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UK version

Transitioning to a better world

UBS Global Equity Climate Transition Strategy

At the end of this century, temperatures on our planet are projected to reach unprecedent levels, causing a significant impact on the ecosystem, economy and our daily lives. The UBS Global Equity Climate Transition strategy tilts towards companies aiming to move to a low carbon economy and those that align with selected SDGs. The strategy provides a cost-efficient and broad-based exposure to global equity markets.

Mitigating climate-related investment risks in a just and fair way
The innovative UBS Global Equity Climate Transition strategy provides investors with a solution to mitigate climate-related investment risks while considering the social and economic effects of the transition to a low carbon economy.

The strategy, co-developed with Aon, leverages our expertise in developing innovative sustainable investing products and tilts towards opportunities that arise from the transition to a low carbon economy. The aim is to move the portfolio towards a net zero trajectory in line with Paris-aligned targets, benefiting from our global stewardship and engagement efforts.

The strategy also aims to pursue a 'just' transition which ensures that the transition towards a climate-neutral economy happens in a fair way, factoring in the effects that the transition may have on workers and communities. This is achieved by increasing the portfolio's exposure to companies that align with five social and environmental UN Sustainable Development Goals (SDGs).

Steps towards a just transition
Our rules-based global equity strategy seeks to deliver a better climate and ESG profile than the underlying global benchmark by using:

1
Tilts towards companies that are likely to decarbonize over time in line with the Intergovernmental Panel on Climate Change's 1.5°C warming limit (net zero emissions by 2050)

2
Current and forward-looking measures of companies' carbon footprint, targets and climate technologies

3
Tilts towards companies with high values in five UN Sustainable Development Goals (SDGs)[1]:
- Good Health & Well Being (SDG3)
- Affordable & Clean Energy (SDG5)
- Decent Work & Economic Growth (SDG8)
- Responsible Consumption & Production (SDG12)
- Climate Action (SDG13)

4
Real world outcomes via direct engagement with management of companies on best practices to enhance performance on a variety of business strategy and sustainability-related issues

[1] Based on MSCI's SDG Net Alignment score. The MSCI SDG Alignment methodology expresses each company's overall alignment with each of the individual SDGs in the form of a numeric score (on a -10 to +10 scale). This SDG Net Alignment score is normalised and a constraint is set during the portfolio construction process to target a higher overall score for the portfolio relative to its benchmark for each of the 5 SDGs. The strategy typically targets at least 5% higher exposure to each of the SDGs, except for SDG 8 for which the target is at least 3%.

Investment approach

Rules-based
The strategy applies positive and negative 'tilts' related to climate change and decarbonizes over time in-line with the IPCC's 1.5°C scenarios

Social considerations
Pursuing a socially conscious transition by tilting towards companies that align with five social and environmental UN SDGs

Engagement (UBS-AM level)
Engaging with company's management to educate them on best practices and encourage reporting of sustainability metrics

Investment strategy

Portfolio
- Risk/return profile broadly in line with the benchmark
- Low tracking error and turnover
- Cost efficient
- Lower carbon intensity than the benchmark
- Considers social implications of climate transition

Process
- Uses multiple sources of environmental data
- Aligned to forward looking carbon reduction targets
- Tilted towards social and environmental UN SDGs
- Applies select climate related exclusions
- Voting and engagement

UBS Global Equity Climate Transition Strategy
Capitalize on the long term sustainable and inclusive transition to a low carbon emissions economy through an innovative, cost efficient and rules-based investment strategy

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Opportunities

- Highly diversified global equity strategy with focus on risks and opportunities arising from the transition to a low carbon economy
- Not excluding entire sectors, instead increasing the portfolio's relative exposure to climate technologies
- Decarbonization is embedded into the objectives to ensure the strategy is continually evolving to support investors to meet their Net Zero commitments
- Aims to factor in the climate transition's effect on the economy and society. The social contribution is measured through selected SDGs.
- An active engagement policy including voting at the general meetings of companies around the world that need to adapt their business, strategy, and corporate governance in order to reduce climate risks and meet globally agreed climate change goals

