

## **Focused SICAV - World Bank Bond USD**

### **No significant harm to the sustainable investment objective**

The sustainable investments of the financial product are World Bank Bonds, Medium Term Notes (MTN) and Private Placements issued by the IBRD. The IBRD has policies in place to avoid and minimize harm from potential adverse impacts.

Development bank bonds make financing available for projects with positive social and environmental impact and therefore the investments have no adverse impacts on sustainability factors.

Issuers violating the United Nations Global Compact (UNGC) principles, who do not demonstrate credible corrective action are not part of the investment universe.

### **Sustainable investment objective of the financial product**

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

Invest in World Bank Bonds, Medium Term Notes (MTN) and Private Placements issued by the International Bank of Research and Development ("IBRD") that qualify as sustainable investments.

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

Issuer of the instruments is the IBRD. IBRD is an international organization and global development cooperative owned by 189 member countries. As one of the largest development banks in the world, it supports the World Bank Group's mission by providing loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries. The IBRD has been issuing bonds for over 70 years to finance its sustainable development activities and make a positive impact. All World Bank development projects are designed to achieve positive environmental and social impacts and outcomes that are consistent with the World Bank Group's goals and in line with the UN Sustainable Development Goals.

### **Investment strategy**

Details of the investment strategy are set out in response to "What is the sustainable investment objective of this financial product?" and its subsections above.

The sub-fund invest 100% of its assets - excluding cash, cash equivalents, money market instruments and derivatives - in World Bank Bonds, Medium Term Notes (MTN) and Private Placements issued by the IBRD that qualify as sustainable investments. In cases where the sub-fund's assets cannot be invested in IBRD investments and it is in the best interest of investors (e.g. due to high inflows), a portion of these assets may be temporarily invested in US government bonds.

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 sustainable investments of the financial product is 80%. The minimum proportion of sustainable investments with a social objective of the financial product is 80%.

Derivatives are not used for the attainment of the sustainable investment objective of 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.

### **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:

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.

**Attainment of the sustainable investment objective**

The Portfolio Manager has initially selected the reference benchmark for its relevance to its investment strategy and the attainment of the sustainable objective it seeks to achieve. The Index rebalances on a monthly basis, more details on the index methodology applied by the index provider can be found below.

The alignment of the investment strategy with the methodology of the Index is ensured on a continuous basis based on the fact that the Portfolio Manager invests in a subset of issuers part of the index.

The benchmark differs from a broad market index in that only fixed income securities issued by Multilateral Development Banks are eligible for inclusion in the benchmark. A Multilateral Development Bank is a Development Bank whose shareholders list includes among other members all G7 countries. The World Bank is an important issuer of bonds that are constituents of the benchmark. The benchmark is aligned with the sustainable investment objective of this sub-fund.

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The index methodology can be found on the relevant webpages by the index provider: <https://www.solactive.com/indices>.