

# Appendix 5 – Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) (unaudited)

## ANNEX IV

Template periodic 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.



### Sustainability indicators

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

**Product name:** UBS (Lux) Equity SICAV – US Income Sustainable (USD)

**Legal entity identifier:** 549300MRVFOOZGERHC71

## Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

●● <input type="checkbox"/> Yes	●○ <input checked="" type="checkbox"/> No
<input type="checkbox"/> It made <b>sustainable investments with an environmental objective:</b> ___%  <input type="checkbox"/> 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"/> It <b>promoted Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of 34.49% of sustainable investments  <input type="checkbox"/> with an environmental objective in economic activities that 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 checked="" type="checkbox"/> with a social objective
<input type="checkbox"/> It made <b>sustainable investments with a social objective:</b> ___%	<input type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b>

**To what extent were the environmental and/or social characteristics promoted by this financial product met?**

The following characteristics are promoted by the financial product:

- 1) A sustainability profile that is higher than its benchmark's sustainability profile.
- 2) A lower Weighted Average Carbon Intensity (WACI) than the reference benchmark.

# Appendix 5 – Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) (unaudited)

The extent to which the environmental and/ or social characteristics promoted by this financial product were met is stated in the answer to the question "How did the sustainability indicators perform?" of this annex.

The benchmark is a broad market index which does not assess or include constituents according to environmental and/or social characteristics and therefore is not intended to be consistent with the characteristics promoted by the financial product. No ESG reference benchmark has been designated for the purpose of attaining the characteristics promoted by the financial product.

The sustainability profile of the financial product is measured by its benchmark's profile and the corresponding results are calculated at least once a year from the respective monthly profiles.

## ● **How did the sustainability indicators perform?**

Characteristic 1:

The ESG score of the financial product was higher than that of its benchmark.

- ESG score of the financial product: 6.93
- ESG score of the benchmark: 6.55

Characteristic 2:

The Weighted Average Carbon Intensity (WACI) was lower than that of its benchmark.

- Weighted Average Carbon Intensity (WACI) of the financial product: 56.91 tonnes of CO2 per million dollars revenues.
- Weighted Average Carbon Intensity (WACI) of the benchmark: 138.84 tonnes of CO2 per million dollars revenues.

## ● **...and compared to previous periods?**

Not applicable. This is the first reference period.

## ● **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

The objectives of the sustainable investments that the financial product partially made was to contribute to the environmental and/or social characteristic(s) promoted by the financial product.

## ● **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

The Portfolio Manager applies exclusions to the investment universe of the financial product. The link to the Sustainability Exclusion Policy can be found in the main body of the Sales Prospectus.

**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.

# Appendix 5 – Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) (unaudited)

The exclusions include thermal coal mining and thermal coal-based energy production & oil sands, the portfolio manager selects investments based upon a lower absolute or relative scope 1+2 carbon intensity. UBS Asset Management 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.

Investments are positively screened according to the environmental and/or social characteristics promoted by the financial product.

----- *How were the indicators for adverse impacts on sustainability factors taken into account?*

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.

----- *Were sustainable investments aligned with the OECD Guidelines for Multi-national Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Companies violating the United Nations Global Compact (UNGC) principles, who do not demonstrate credible corrective action will be excluded from the investment universe.

*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 Union 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.*



## **How did this financial product consider principal adverse impacts on sustainability factors?**

The Portfolio Manager applies exclusions to the investment universe of the financial product. The link to the Sustainability Exclusion Policy can be found in the main body of the Sales Prospectus.

# Appendix 5 – Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) (unaudited)

The exclusions include thermal coal mining and thermal coal-based energy production & oil sands, the portfolio manager selects investments based upon a lower absolute or relative scope 1+2 carbon intensity. UBS Asset Management 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.

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.

Companies violating the United Nations Global Compact (UNGC) principles, which do not demonstrate credible corrective action will be excluded from the investment universe.



