

UBS (Lux) Fund Solutions - Global Green Bond ESG 1-10 UCITS ETF

No significant harm to the sustainable investment objective

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. 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 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.

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

Sustainable investment objective of the financial product

The following characteristic(s) is/are promoted by the financial product:

This financial product has sustainable investment as its objective and aims to track, before expenses, the price and income performance of the Bloomberg MSCI Global Green Bond 1-10 Year Sustainability Select Index (Total Return) (the "Index"). 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).

The Reference Benchmark (the "Index") designated for the purpose of attaining the sustainable investment objective of this financial product is the Bloomberg MSCI Global Green Bond 1-10 Year Sustainability Select Index (Total Return).

The characteristic(s) is/are measured using the following indicator(s) respectively:

The attainment of the sustainable investment objective is measured using the following indicators respectively:

- Whether the security is classified as a green bond

For the Bloomberg Barclays MSCI Global Green Bond Index, 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.

Investment strategy

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

This financial product is passively managed. It seeks to achieve its sustainable investment objective described in this annex by tracking the Index and, with regard to ESG criteria, giving exposure to eligible green bonds. 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.

Assessment of good governance practices of the investee companies are performed by the index provider.

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.

Proportion of investments

The minimum proportion of the investments of the financial product used to meet the sustainable investment objective is 100 %, with the exception of any investments used for hedging or relating to cash held as ancillary liquidity.

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.

Monitoring of environmental or social characteristics

The portfolio manager has data indicators and a systematic pre-trade guideline control in place to monitor the stated environmental or social characteristics promoted by the financial product, specifically the binding targets stated in the investment strategy, there is a monitoring oversight control. There are also independent controls and audit by our delegated fund administrators.

Methodologies

The performance of the indicators used to measure the environmental or social characteristics promoted by the financial product are measured daily, assessed quarterly and reported annually.

Data sources and processing

The data sources used to attain the stated environmental or social characteristics are as follows:

The MSCI ESG Score, supplied by the index provider

Data is consumed from leading providers, processed in accordance with defined guidelines and supplemented with analyst recommendation.

Limitations to methodologies and data

We apply a minimum coverage threshold for the data sources used to attain the stated environmental or social characteristics of the financial product, these thresholds ensure that the binding targets can be monitored and measured. Accuracy of data is dependent on 3rd party providers, coverage of data sources can be < 100% due to uncovered asset types, incomplete or inconsistent data and gaps in the coverage of these 3rd party providers.

Due diligence

Due diligence is carried out on index providers and/or data providers. 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.

Engagement policies

In terms of passive strategies tracking sustainability indexes as is the case with this financial product, the engagement process helps us to identify companies where material ESG and sustainability factors may present a future negative risk.

While the UBS AM engagement program is across all asset classes and portfolios, the impact on passively managed fixed income strategies might be reduced, mainly due to the lack of voting rights and that companies which failed in UBS AM's engagement process are typically not excluded due to the passive management style.

Nevertheless, passively managed fixed income assets are part of the engagement with senior management, as all other assets the firm manages, in order to achieve the biggest possible impact.

Attainment of the sustainable investment objective

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

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