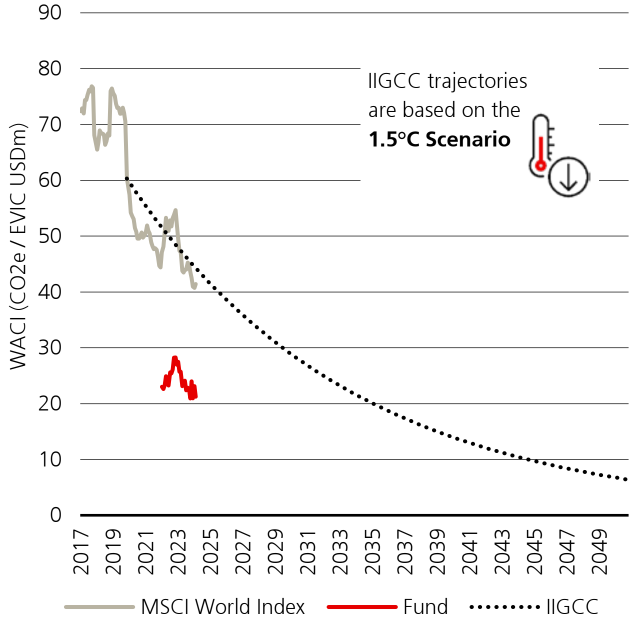
Risk

- The strategy invests in equities and may therefore be subject to high volatility
- Due to market volatility, the unit price may fall below the purchase price paid
- May be influenced by currency fluctuations
- May be subject to geopolitical risks
- Sustainable tilts may lead to performance deviating from the benchmark.
- The long-term nature of climate models and data, new scientific evidence and newly available data may have an impact on the accuracy of net zero targets. These changes may occur for a number of reasons and may alter the baseline data regarding portfolio issues, such as: recalibration of data due to significant changes in data coverage, availability or quality, and recalibration of data due to a significant change in the composition of the benchmark.

The strategy aims to continually decarbonize towards a net-zero trajectory in line with Paris Agreement targets
This self-decarbonisation feature is in line with key legislative guidelines for EU Climate Transition Benchmarks
Selected Climate and ESG relative exposures (as of March 2024)

Carbon intensity trajectory

(scope 1 + scope 2 tCO2e / EVIC USDm)



Selected Climate and ESG relative exposures

(as of March 2024)

Carbon intensity[1] scope 1	-54%
Carbon intensity[1] scope 2	-17%
Carbon intensity[1] scope 3	-8%
Fossil fuel reserves factor[2]	-41%
Green opportunities factor	+15%
NACE high impact sectors	+2%
Glide path factor	+14%
ESG Consensus score	+12%
SDG[2] 3, 7, 8, 12, 13	+5%

Selected Climate and ESG relative exposures

(as of March 2024)

Base value (MSCI World Index, Dec 2019)		60.3
IIGCC WACI limit (Mar 2024)		44.3
Selected WACI metrics	**MSCI World Index**	**Fund**
Latest WACI (Mar 2024)	41.4	21.3
Below IIGCC limit	✓	✓
Initial WACI (Dec 2019)	47.1	23.0

Source: UBS Asset Management, Trucost, MSCI. As of 28 March 2024. Past performance is not a reliable indicator of future results. **1.5°C Scenario** is the scenario referred to in the Special Report on Global Warming of 1.5°C from the Intergovernmental Panel on Climate Change (IPCC). **Fund** is the Climate Transition Strategy, **IIGCC** is the trajectory implied under the Institutional Investors Group on Climate Change (-7% YoY decarbonization versus 2019 MSCI World Index).
Note: Scope 3 emissions only include upstream activities.

1 The trajectory is initially calculated based on a 30% reduction versus the 2019 benchmark followed by -7% YoY self-decarbonization. Note, this is an absolute target, not relative to benchmark and targets or base years can be revised or restated due to carbon data changes.

2 Fossil fuel reserve is a measurement of the equivalent CO_2 emissions or thermal coal and Oil & Gas reserves.

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