

ANNEX II

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

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.

Product name:

UBS (Lux) Fund Solutions – MSCI China ESG Universal Low Carbon Select UCITS ETF

Legal entity identifier:

549300PJQCMOYXTY3T68

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
<p><input checked="" type="radio"/> <input type="radio"/> Yes</p> <p><input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___ %</p> <p><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: _____ %</p>	<p><input type="radio"/> <input checked="" type="radio"/> No</p> <p><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 10 % of sustainable investments</p> <p><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input checked="" type="checkbox"/> with a social objective</p> <p><input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments</p>



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

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:

- tracks/tracking of a benchmark with a sustainability profile (ESG Score) that is higher than the parent benchmark’s sustainability profile.
- a Carbon Intensity (1, 2) emissions indicator lower than parent benchmark (MSCI)

The Reference Benchmark designated for the purpose of attaining the characteristic promoted by the financial product is the MSCI China ESG Universal Low Carbon Select 5% Issuer Capped Index (Net Return).

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

The characteristics are measured using the following indicators respectively:

- The FUND_ESG_SCORE
- Weighted average carbon intensity (Scope 1+2) MSCI

- ***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?***

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. MSCI China ESG Universal Low Carbon Select Indices aim to represent the performance of an investment strategy that by re-weighting free-float market cap weights based upon certain ESG metrics seeks to increase exposure to those companies demonstrating both a robust ESG profile as well as a positive trend in improving that profile, while excluding companies based on various ESG and climate change criteria.

MSCI ESG Ratings are designed to help investors identify the environmental, social and governance (ESG) risks and opportunities of their investments and to integrate these factors into their portfolio construction.

The MSCI ESG Rating includes environmental and social pillars such as climate change, natural capital, pollution & waste, environmental opportunities, human capital, product liability, stakeholder opposition & social opportunities.

MSCI Climate Change Metrics provides climate data & tools to support investors integrating climate risk & opportunities into their investment strategy and processes. It supports investors seeking to achieve a range of objectives, including measuring and reporting on climate risk exposure, implementing low carbon and fossil fuel-free strategies, align with temperature pathways and factoring climate change research into their risk management processes, in particular through climate scenario analysis for both transition and physical risks.

- ***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?***

This financial product is passively managed and tracks an Index, indicators for adverse impacts on sustainability factors are taken into account by the Index provider as appropriate to the Index family.

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.

	<p><i>How have the indicators for adverse impacts on sustainability factors been taken into account?</i></p>
	<p>Indicators for adverse impacts on sustainability factors are taken into account by the Index provider as appropriate to the Index family</p> <p>The indices incorporate the MSCI ESG Controversies score, screening out on a timely basis any issuers in significant breach of ESG norms.</p> <p>MSCI ESG Controversies are designed to provide timely and consistent assessments of ESG controversies involving issuers. Any issuer with a “Red” MSCI ESG Controversies Score (score less than 1) is excluded from Sustainability indices. The Controversy Score measures an issuer’s involvement in major ESG controversies and how well the issuer adheres to international norms and principles</p> <p>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.</p>
	<p><i>How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?</i></p>
	<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> <p>https://www.msci.com/documents/1296102/14524248/MSCI+ESG+Research+Controversies+Executive+Summary+Methodology+-+July+2020.pdf/b0a2bb88-2360-1728-b70e-2f0a889b6bd4</p>
	<p><i>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.</i></p> <p><i>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.</i></p> <p><i>Any other sustainable investments must also not significantly harm any environmental or social objectives.</i></p>



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

Yes

Yes, this financial product is passively managed and tracks an Index, indicators for adverse impacts on sustainability factors are taken into account by the Index provider as appropriate to the Index family.

The indices incorporate the MSCI ESG Controversies score, screening out on a timely basis any issuers in significant breach of ESG norms.

MSCI ESG Controversies are designed to provide timely and consistent assessments of ESG controversies involving issuers. Any issuer with a “Red” MSCI ESG Controversies Score (score less than 1) is excluded from Sustainability indices. The Controversy Score measures an issuer’s involvement in major ESG controversies and how well the issuer adheres to international norms and principles.

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.

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 seeks to promote the characteristic(s) described in this annex through Index selection and passive asset management

This financial product is passively managed and seeks to track the performance and the ESG profile of the Index. Sustainability characteristics and risks are considered as part of the Index selection process. The Index which is stated by the index provider to be screened against environmental, social or governance criteria and any methodology used by the index provider to assess sustainability characteristics and risks of the constituents of the index can be found on the website of the index provider.