## What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 31 May 2023.

Largest Investments	Sector	% Net Assets*	Country
Constellation Brands Inc	Tobacco & alcohol	3.24	United States of America
Dropbox Inc	Internet, software & IT serv	3.22	United States of America
Texas Instruments Inc	Electronics & semiconductors	3.15	United States of America
S&P Global Inc	Graphics, publishing, media	3.14	United States of America
Quest Diagnostics Inc	Pharmaceuticals, cosm & med prod	3.09	United States of America
Chevron Corp	Petroleum	3.06	United States of America
McKesson Corp	Pharmaceuticals, cosm & med prod	3.06	United States of America
General Mills Inc	Food & soft drinks	3.05	United States of America
Pfizer Inc	Pharmaceuticals, cosm & med prod	3.04	United States of America
Robert Half International Inc	Computer hardware & network	2.94	United States of America
LKQ Corp	Vehicles	2.93	United States of America
Cisco Systems Inc	Computer hardware & network	2.92	United States of America
Willis Towers Watson PLC	Insurance companies	2.89	United Kingdom
Colgate-Palmolive Co	Miscellaneous consumer goods	2.89	United States of America
Ameriprise Financial Inc	Financial & investment companies	2.83	United States of America

\*Minor differences with "Statement of Investments in Securities" might occur due to rounding in production system



## What was the proportion of sustainability-related investments?

As per the end of the reference period the proportion of sustainability-related investments of the financial product was 34.49%.

**Asset allocation** describes the share of investments in specific assets.

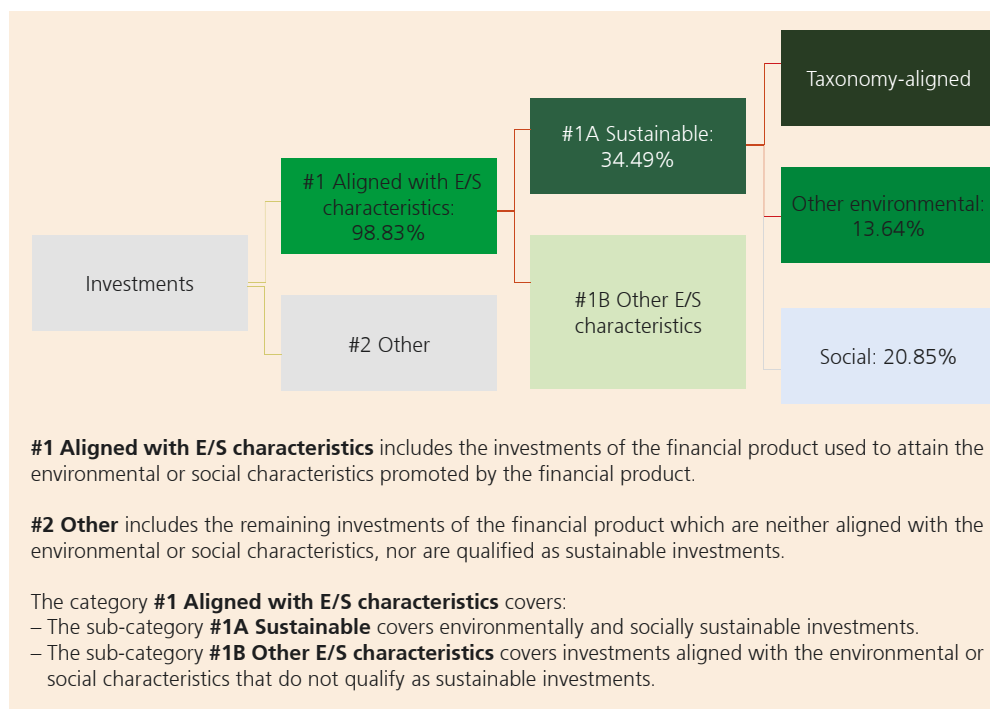
### ● What was the asset allocation?

The proportions of investments of the financial product were calculated as per the end of the reference period, which is: 31 May 2023.

# Appendix 5 – Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) (unaudited)

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.



