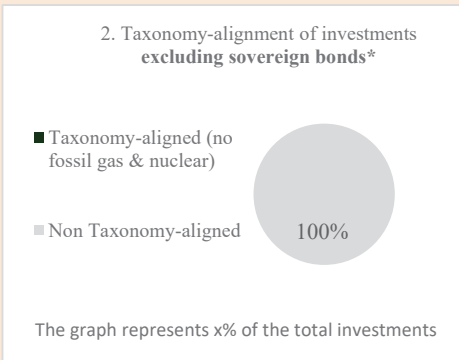
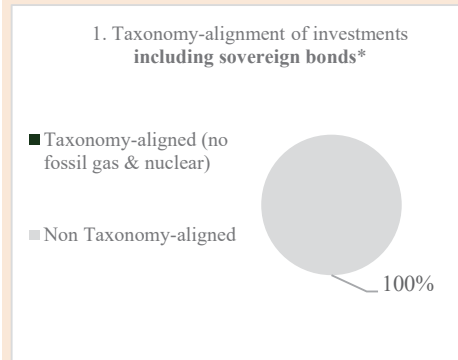
Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

- Yes:
 - In fossil gas In nuclear energy
- No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are environmentally sustainable investments **that do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The financial product invests in economic activities which are environmentally sustainable but not EU Taxonomy aligned, this is due to the absence of the required implementing legislation and in particular the absence of the necessary taxonomy-related data provided by the investee companies and of a well-defined calculation methodology. The financial product targets a minimum proportion of sustainable investments as stated in the asset allocation section of this annex, these investments have an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy.



What is the minimum share of socially sustainable investments?

Not applicable.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Included in “#2 Other” are cash, cash equivalents, money market instruments and derivatives or other instruments for hedging purposes including in the event of a re-balance of the index constituents by the index provider.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

The Reference Benchmark designated for the purpose of attaining the characteristic promoted by the financial product is the Bloomberg MSCI Global Green Bond 1-10 Year Sustainability Select Index (Total Return).

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- *How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?*

The financial product has initially selected the Reference Benchmark for its relevance to its investment strategy and the attainment of the characteristics it seeks to promote. The Index rebalances on a monthly basis. More details on the index methodology applied by the index provider can be found below.

● ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

The alignment of the investment strategy with the methodology of the index is ensured on a continuous basis as the index provider rebalances the index on a regular basis and the Portfolio Manager tracks the Index in line with the limits set out in the investment policy of Fund.

The financial product has initially selected the reference benchmark for its relevance to its investment strategy and the attainment of the characteristics it seeks to promote.

The investment strategy of the fund is to track the benchmark's return and its characteristics, including ESG characteristics, as closely as reasonably possible. The investment strategy is to replicate the index by applying stratified sampling managing the tracking error.

The Portfolio Manager reviews the index methodology when the product is set up and the Index provider may be contacted if the Index methodology is no longer in line with the investment strategy of the financial product.

● ***How does the designated index differ from a relevant broad market index?***

The broad market index is the Bloomberg Global Aggregate Index. The Bloomberg MSCI Global Green Bond 1-10 Year Sustainability Select Index is based on the Bloomberg Global Aggregate Index. The Bloomberg MSCI Global Green Bond 1-10 Year Sustainability Select Index offers investors an objective and robust measure of the global market for fixed income securities issued to fund projects with direct environmental benefits. An independent research-driven methodology is used to evaluate index-eligible green bonds to ensure they adhere to established Green Bond Principles and to classify bonds by their environmental use of proceeds. The Bloomberg MSCI Global Green Bond 1-10 Year Sustainability Select Index shall have a higher market capitalization value percentage of Green Bonds than the Bloomberg Global Aggregate Index (Parent Benchmark).

● ***Where can the methodology used for the calculation of the designated index be found?***

The methodology of the construction of the Index can be found in the fund factsheet of the prospectus.

Where can I find more product specific information online?



More product-specific information can be found on the website:

www.ubs.com/etf