

## UBS (Lux) Equity SICAV - Active Climate Aware (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, 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 criteria defined in the above section "What environmental and/or social characteristics are promoted by this 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:

- 1) A lower Weighted Average Carbon Intensity (WACI) than the reference benchmark.
- 2) A lower implied temperature alignment score than the reference benchmark.
- 3) A "green to brown ratio" that is higher than the green to brown ratio of the benchmark

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

For characteristic 1):

Scope 1 and 2 Weighted Average Carbon Intensity (WACI):

- Scope 1 refers to direct carbon emissions and therefore includes all direct greenhouse gas emissions from owned or controlled sources of the relevant entity or issuer.

- Scope 2 refers to indirect carbon emissions and therefore includes greenhouse gas emissions from the generation of electricity, thermal energy and/or steam that is consumed by the relevant entity or issuer.

For characteristic 2):

The implied temperature alignment score is a forward-looking metric that estimates the future trajectory of given carbon emissions of an individual issuer or portfolio. This metric implies the level of warming using a relevant climate scenario resulting from the investment in a company or portfolio. On quarterly basis, the portfolio seeks to have an implied portfolio's temperature alignment metric lower than of the reference benchmark.

For characteristic 3):

The "green to brown ratio" metric is the weighted sum of the estimations of the "green" shares of revenues from underlying issuers in the portfolio divided by the weighted sum of the estimations of the "brown" shares of revenues from underlying issuers in the portfolio, relative to the benchmark.

### 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:

Characteristic 1):

A lower Scope 1 and 2 Weighted Average Carbon Intensity (WACI) than its benchmark.

Characteristic 2):

A lower implied temperature alignment score than its benchmark.

Characteristic 3):

A "green to brown ratio" that is higher than the green to brown ratio of the benchmark.

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.

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 67%. The minimum proportion of sustainable investments of the financial product is 40%.

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 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.

**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:

1. Weighted Average Carbon Intensity and carbon profile, carbon metrics are supplied from a leading industry vendor
2. The UBS ESG consensus score, which is a score that is a normalised weighted average of ESG score data from internal and recognised external providers. Rather than exclusively relying on an ESG score from a single provider, the Consensus Score approach enhances the plausibility of the sustainability profile quality. The UBS ESG consensus score assesses sustainability factors, such as the performance of the relevant companies with reference to environmental, social and governance (ESG) aspects.
3. Input needed to calculate the green to brown ratio, 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**

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.