## ● In which economic sectors were the investments made?

Please refer to the section “Structure of the Securities Portfolio” of the relevant subfund of this Annual report to review the breakdown of the economic sectors where the investments were made.



## To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

It has not been possible to collect data on the environmental objective(s) set out in Article 9 of the Taxonomy Regulation and on how and to what extent the investments underlying the financial product are in economic activities that qualify as environmentally sustainable under Article 3 of the Taxonomy Regulation (“Taxonomy Aligned Investments”). On that basis, the financial product has 0% Taxonomy Aligned Investments.

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

## ● Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy<sup>1</sup>?

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

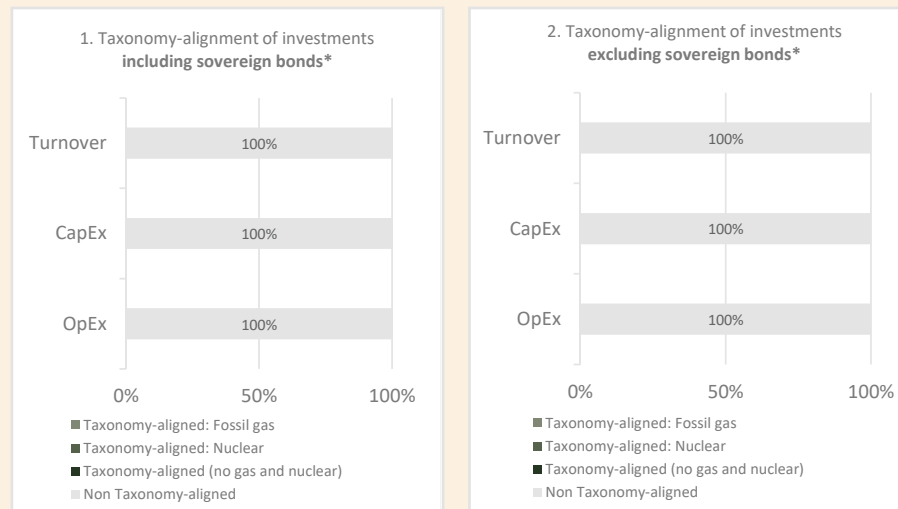
<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for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

# Appendix 5 – Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) (unaudited)

**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.

*The graphs below show in green the percentage of investments that were 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 was the share of investments made in transitional and enabling activities?**

There is no commitment to a minimum proportion of investments in transitional and enabling activities.

● **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

Not applicable. This is the first reference period.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.



**What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?**

The sustainable investments made by the financial product will contribute to either environmental or social objectives or both. The financial product does not commit to a predetermined combination of environmental or social objectives, and therefore there is no minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy. Where the financial product does invest in environmentally sustainable investments that are not Taxonomy-aligned, this is due to the absence of necessary data to determine Taxonomy-alignment.

# Appendix 5 – Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088) (unaudited)



## What was the share of socially sustainable investments?

The sustainable investments made by the financial product will contribute to either environmental or social objectives or both. The financial product does not commit a predetermined combination of environmental or social objectives, and therefore there is no minimum share of socially sustainable investments.



## What investments were included under “other”, what was their purpose and were 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. Unrated instruments may also include securities for which data needed for the measurement of attainment of environmental or social characteristics is not available.



## What actions have been taken to meet the environmental and/or social characteristics during the reference period?

During the reference period, the environmental and/ or social characteristics were met by following the investment strategy and applying exclusion criteria as per the sales prospectus. The investment strategies and/ or exclusion criteria are monitored to ensure adherence.



## How did this financial product perform compared to the reference benchmark?

No ESG reference benchmark has been designated for the purpose of determining whether the financial product is aligned with the characteristics that it promotes.

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

- **How does the reference benchmark differ from a broad market index?**

Not applicable.

- **How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?**

Not applicable.

- **How did this financial product perform compared with the reference benchmark?**

Not applicable.

- **How did this financial product perform compared with the broad market index?**

Not applicable.