

# 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) Strategy SICAV – Income Sustainable (USD)  
**Legal entity identifier:** 54930028RVK7YIH3XJ30

### 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> ___% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<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 63.94% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul>
<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:

At least 70% of the subfund’s net assets (excluding cash, cash equivalents, and derivatives) will be invested (a) in investment strategies that promote environmental (E) and/or social (S) characteristics and comply with Article 8 of the Regulation on sustainability-related disclosures in the financial services sector (“SFDR”), or are deemed equivalent, or (b) in investment strategies with sustainable investment as their objective and comply with Article 9 of SFDR or that have the reduction of carbon emissions as an objective and comply with Article 9 of SFDR, or are deemed equivalent.

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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.

No ESG reference benchmark has been designated for the purpose of attaining the characteristics promoted by the financial product.

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

During the reference period, the percentage of the subfund's net assets (excluding cash, cash equivalents and derivatives) aligned with the promoted characteristic described above was higher than 70%.

Percentage of the financial product aligned with the promoted characteristic: 100.00%

## ● **... 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.

This subfund utilizes underlying investment strategies to achieve its investment objective.

For investments in active equity and fixed income strategies managed by UBS Asset Management, the portfolio manager of the underlying investment strategy applies exclusions to the investment universe of the financial product. These exclusions include thermal coal mining and thermal coal-based energy production & oil sands. 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. In addition, investments are positively screened according to the criteria defined for the respective underlying investment strategy.

For investments in 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 third party managed funds, the portfolio manager of the underlying investment strategy may utilize different methodologies. Third party strategies are assessed for do no significant harm criteria via UBS Asset Management's manager research process described above.

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**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.

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

This subfund utilizes underlying investment strategies to achieve its investment objective.

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.

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.

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

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.

*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.*

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## 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.

This subfund utilizes underlying investment strategies to achieve its investment objective.

For investments in active equity and fixed income strategies managed by UBS Asset Management, the portfolio manager of the underlying investment strategy applies exclusions to the investment universe of the financial product. These exclusions include thermal coal mining and thermal coal-based energy production & oil sands. 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.

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

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.



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

Largest Investments	Sector	% Net Assets*	Country
UBS Lux Bond SICAV - USD Investment Grade Corporates Sustainable	Investment funds & benefit found	17.99	Luxembourg
Focused SICAV - World Bank Long Term Bond USD	Investment funds & benefit found	16.14	Luxembourg
UBS Lux Bond SICAV-Green Social Sustainable Bonds	Investment funds & benefit found	14.68	Luxembourg
Focused SICAV - World Bank Bond USD	Investment funds & benefit found	10.81	Luxembourg
UBS Lux Fund Solutions - Sustainable Development Bank Bonds UCITS ETF	Investment funds & benefit found	6.05	Luxembourg
UBS Lux Equity SICAV - Engage for Impact USD	Investment funds & benefit found	3.80	Luxembourg
Focused SICAV - US Corporate Bond Sustainable USD	Investment funds & benefit found	3.51	Luxembourg
Focused Fund FCP - Corporate Bond Sustainable USD	Investment funds & benefit found	3.50	Luxembourg
Record Ucits Icaav - Record Em Sustainable Finance Fund	Investment funds & benefit found	3.13	Ireland
Federated Hermes SDG Engagement High Yield Credit Fund/Ireland	Investment funds & benefit found	2.50	Ireland
Neuberger Berman Global High Yield SDG Engagement Fund	Investment funds & benefit found	2.50	Ireland
UBS Lux Equity Fund - Global Sustainable Improvers Usd	Investment funds & benefit found	2.35	Luxembourg
UBS Lux Fund Solutions - MSCI Emerging Markets Socially Responsible UC	Investment funds & benefit found	1.98	Luxembourg

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

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Largest Investments	Sector	% Net Assets*	Country
UBS Lux Money Market Fund - USD Sustainable	Investment funds & benefit found	1.87	Luxembourg
UBS Irl ETF Plc - MSCI ACWI ESG Universal Low Carbon Select UCITS ETF	Investment funds & benefit found	1.60	Ireland

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

## ● 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 63.94%.

## ● 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.

The proportion of investments aligned with E/S characteristics is not calculated on a look through basis across the target funds, which is in line with the promotion characteristic.

The proportion of investments aligned with E/S characteristics disclosed in the box "#1 Aligned with E/S characteristics" in the Asset Allocation table below is calculated including, in the total net assets of the financial product, also cash, cash equivalents and derivatives.

