

Sustainability Exclusion Policy

UBS Asset Management



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Note: Any required portfolio management-related action based on this policy needs to be implemented within 3 months of the Publishing Date for portfolios in scope



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Introduction



Purpose

This policy describes the exclusion approach of UBS Asset Management (“UBS-AM”) and details those company activities which are excluded from the investment universe. Exclusions are applied to certain UBS-AM collective investment schemes (e.g. funds) as outlined in the Scope section.

Sustainable Investing

At UBS-AM, our ambition is to be the financial provider of choice for clients who wish to mobilize capital towards the achievement of the United Nations’ 17 Sustainable Development Goals and the orderly transition to a low-carbon economy. Stewardship is a fundamental element of our sustainability strategy, and we are firmly committed to engaging with selected companies to support them on their transition journey and to foster social progress. As part of our engagement on sustainability topics, we set clear objectives and regularly monitor the progress of companies against them. If we believe that insufficient progress is made, we may take steps to exclude these companies from our clients’ portfolios in line with their best interests. When acting as good stewards of our clients’ assets, there may also be instances where investing in certain companies with substantially elevated environmental, social or reputational risks outweigh the benefits. This policy lays out the details of how UBS AM addresses such instances.

Exclusion areas

Controversial weapons

UBS-AM does not invest in companies involved in: cluster munitions, anti-personnel mines or chemical and biological weapons, nor does it invest in companies in breach of the Treaty on the Non-Proliferation of Nuclear Weapons. UBS-AM considers a company to be involved in controversial weapons if the company is involved in development, production, storage, maintenance or transport of controversial weapons, or is a majority shareholder (>50% ownership stake) of such a company.

Controversial weapons are regulated by the following international treaties and conventions:

- Cluster munitions: The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions.
- Anti-personnel mines: The Ottawa Treaty (1999) which prohibits the use, stockpiling, production and transfer of anti-personnel mines.
- Biological Weapons: Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons.
- Chemical weapons: The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons.
- Nuclear Weapons: The Treaty on the Non-Proliferation of Nuclear Weapons (1968) which limits the spread of nuclear weapons to the group of so-called Nuclear-Weapons States (US, Russia, UK, France and China).

In addition, Depleted Uranium Manufacturers are excluded, i.e. companies involved in the production of depleted uranium weapons, ammunition, and armour, including companies that manufacture armour piercing, fin stabilized, discarding sabot tracing rounds; Kinetic Energy Missiles made with depleted uranium penetrators; and depleted uranium enhanced armour, including composite tank armour.

Thermal coal mining and oil sands

Companies that generate more than 20% of their revenues from thermal coal mining (including lignite, bituminous, anthracite and steam coal) and its sale to external parties are excluded.

Additionally, companies that generate greater than 20% of their revenues from oil sands (also known as tar sands) extraction (reserves associated with extraction revenues and extraction) are excluded.

Thermal coal power generation

Companies that generate greater than 20% of their revenues from thermal coal-based power generation are excluded.

Controversial behaviour

Companies violating the United Nations Global Compact (UNGC) principles which do not demonstrate credible corrective action as determined by UBS-AM's Stewardship Committee are excluded from the investment universe of our actively managed Sustainability-Focused and Impact fixed income and equities funds under the direct management of UBS-AM.

Controversial business activities

Companies that generate greater than 5% of their revenues from tobacco (production or manufacture of tobacco products), adult entertainment (producer - producing, directing, or publishing adult entertainment materials) and gambling (own or operate gambling facilities) are excluded.

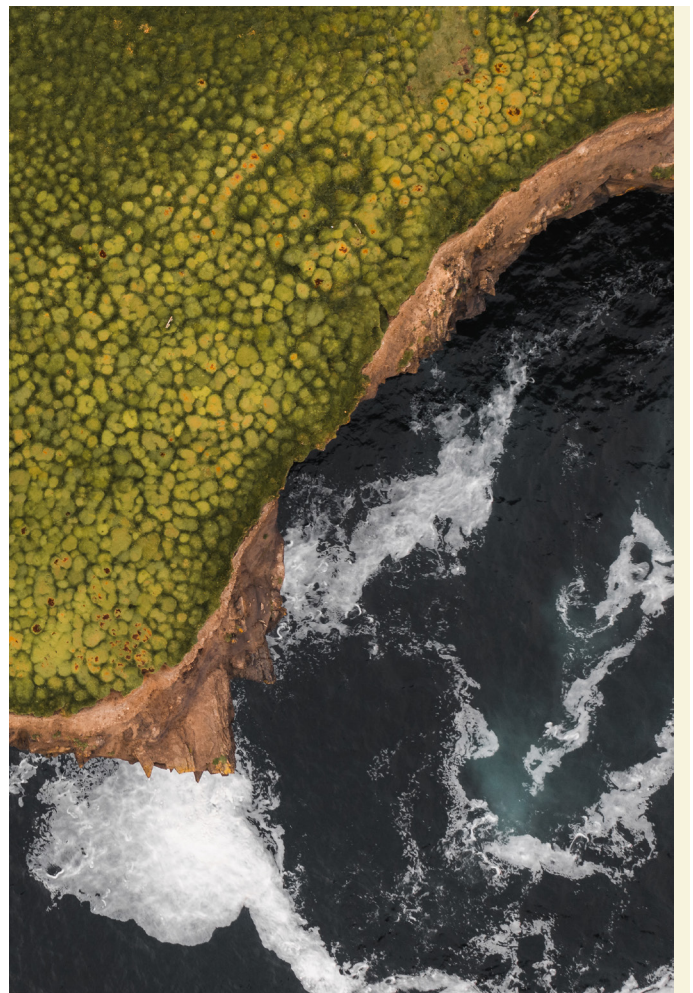
Companies that generate greater than 10% of their revenues from the production of conventional military weapons are also excluded.