- ***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?***

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

Characteristic 1):

A sustainability profile (MSCI ESG Score) that is higher than the parent benchmark’s sustainability profile.

Characteristic 2):

A Carbon Intensity (1 and 2) emissions indicator that is lower than parent benchmark (MSCI)

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

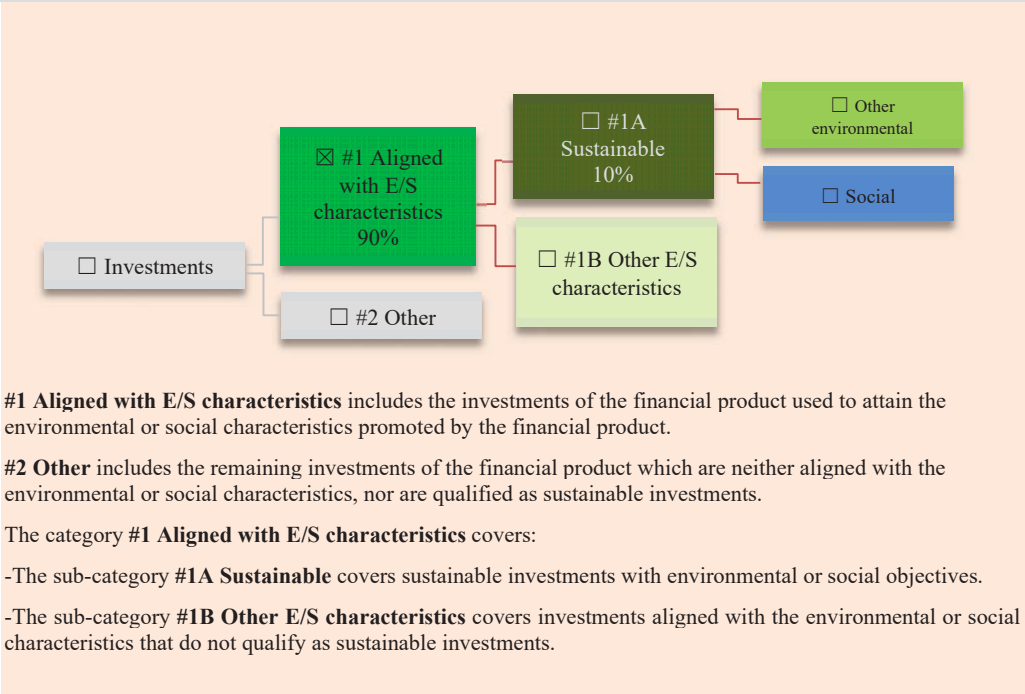
The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

	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.
	<ul style="list-style-type: none"> • What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?
	This financial product invests at least 90% of its total net assets in securities that are constituents of the Index and the Index provider applies ESG Ratings on all of the Index constituents. It is, therefore, expected that this financial product's resulting ESG rating will be higher than the ESG rating of a financial product tracking a standard index.
	<ul style="list-style-type: none"> • What is the policy to assess good governance practices of the investee companies?
	<p>Assessment of good governance practices of the investee companies are performed by the index provider.</p> <p>MSCI ESG Ratings 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.</p>
	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 10%.

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




Asset allocation describes the share of investments in specific assets.



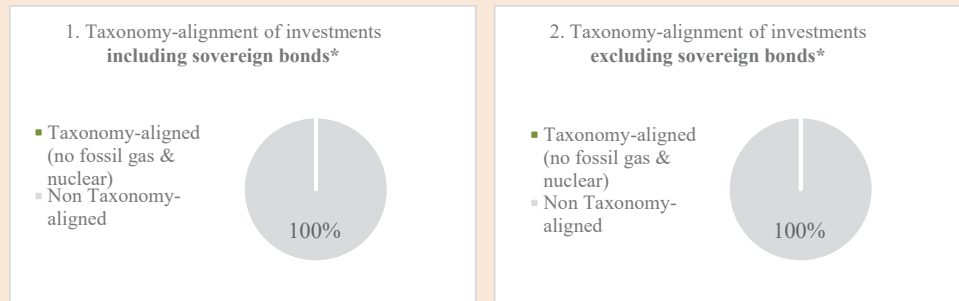
Taxonomy-aligned activities are expressed as a share of:

- **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.

