

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

Product name:

Legal entity identifier:

UBS (Lux) Fund Solutions – J.P. Morgan EMU Government ESG Liquid Bond UCITS ETF 549300L2LM976DR14286

Environmental and/or social characteristics

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.

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** ___ %

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 20 % of sustainable investments

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It will make a minimum of **sustainable investments with a social objective:** ___ %

It promotes E/S characteristics, but **will not make any sustainable investments**

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.

The Reference Benchmark designated for the purpose of attaining the characteristic promoted by the financial product is the J.P. Morgan EMU Government ESG Liquid Bond Index (Total Return).

- ***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 characteristics are measured using the following indicators respectively:

- The FUND_ESG_SCORE Please note that while the Reference Benchmark is provided by J.P. Morgan, the Portfolio manager will rely on data provided by MSCI to calculate the ESG_SCORE of the financial product and the parent benchmark. As a result, there might be a discrepancy between the figures disclosed by the Portfolio manager and the Reference Benchmark provider.

- ***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 objectives of the sustainable investments that the financial product partially intends to make, is to contribute to environmental and/or social 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. The index applies an Environmental, Social and Governance (ESG) scoring and screening methodology to tilt toward issuers ranked higher on ESG criteria and green bond issues, and to underweight or remove issuers that rank lower.

J.P. Morgan 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 J.P. Morgan Global EMU ESG Liquid Bond Index applies J.P. Morgan ESG (JESG) issuer scores to adjust the market value of index constituents from the respective baseline indices. JESG issuer scores are a 0-100 percentile rank calculated based on normalized raw ESG scores from third-party research providers Sustainalytics and RepRisk. An issuer’s finalized JESG score incorporates a 3-month rolling average. The JESG scores are divided into ten bands that are used to scale each issue’s baseline index market value, with the band rebalance occurring with a one-month lag.

Issuers in Bands 4-10 will be excluded from the index, as well as issuers identified as violating Freedom House principles. If an instrument is categorized as a “green bond” by the Climate Bonds Initiative, the security will receive a upgrade.

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>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>
	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.
	<i>How have the indicators for adverse impacts on sustainability factors been taken into account?</i>
	The financial product also excludes treasury or sovereign issuers that are classified as “Not Free” by Freedom House.
	<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>
	Issuers identified as violating Freedom House principles will be removed from the index.

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, 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 Index applies J.P. Morgan ESG (JESG) issuer scores to adjust the market value of index constituents from the respective baseline indices. JESG issuer scores are a 0-100 percentile rank calculated based on normalized raw ESG scores from third-party research providers Sustainalytics and RepRisk. An issuer’s finalized JESG score incorporates a 3-month rolling average. The JESG scores are divided into ten bands that are used to scale each issue’s baseline index market value, with the band rebalance occurring with a one-month lag.

Issuers in Band 6-10 will be excluded from the index, as well as sovereign issuers identified as violating Freedom House principles. If an instrument is categorized as a “green bond” by the Climate Bonds Initiative, the security will receive a upgrade.

No

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



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.

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?*

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.

Due to stratified sampling approach (given full replication of this Fixed Income is not practical) slight deviations from the index may occur, on a temporary basis, while keeping the overall objective of the fund in line with the index.

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

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

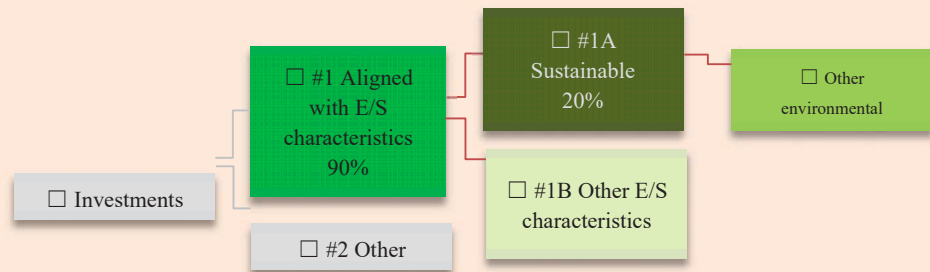
The methodology considers the issuer countries management of natural capital, produced capital, human capital and institutional capital. Countries are assessed on their ESG risks affecting the value of each of the capitals according to criteria corresponding to various risk factors expected to impact natural and produced capital, human capital and institutional capital. In addition ESG trends will be considered which capture whether ESG Performance is improving or deteriorating. The ESG trend score measures the improvement in a country's performance on a given indicator relative to its 5-year average. Assessment of good governance practices of the investee companies are performed by the index provider.



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 20%.



#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.

#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.

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.

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.



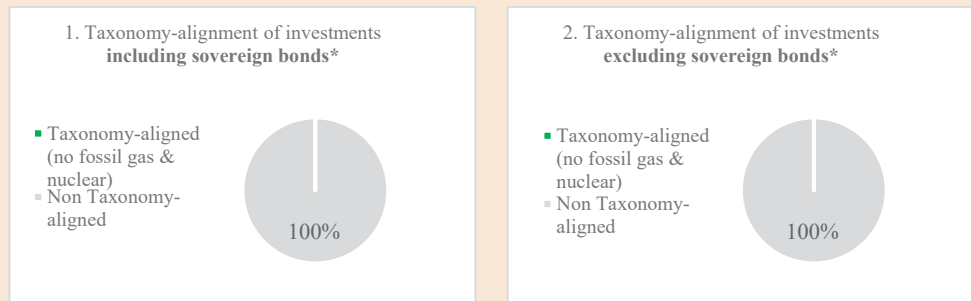
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

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%.

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

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.


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.

	<ul style="list-style-type: none"> <i>What is the minimum share of investments in transitional and enabling activities?</i>
	Not applicable
	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 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.
	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 J.P. Morgan EMU Government ESG Liquid Bond Index (Total Return).
	<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>
	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.

	<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 investment strategy is to replicate the index by applying stratified sampling managing the tracking error.</p> <p>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 J.P. Morgan EMU Government ESG Liquid Bond Index (Total Return) is based on a market capitalization weighting and designed to track the performance of liquid local government bonds issued by Eurozone governments across all level of maturities. The index further applies an environmental, social and governance (ESG) scoring and screening methodology of the issuer countries to tilt towards issuers ranked higher on ESG criteria and to underweight or remove issuers that rank lower. Countries are categorized into 10 bands based on their ESG score (1 = best, 10 = worst) and the countries in the lowest 5 ESG bands will be removed from the index. The ESG methodology is described in the methodology of the index provider. The index is rebalanced on a monthly basis.</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>