Engagement-based exclusions

UBS-AM periodically conducts engagements with selected companies on defined ESG topics, for example Climate. UBS-AM defines specific engagement objectives per each company and assesses progress over the time of dialogue with management. UBS-AM excludes companies which it determines are not adequately progressing against set objectives after a pre-defined period of time. These exclusions are monitored and reviewed on an annual basis, and published in our annual Stewardship Report.

Additional exclusions by product

Additional exclusions for specific products are outlined in the relevant product offering documentation.



Scope

- Controversial weapons exclusions apply to actively managed funds and rule-based Climate Aware funds under the direct investment management of UBS-AM.
- Depleted uranium exclusions, applies to actively managed fixed income and equities funds as well as rule-based Climate Aware funds under the direct management of UBS-AM. *
- Thermal coal mining and oil sands exclusions apply to actively managed fixed income and equities funds as well as rule-based Climate Aware funds under the direct investment management of UBS-AM. *
- Controversial behavior exclusions apply to actively managed fixed income and equities funds under the direct management of UBS-AM that are classified by UBS-AM as Article 8 of the Sustainable Finance Disclosure Regulation (SFDR), “Sustainability Focused” or “Impact”. *
- Thermal coal power generation exclusion applies to actively managed fixed income and equities funds under the direct investment management of UBS-AM that are classified by UBS-AM as “Sustainability Focused” or “Impact”. *
- Controversial business activities exclusions apply to actively managed fixed income and equities funds under the direct investment management of UBS-AM that are classified by UBS-AM as “Sustainability Focused” or “Impact”. *
- Engagement-related exclusions apply to actively managed fixed income and equities funds as well as rule-based Climate Aware funds under the direct management of UBS-AM that are classified by UBS-AM as “Sustainability Focused” or “Impact”.*

Exclusions noted under this policy are not applicable to sovereigns and government-related issuers, index-tracking funds, third-party funds where UBS AM only serves as a sub-advisor or where UBS-AM is not the portfolio manager or the Sponsor of the fund (unless otherwise agreed with the Sponsor), US collective funds managed by UBS Asset Management Trust Company, and other US funds or private investment funds managed by UBS O’Connor LLC, UBS Hedge Fund Solutions LLC, UBS Realty Investors LLC, UBS Farmland Investors LLL, or UBS Asset Management (Americas) Inc., unless such exclusions are disclosed in the funds’ offering documents.



(*) Fixed income scope includes Money Market funds but does not include Fixed Maturity Funds, unless the exclusions are noted in the offering documents of such funds. Investments in other funds (including ETFs and single investor funds / mandates) and derivatives on indices are excluded from these rules. Derivatives on single names are included in these exclusion rules.

Exclusion process

UBS-AM applies investment restriction rules on a pre-trade basis in portfolio management systems to prohibit investment in companies or issuers based on the exclusion criteria.

Exclusion criteria are largely based either on a company list (Engagement-based exclusions) or data indicators from third-party data providers.

Any changes required to portfolios in scope based on this policy are implemented by the responsible Portfolio Manager(s).

Portfolios undergo regular post-trade compliance checks performed by an internal independent guideline monitoring function.



Definitions

“UBS-AM”: a business division of UBS Group AG and its legal entities in those jurisdictions from which it operates.

“Exclusions”: Securities issued by investee companies determined to meet the criteria outlined in the policy which will no longer be actively purchased by UBS-AM portfolio managers.

“Stewardship”: the activities undertaken by UBS-AM as an investor to monitor and, where necessary, intervene on matters that may affect the long-term value of investee companies.

“Actively Managed Funds”: funds under the investment management of UBS-AM where the investment strategy is not tracking an underlying reference benchmark or index.

“Company List”: Externally and internally sourced information regarding the activities of investee companies which are used to determine appropriate exclusions as per this policy

“Third Party Data Providers”: Data which is collected and/or provided by an entity which is not a UBS Group entity.

“United Nations Global Compact (UNGC) Principles”: Please refer to the UNGC website for the definition:
<https://www.unglobalcompact.org/what-is-gc/mission/principles>

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More explanations of financial terms can be found at ubs.com/glossary

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