

SI classification framework

UBS Asset Management



Introduction

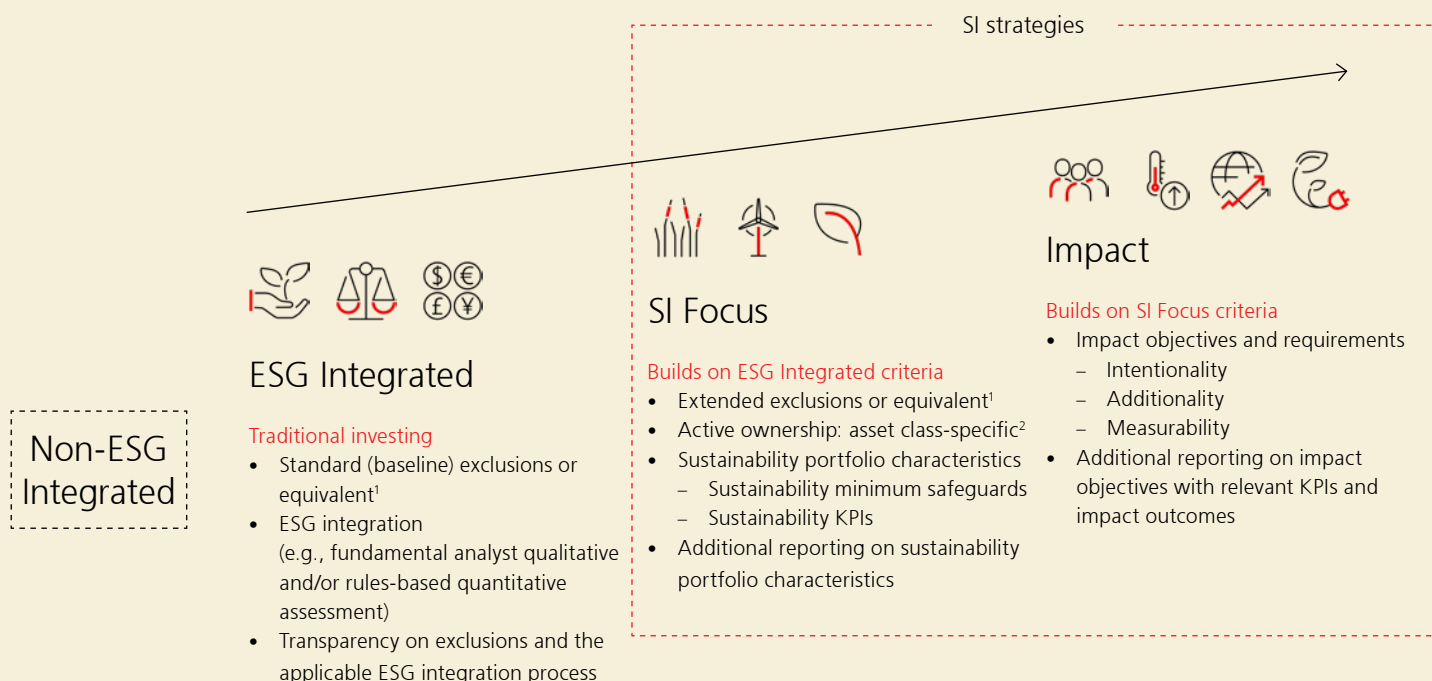
At UBS Asset Management, we aim to provide our clients with a diverse set of investment solutions to meet their needs, and in doing so, partner with clients who wish to mobilize their capital toward a more sustainable world.

To this end, our Sustainable Investing (SI) Framework defines the way we implement sustainability across our investment strategies. The modules within this framework provide minimum standards for our two approaches to sustainable investing (Sustainability Focus and Impact) as well as traditional ESG Integrated investing.

We recognize that sustainable investing best practice evolves with a changing market landscape, including regulatory conditions, data availability, and investor preferences. As such, we expect to update our SI Classification Framework as we believe appropriate to meet evolving market conditions.

