

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

No sustainable investment objective

"This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment. 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. 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 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. The MSCI ESG Controversies tool monitors company involvement in nota- ESG controversies related to the company's operations and/or prod-, possible breaches of international norms and principles such as the UN Global Compact, and performance with respect to these norms and principles.

Environmental or social characteristics of the financial product

The following characteristic(s) is/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 Bloomberg MSCI US Liquid Corporates Sustainable Index.

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

The FUND_ESG_QUALITY_SCORE

Investment strategy

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:

A sustainability profile (MSCI ESG Score) that is higher than the parent bench-mark's sustainability profile.

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

The binding element(s) are calculated at quarter end using the average of all of business days' values in the quarter.

Assessment of good governance practices of the investee companies are per-formed 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 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%.

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

Designated reference benchmark

The Reference Benchmark designated for the purpose of attaining the characteristic promoted by the financial product is the J.P. Morgan Global Government ESG Liquid Bond 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 J.P. Morgan Global Government ESG Liquid Bond Index (Total Return) is designed to track the performance of liquid global government bonds. The index is based on a market capitalization weighting. The index further applies an environmental, social and governance (ESG) screening and scoring of issuer countries. 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 re-moved from the index.

The ESG methodology is described in the methodology of the index provider.

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