UBS (Lux) Bond SICAV - Global SDG Corporates Sustainable (USD)

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

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.

The 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.

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

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, who do not demonstrate credible corrective action will be excluded from the investment universe.

Environmental or social characteristics of the financial product

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

Invest at least 80% of the assets worldwide in corporate bonds from developed market or emerging market issuers that promote one or more United Nations Sustainable Development Goals (SDGs), such as SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure), SDG 3 (Good Health and Well-Being) and SDG 6 (Clean Water and Sanitation), as well as in "green", "social", "sustainable" bonds from companies (including supranational and agency bonds), the proceeds of which will be used for eligible environmental and social projects.

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

Companies have revenue exposure of at least 20% to one or more SDGs, such as SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure), SDG 3 (Good Health and Well-Being) and SDG 6 (Clean Water and Sanitation).

 The classification as green, social, sustainable is based on external providers and relates to:

-Green bonds: Use of proceeds to finance projects that advance environmental objectives (e.g. renewable energy, clean transportation).

-Social bonds: Use of proceeds for projects aiming to addressing / mitigating a specific social issue and/or seek to achieve positive social outcomes (e.g. affordable housing, food security).

-Sustainable bonds: Use of proceeds that intentionally mix eligible Green and Social projects and adhere to specific guidelines.

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:

Invest at least 80% of the assets worldwide in corporate bonds from developed market or emerging market issuers that promote one or more United Nations Sustainable Development Goals (SDGs), such as SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure), SDG 3 (Good Health and Well-Being) and SDG 6 (Clean Water and Sanitation), as well as in "green", "social", "sustainable" bonds from companies (including supranational and agency bonds), the proceeds of which will be used for eligible environmental and social projects.

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 business days' values in the quarter.

Good corporate governance is a key driver of sustainable performance and is therefore embedded in the Portfolio Manager's investment strategy. The Portfolio Manager employs a proprietary ESG Risk Dashboard that combines multiple ESG data sources from internal and recognized external providers in order to identify companies with material ESG risks. An actionable risk signal highlights ESG risks to the Portfolio Manager for incorporation in their investment decision making process. The assessment of good governance includes consideration of board structure and independence, remuneration alignment, transparency of ownership and control, and financial reporting.

Proportion of investments

The minimum proportion of the investments used to meet the environmental and/or social characteristics promoted by the financial product is 80%. 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 are primarily used for hedging and liquidity management purposes.

Monitoring of environmental or social characteristics

The portfolio manager has data indicators and a systemic 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 & audit by our delegated fund administrators.

UBS Asset Management, January 2023

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:

SDG revenue alignment supplied by a leading data vendor

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

UBS Group and UBS AM invest significant resources in ESG data. Within UBS AM, the data selection and onboarding process is jointly handled by our Sustainable Investment team and QED (data science). This ensures that datasets provide meaningful insights and that they are robust from a data quality point of view. Also, the data selection and onboarding is just one part, extracting insights and actually using it in investment decisions is what really matters.

Engagement policies

Through our research process we will also seek to identify companies where material ESG and sustainability factors may present a future negative risk. We will prioritize such companies for engagement and additionally utilize proxy voting as part of our stewardship activities to minimize adverse impacts where appropriate. Where UBS-AM has direct ownership of a physical asset, it aligns its partners to prescribed standards and KPIs which are monitored so that remedy actions can be taken if performance and standards fall short.

Designated reference benchmark

Not applicable.

UBS Asset Management, January 2023