SI Classification Framework

A methodology for considering various dimensions of sustainability in the portfolio construction and management process



Source: UBS Asset Management October 2024. For illustrative purposes only
















¹ Please see the UBS Asset Management Sustainability Exclusion Policy for additional information here

² For example, sovereign bond strategies are not in scope due to the nature of issuers. Please see the UBS Asset Management Stewardship Approach for additional information here

Please note: The implementation of approaches vary by asset class, investment style, and availability of information. For more information on specific strategy approaches, please refer to the respective product documentation

SI classification framework: Overview¹

Aligning to the UBS Group classification system: Additional local regulatory requirements may apply

Traditional ²			Sustainable investments (SI)	
Pillars	Non-ESG integrated	ESG integrated	SI Focus	Impact
Exclusions ³				
ESG integration				
Active ownership			Asset class-specific ⁴	 ⁵
Sustainability portfolio characteristics		Not subject to pillars		
Sustainability minimum safeguards <ul style="list-style-type: none">• Avoid material harm• Governance				
Sustainability KPIs ⁶ <ul style="list-style-type: none">• Pre-defined metrics				
Impact objectives <ul style="list-style-type: none">• Intentionality• Additionality• Measurability				
Transparency and reporting ⁷				

¹ The framework was effective as of November 2023 across new fund launches and mandates; existing funds undergo review in accordance with regulatory guidance

² "Traditional" also includes non-ESG integrated strategies, though these are not subject to SI Pillars. Sustainable, ESG or any other environmental or social indication that the portfolio may promote sustainable components not part of the name

³ Please refer to the UBS AM Exclusion Policy here as well as additional exclusion criteria per prospectus / offering documentation. Please note that AM business areas are subject to the AM Sanctions Policy and other firm-level exclusions regardless of SI classification. These latter provisions on their own do not satisfy SI classifications

⁴ For example, sovereign bond strategies are not subject to active ownership criteria. Please see the UBS Asset Management Stewardship Approach for additional information here

⁵ Certain exceptions may apply, such as sovereign/quasi-sovereign bond strategies, where active ownership is not in scope due to the nature of issuers

⁶ Sustainability KPIs are subject to strategy-level approvals. For impact strategies, Sustainability KPIs are linked to Impact objectives. Please see prospectus / offering documentation for additional information

⁷ Reporting for ESG Integrated solutions may vary, and may be required by applicable regulations

Framework Level 1: asset class minimum standards

Baseline for minimum standards across asset classes¹

Sustainable investment (SI) strategies

Pillars

Classification	Traditional ²	SI Focus	Impact ⁸
Sub-classification	ESG integrated	SI Focus	Impact
Exclusions³	UBS AM Sustainability Exclusion Policy, or equivalent exclusion approach		
ESG integration	The strategy considers financially material ESG factors (risks at a minimum) alongside traditional financial metrics in the investment process		
Active ownership	Active ownership may feature as part of the investment strategy, for example, via the UBS engagement program, where relevant for the asset class	Where applicable for the asset class ⁴ , engagement activities, voting, ownership, and/or controlling rights are used to address material ESG risks, opportunities and/or sustainability KPIs with the aim to improve the overall investment outcome.	Where applicable for the asset class ⁵ , engagement activities, voting, ownership, and/or controlling rights are used to address the strategy's impact thesis and objectives with the aim to improve the overall investment outcome
Sustainability portfolio characteristics	<ul style="list-style-type: none"> Sustainability minimum safeguards <ul style="list-style-type: none"> Avoid material harm Governance 	<ul style="list-style-type: none"> Avoid material harm: harm metric(s) inform investment decisions and/or link to applicable firm/fund level exclusions Governance: governance-related standards inform portfolio construction, specific to the asset class and/or strategy 	
	<ul style="list-style-type: none"> Sustainability KPIs⁶ <ul style="list-style-type: none"> Pre-defined metrics 	The portfolio is constructed and managed in line with a minimum proportion of key performance indicators (KPIs) related to sustainability. Such KPIs are documented ex-ante, monitored, and are measurable at the portfolio-level	
	<ul style="list-style-type: none"> Impact objectives <ul style="list-style-type: none"> Intentionality Additionality Measurability 		The portfolio meets the requirements set forth by the UBS AM SI Impact Investing Framework
Transparency and reporting⁷	Documentation required for exclusions and ESG integration processes	<ul style="list-style-type: none"> Documentation required for exclusions and ESG integration processes Reporting demonstrates extent to which the strategy meets relevant sustainability characteristics 	<ul style="list-style-type: none"> Documentation required for exclusions and ESG integration processes Impact reporting with relevant KPIs/ impact outcomes

