

Summary

UBS Fund Management (Luxembourg) S.A., (LEI: 549300AE48NQE4QVEH24) considers Principal Adverse Impacts ("**PAI**") of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of UBS Fund Management (Luxembourg) S.A. (hereinafter also known as "**UBS-FML**" or "**the Management Company**").

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2023.

The EU Sustainable Finance Disclosure Regulations ("**SFDR**") aims to provide more transparency on sustainability-related topics so that investors can make informed investment decisions. SFDR requires specific disclosures on how UBS-FML considers PAI, which are defined as the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee concerns, respect for human rights, anti-corruption, and anti-bribery matters.

UBS-FML acknowledges a need for transparency of PAI of investment decisions on sustainability factors, and therefore has defined and follows internal procedures on identification and prioritization of adverse impacts and considers these as part of its investment decision making process. UBS-FML believes that material sustainability issues matter for financial performance and we know that clients have an interest in many of these topics.

UBS-FML has delegated portfolio management to the following portfolio managers:

- UBS Asset Management ("**UBS-AM**"), a business division of UBS Group AG
- UBS Global Wealth Management ("**UBS-GWM**"), a business division of UBS Group AG
- Third party portfolio managers as part of our White Label Solutions business ("**WLS**")

However, the Management Company remains ultimately responsible for the portfolio management function, hence, the delegation is subject to supervision and monitoring from the Management Company. In order to achieve this, the Management Company has implemented a robust oversight control framework.

The assessment of PAI is performed for all funds and discretionary portfolio management mandates managed by UBS-FML and includes both, sustainable and non sustainable strategies. The indicators provided in section 2 are based on PAI data from 3 May 2024.

UBS-FML actively considers certain PAI indicators as part of its sustainable investing strategies (SFDR Article 8 / 9). "**Article 8**" & "**Article 9**" are references to the specific product level disclosures prescribed by the EU regulation on sustainability related disclosures in the financial services sector (SFDR). Products have been positioned into these strategies during the reference period and will continue to be so in the future.

The availability and accessibility of reliable market data to compute the PAI indicator is still a challenge for the industry. UBS-FML will seek to improve data coverage as industry practice emerges and will assess indicators in order to have as broad a coverage as possible for future consideration into the investment process.

Specific considerations of PAI at product level by UBS AM and UBS GWM are further elaborated in the section 3.3 of the report.

For the WLS business, although third party portfolio managers consider PAI indicators where relevant, according to their own methodology, it is not feasible to make meaningful narrative disclosures per indicator at the level of the Management Company. Disclosure per product can be found in the

respective product level disclosure. The impacts of these investments themselves were calculated and contributed to the figures below.

UBS acknowledges that the PAI framework and data are still evolving and that data availability for some of the indicators is still limited, however the following has been observed during the last two years:

Even though 12 out of 20 PAI indicators have improved from reporting year 2022 to 2023, the metrics calculated for a number of PAI indicators have been impacted over the course of the year by changes to products under UBS-FML governance (e.g. new fund launches, fund liquidations or transfers of funds to another management company), to the current value of investments driven by major geopolitical developments, global financial market volatility, changes in methodology made by our vendor (such as the move to the sub-portfolio approach) and poor availability of data. The data coverage remains limited for three indicators (emissions to water, hazardous waste and radioactive waste ratio, and the unadjusted gender pay gap) where many companies are still not reporting this data in earnest. This leads to an industry-wide gap in coverage for a large number of investee companies and, as a result, the metrics calculated for these indicators are both less accurate and less reliable. We expect that in the coming years with the stabilization of data exchange mechanisms within the industry, both coverage and data quality are going to improve.

Regulators have indicated that additional PAI indicators and amendments to the methodology are to be expected. For the 2023 reporting, the latest industry guidance has been considered by applying a sub-portfolio approach. This approach involves dividing a portfolio into four sub-portfolios for corporates, sovereigns, real estate, and other investments, allowing for a more accurate calculation of metrics by only considering relevant positions for each indicator. The sub-portfolio approach has had immediate impacts, such as driving up the relative position weights for each position in the portfolio. This approach allows for a more robust way of analyzing portfolios.

If investors wish to better understand ESG and sustainability related aspects of their investments, we recommend to consult the product specific documentation rather than this report at the level of the Management Company.