On the other hand, the proportion of investments aligned with E/S characteristics disclosed in the question "How did the sustainability indicators perform?" is calculated after excluding cash, cash equivalents and derivatives from the total net assets of the financial product, in accordance with the characteristic promoted by this financial product.

### Asset allocation

describes the share of investments in specific assets.

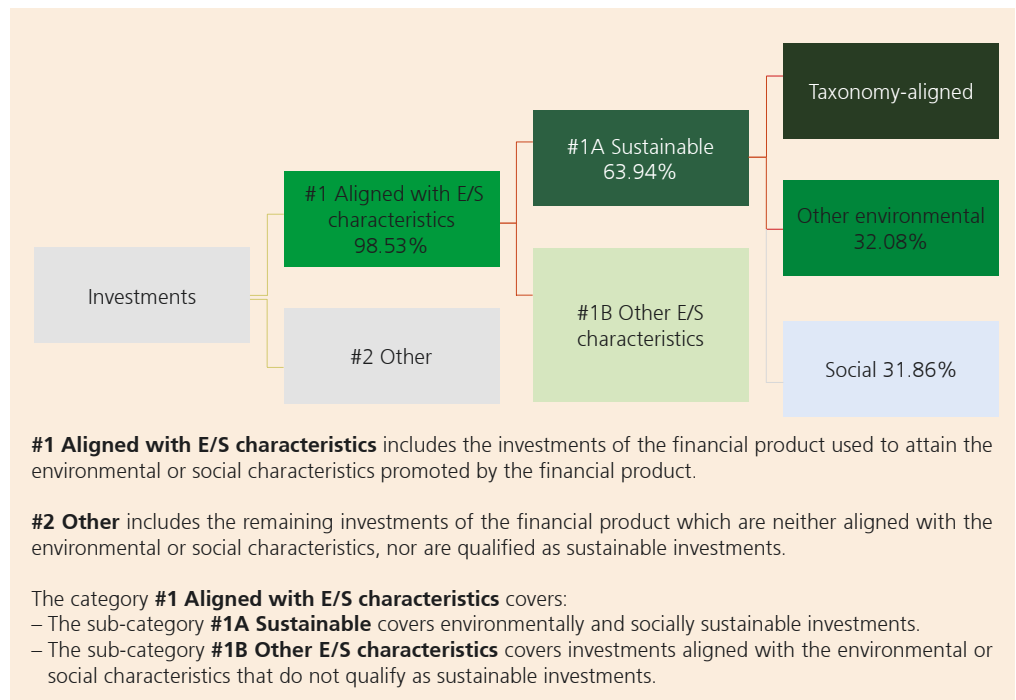
To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

### 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.



## ● 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.

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## 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.

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

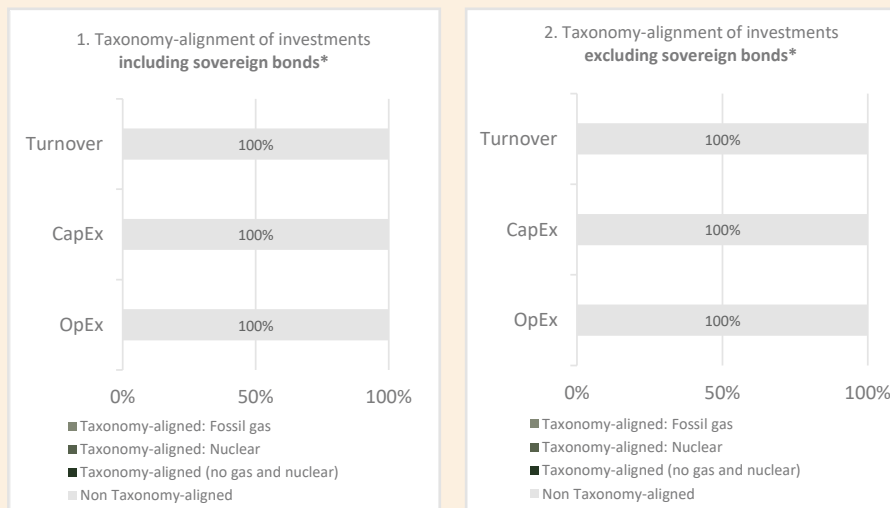
- Yes:
  - In fossil gas
  - In nuclear energy
- No

<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.

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.

**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.

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- **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 financial product had a proportion of sustainable investment with an environmental objective not aligned with the EU Taxonomy as stated in the asset allocation section of this annex.



- **What was the share of socially sustainable investments?**

The financial product had a proportion of socially sustainable investment as stated in the asset allocation section of this annex.



- **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.

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**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.