1 The framework was effective as of November 2023 across new fund launches and mandates; existing funds undergo review in accordance with regulatory guidance

2 "Traditional" also includes non-ESG integrated strategies, which are not subject to SI Pillars. Sustainable, ESG or any other environmental or social indication that the portfolio may promote sustainable components not part of the name

3 Please refer to the UBS AM Exclusion Policy here as well as additional exclusion criteria per prospectus / offering documentation. Please note that AM business areas are subject to the AM Sanctions Policy and other firm-level exclusions regardless of SI classification. These latter provisions on their own do not inform SI classifications

4 For example, sovereign bond strategies are not subject to active ownership criteria. Please see the UBS Asset Management Stewardship Approach for additional information here

5 Certain exceptions may apply, such as sovereign/quasi-sovereign bond strategies, where active ownership is not in scope due to the nature of issuers

6 Sustainability KPIs are subject to strategy-level approvals. For impact strategies, Sustainability KPIs are linked to Impact objectives. Please see prospectus / offering documentation for additional information. The minimum proportion of KPIs at portfolio level may be subject to regulatory requirements

7 Reporting for ESG Integrated solutions may vary, and may be required by applicable regulations

8 Please see next page for more information

Impact investing framework

An OPIM-led approach across all asset classes¹

Intentionality

The strategy has a clear **ex-ante intention** to achieve **specific, measurable environmental and/or societal outcomes** alongside financial returns while minimizing negative outcomes and impact risks.

1. Develop impact thesis (theory of change) of the strategy
2. Define Impact objectives consistent with the investment strategy
3. Ensure impact is integrated into investment thesis
4. Manage strategic impact on portfolio level

Additionality

We believe environmental and/or societal **outcomes would not otherwise occur** without the strategy's deployment.

5. Demonstrate **investment contribution** and / or How each investment contributes toward targeted outcomes (e.g., through products and services, operations or system changes.)
6. Establish **investor contribution** Evidenced by how the investment manager contributes to the impact of each investment

Measurability

The strategy's **established metrics** linked to impact objectives are managed, measured and reported at both the investment and investor level

7. Establish **impact metrics** and perform systematic data collection
8. Assess expected **positive outcomes** and magnitude of impact of each investment, including at exit
9. Consider **ESG risks, negative outcomes** and **impact risk**
10. Perform **Impact reporting** and evaluation of **impact performance**

Impact: Intention to generate positive, measurable societal and/or environmental impact alongside a financial return and link investments and/ or investor actions to these real-world outcomes

¹ Approach across asset classes is informed by the Operating Principles for Impact Management (OPIM): <https://www.impactprinciples.org/9-principles>. AM SI Shelf Framework criteria apply to impact strategies

Source: UBS Asset Management, Operating Principles for Impact Management (OPIM), as of October 2024. For Illustrative Purposes Only.