	<ul style="list-style-type: none"> • <i>How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?</i>
	<p>The financial product tracks an ESG index and may replicate the performance of the index by the use of derivatives. Derivatives will only be used in case that a) the investment objective cannot be achieved by investments index components, in particular in order to reflect the performance of a currency hedge where a sub-fund replicates a currency-hedged index, or b) to generate efficiencies in gaining exposure to the constituents of the index, in particular where there are legal or practical obstacles to gaining direct access to a market to which the index refers.</p> <p>The financial product may namely enter into a range of index related swaps (excluding funded swaps) and derivative instruments (futures, forwards, currency swaps, p-notes, options, warrants and foreign exchange contracts) in order to replicate the index.</p>
	<p>To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?</p>
	<p>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%.</p>
	<ul style="list-style-type: none"> • Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹? <p><input type="checkbox"/> Yes:</p> <p style="padding-left: 40px;"><input type="checkbox"/> In fossil gas <input type="checkbox"/> In nuclear energy</p> <p><input checked="" type="checkbox"/> No</p>

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.

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

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.

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

	<p>What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?</p>
	<p>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.</p>
	<p>What is the minimum share of socially sustainable investments?</p>
	<p>The financial product targets a minimum share of socially sustainable investments greater than 0%.</p>
	<p>What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?</p>
	<p>Included in “#2 Other” are cash and unrated instruments for the purpose of liquidity and portfolio risk management relative to the benchmark weighting. This category may also include securities for which relevant data is not available.</p>
	<p>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?</p>
	<p>The Reference Benchmark designated for the purpose of attaining the characteristic promoted by the financial product is the MSCI China ESG Universal Low Carbon Select 5% Issuer Capped Index (Net Return).</p>
	<ul style="list-style-type: none"> • <i>How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?</i>
	<p>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.</p>
	<ul style="list-style-type: none"> • <i>How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?</i>
	<p>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.</p>

	<p>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.</p> <p>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 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.</p>
	<ul style="list-style-type: none"> ● <i>How does the designated index differ from a relevant broad market index?</i>
	<p>The Index draws its constituents from the MSCI China Index (the "Parent Index"), being an equity index calculated, maintained and published by international index supplier MSCI® and denominated in USD. The Index tracks the total return net dividend performance of large and mid-capitalisation Chinese companies.</p> <p>The Index is designed to reflect the performance of an investment strategy that, by tilting away from free-float market cap weights, seeks to gain exposure to those companies demonstrating both a robust Environmental, Social and Governance (ESG) profile as well as a positive trend in improving that profile, using minimal exclusions from the Parent Index.</p> <p>The Index constituent selection is based on research provided by MSCI ESG Research which provides research, ratings and analysis of ESG-related business practice. The Index Provider excludes companies facing controversies (MSCI Red Flag, being an indication of at least one very severe controversy), companies which have a poor ESG Rating (rating of CCC), companies which have revenues in certain business activities (controversial weapons, nuclear weapons, civilian firearms, tobacco, thermal coal, fossil fuel extraction), as well as the top 5% companies by number based on carbon emission intensity levels (being scope 1 and 2 emissions as categorised by the Greenhouse Gas Protocol) up to a cumulative weight of less than 30% of the weight of that sector in the Parent Index. The index also selects companies with low exposure to fossil fuel reserves and ranks the Parent Index constituents in descending order of the potential carbon emissions per dollar of the market capitalization of the company. Securities are then excluded until the cumulative potential carbon emission of the excluded securities reaches 50% of the sum of the potential carbon emission of the constituents of the Parent Index.</p> <p>The free-float adjusted market cap weight is adjusted by a "Combined ESG score" that is a combined product of an "ESG rating score" based on the MSCI ESG Research rating (i.e. 1.5 (AAA, AA), 1 (A, BBB, BB) or 0.5 (B)) and a "ESG Rating trend score" based on the change in a company's ESG rating score against the previous assessment carried out by the Index Provider (i.e. 1.2 for an increased rating, 1.0 for a neutral rating and 0.8 for a decreased rating). The Combined ESG Score of a company is determined by multiplying the ESG Rating Score by the ESG Rating Trend Score. This Combined ESG Score is used to re-weight the constituent from the Parent Index by multiplying the Combined ESG Score by the market capitalisation weight of the security in the Parent Index. The maximum weight of any issuer of the Parent Index is capped at 5% in order to construct the Index.</p>

	<ul style="list-style-type: none"> • <i>Where can the methodology used for the calculation of the designated index be found?</i>
	<p>The methodology of the construction of the Index can be found in the fund factsheet of the prospectus.</p>
	<p>Where can I find more product specific information online?</p> <p>More product-specific information can be found on the website:</p>
	<p>www.ubs.com/etf</p>