

Focused SICAV - Corporate Bond Sustainable EUR

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 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:

- 1) A sustainability profile that is higher than its benchmark's sustainability profile.
- 2) A lower Weighted Average Carbon Intensity (WACI) than the reference 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):

The UBS ESG consensus score is used to identify issuers/companies for the investment universe with strong environmental and social performance characteristics, or a strong sustainability profile. This UBS ESG consensus score is a normalized weighted average of ESG score data from internal and recognized external providers. Rather than relying on an ESG score from a single provider, the consensus score approach increases conviction in the validity of the sustainability profile.

The UBS ESG consensus score assesses sustainability factors, such as the performance of the relevant issuers/companies with reference to environmental, social and governance (ESG) aspects. These ESG aspects relate to the main areas in which the issuers/companies operate and their effectiveness in managing ESG risks. Environmental and social factors can include (amongst others) the following: environmental footprint and operational efficiency, environmental risk management, climate change, natural resource usage, pollution and waste management, employment standards and supply chain monitoring, human capital, diversity within the board of directors, occupational health and safety, product safety, as well as anti-fraud and anti-corruption guidelines.

The individual investments in the sub-fund have a UBS ESG consensus score (on a scale of 0-10, with 10 having the best sustainability profile).

For characteristic 2):

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.

Investment strategy

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 70%. 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.

Derivative exposure of the sub-fund will follow the following framework: equity exposure built via long derivatives such as futures or OTC will have an ESG index as underlying. Reduction in equity exposure via futures or OTC may have non-ESG indices as underlying. Additionally, derivatives may be used for hedging 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:

Target funds are selected based upon regulatory filings, where these target funds are not within regulatory scope then equivalence is assessed via a due diligence process. For UBS Asset Management managed active investment strategies, data sources used to attain the stated environmental or social characteristics are as follows: Data is consumed from leading providers, processed in accordance with defined guidelines and supplemented with analyst recommendation.

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Limitations to methodologies and data

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Due diligence

This sub-fund utilizes underlying investment strategies to achieve its investment objective and the underlying investment strategies are assessed as follows:

A) The disclosure that the target fund is classified as Article 8 or Article 9 in accordance with SFDR (where applicable).

Additionally, for investment via actively managed, third-party funds, UBS Asset Management's manager research team evaluates strategies of external asset managers to ensure that they meet UBS sustainability standards ("equivalency principle"). When evaluating these strategies, UBS Asset Management pays particular attention to the existing ESG resources of the external asset managers, such as the quality of the team of research and investment staff dedicated to ESG issues, the experience of the individual staff members in the sustainability area, the analytical and research tools used to assess the ESG risks of companies, or the investment process with regard to the consideration of ESG risks in portfolio construction. Where appropriate, UBS Asset Management compares the ESG approaches of the external asset managers with its own ESG approaches in order to gain an additional perspective on the external asset managers' ability to actually achieve their stated objectives.

B) For UBS Asset Management managed active investment strategies to qualify, the strategy must promote one or more measurable environmental/social characteristics or commit to making an investment in sustainable investments with an environmental or social objective. The strategies must also apply the exclusion policy, whose link can be found in the main body of the Sales Prospectus. Strategies which meet these requirements are classified by UBS Asset Management as "Sustainability Focus" or "Impact" with Impact strategies being those that have a measurable, verifiable investor and/or company impact using a recognized impact framework (e.g. the UN Sustainable Development Goals).

Engagement policies

This sub-fund utilizes underlying investment strategies to achieve its investment objective.

For investments in active equity and fixed income strategies managed by UBS Asset Management, the research process of the underlying investment strategies seek to identify companies where material ESG and sustainability factors may present a future negative risk. A central team will prioritize such companies for engagement and additionally utilize proxy voting as part of our stewardship activities to minimize adverse impacts where appropriate.

Designated reference benchmark

Not applicable.