Glossary of terms (1/2)

Pillar	Description	Rationale
Exclusions	Securities issued by investee companies determined to meet the criteria outlined in the AM Exclusion Policy which will no longer be actively purchased by UBS-AM portfolio managers. Equivalency principles may apply for asset classes not in scope; certain asset classes may be subject to additional firm-level exclusions (SCR). In certain cases, exceptions may apply for companies transitioning to a more sustainable future. ¹	In our view, acting as good stewards of our clients' assets can also entail the exclusion of investments or revenue streams where the environmental and social risks of their activities outweigh the benefits of having an active exposure ¹
ESG integration	The strategy considers financially material ESG factors (risks at a minimum) alongside traditional financial metrics in the investment process.	ESG relevant analysis helps us look to the future, to identify long-term risks and opportunities, and invest accordingly ²
Active ownership	Engagement activities, voting, ownership, and/or controlling rights are used to address material ESG risks and/or sustainability KPIs (and in the case of Impact strategies, the impact thesis and objectives) with the aim to improve the overall investment outcome.	Being an active owner of a company and/or asset can contribute to the long-term sustainability and success of companies and assets.
Portfolio characteristics See next page for additional breakdown	Portfolio-level targets and guidelines that enable the strategy to achieve its stated sustainability ambitions. For the purpose of this framework, portfolio characteristics include: sustainability minimum safeguards, sustainability KPIs and/or impact objectives.	Portfolio-level targets and guidelines codify the sustainability ambition for the strategy.
Transparency and Reporting	<p>Transparency: information such as data, processes, outputs and controls is available and substantiates representations</p> <p>Reporting: provides financially material ESG information to clients and stakeholders, and/or demonstrates the extent to which a strategy is meeting its intended sustainability ambition.</p>	Transparency evidences the degree to which the product satisfies the above pillars of Exclusions, ESG integration, Active ownership, and Portfolio Characteristics, as applicable. Reporting provides investors and stakeholders with an understanding of their investments, and if the strategy is meeting expectations.

¹ AM SI Exclusion Policy

² AM SI Policy

Please see here for our latest policies

Source: UBS Asset Management

Glossary of terms (2/2)

Pillar	Description	Rationale
Portfolio characteristics	Portfolio-level targets and guidelines that enable the strategy to achieve its stated sustainability ambition(s). For the purpose of this framework, portfolio characteristics include: sustainability minimum safeguards, sustainability KPIs and/or impact objectives.	Portfolio-level targets and guidelines codify the sustainability ambition for the strategy.
<ul style="list-style-type: none"> Sustainability minimum safeguards 	<p>(1) Avoid material harm: Portfolio avoids investments that have the potential to materially deteriorate sustainability KPIs. Portfolio relies on proprietary, industry and/or regulatory framework to determine material harm for the strategy.</p> <p>(2) Governance: Portfolio investments meet minimum governance standards, specific to the asset class and strategy</p>	May go beyond exclusions to ensure the strategy upholds additional requirements to deliver on sustainability ambition without harming other material sustainability prerogatives, and while upholding minimum governance standards as applicable for the strategy.
<ul style="list-style-type: none"> Sustainability KPIs 	The portfolio is constructed and managed in line with key performance indicators (KPIs) related to sustainability. Such KPIs are documented ex-ante, monitored, and are measurable at the portfolio-level.	Provide clients with the opportunity to align capital allocation with the advancement of a more sustainable economy, society and environment.
<ul style="list-style-type: none"> Impact objectives 	<p>The portfolio is constructed with the aim to deliver the core elements of impact criteria, as follows:</p> <ul style="list-style-type: none"> • Intentionality: Clear ex-ante intention to achieve specific, measurable real-world outcomes with the strategy related to solving the identified problem(s). Theory of change is articulated and impact is integrated into the investment thesis. • Additionality: The strategy aims to create positive outcomes at the investee [asset] level linked to its theory of change that may not otherwise occur without the value of its involvement (e.g. such as engagement or capital investment.). • Measurability: The strategy intends to set impact objectives and theory of change ex ante and establishes a process to collect the data and measure and report the real-world outcomes resulting from its investment strategy. <p>Please refer to AM SI Impact Investing Framework for additional criteria</p>	Provide clients with the opportunity to invest in solutions that aim to advance a more sustainable economy, society and environment. Impact strategies provide clients the opportunity to realize the incremental value-add (additionality) of their investments towards addressing real-world challenges.

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