

# Transitioning to a better world

## UBS Global Equity Climate Transition Strategy

At the end of this century, current climate trends suggest our planet will likely be warmer than at any other time in human history. The impact this will have on our ecosystem, our lives and the economy will be dramatic. The UBS Global Equity Climate Transition Fund tilts towards companies aiming to move to a low carbon economy and having a positive social contribution. The Fund provides cost-efficient and broad-based exposure to global equity markets.

### The goal

The innovative UBS Global Equity Climate Transition Fund provides investors with a solution to mitigate climate-related investment risks and have a positive effect on society.

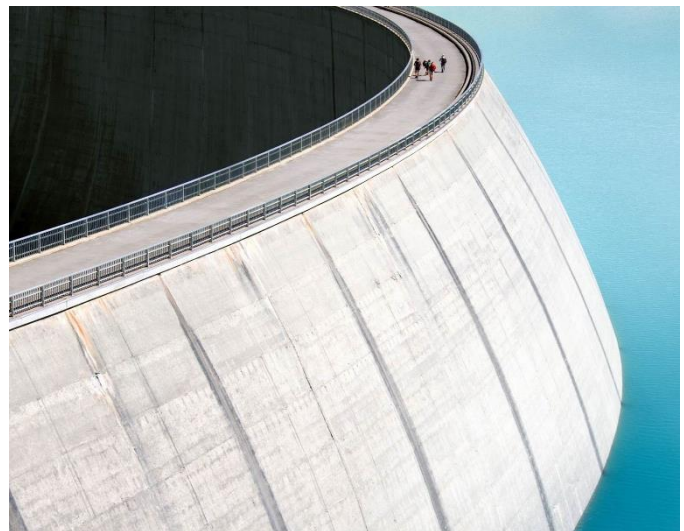
The Fund, co-developed with Aon, leverages our expertise in developing innovative sustainable investing products and tilts towards opportunities that arise from the transition to a low carbon economy. The aim is to move the portfolio towards a net zero trajectory in line with Paris-aligned targets, benefiting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

The Fund also aligns to selected UN Sustainable Development Goal factors relating to health, clean energy, decent work, responsible consumption and production, and climate action.

### Steps towards a better climate

Our rules-based global equity strategy seeks to deliver a superior 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 and climate technologies



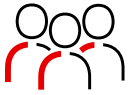
Tilts towards companies that align with five UN Sustainable Development Goals (SDGs):

- 3
  - Good Health & Well Being (SDG3)
  - Affordable & Clean Energy (SDG5)
  - Decent Work & Economic Growth (SDG8)
  - Responsible Consumption & Production (SDG12)
  - Climate Action (SDG13)
- 4 Direct engagement with management of companies on best practices and encouragement for them to report sustainability metrics

## What differentiates our strategy



Future decarbonization is built into the objectives to ensure the strategy is continually evolving to support investors to meet their Net Zero commitments



Factors in effect on society to contribute to a climate transition with a positive social effect. The social contribution is measured with selected SDGs.



## 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 impact**  
**Pursuing a just transition** by tilting towards companies that align with five social and environmental UN SDGs



**Engagement**  
**Engaging directly with company's management** to educate about best practices and encourage reporting of sustainability metrics



### UBS Global Equity Climate Transition Fund

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

## Investment strategy

### Portfolio

- Similar risk-return profile to the benchmark
- Low tracking error and turnover
- Low cost: management fees are similar to a passive strategy
- Lower carbon intensity than the benchmark
- Considers social impacts of climate transition

### Process

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

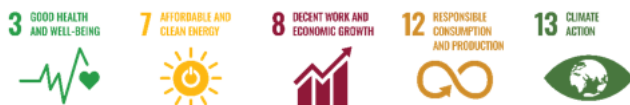
Our strategy employs forward-looking metrics aiming to measure the company's efforts to transition their business to a low carbon economy. Furthermore, using Natural Language techniques, we currently take into account required climate technologies such as Carbon Sequestration, Direct Air Capture, Smart Grids and Hydrogen Storage.

## The strategy targets a just transition:

It isolates key UN Sustainable Development goals that support a just and sustainable transition to a low-carbon economy

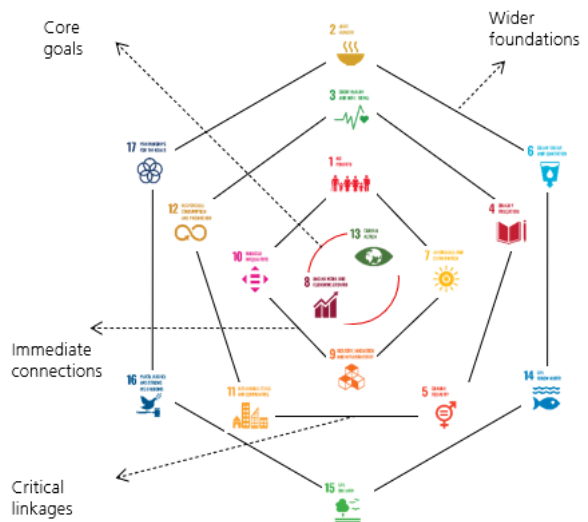
### UN SDGs

- Add tilts on five UN SDGs at production level to combine climate transition and inclusion to contribute to social impact
- UN SDGs considered:
  - #3 Good Health & Well Being
  - #7 Affordable & Clean Energy
  - #8 Decent Work & Economic Growth
  - #12 Responsible Consumption & Production
  - #13 Climate Action



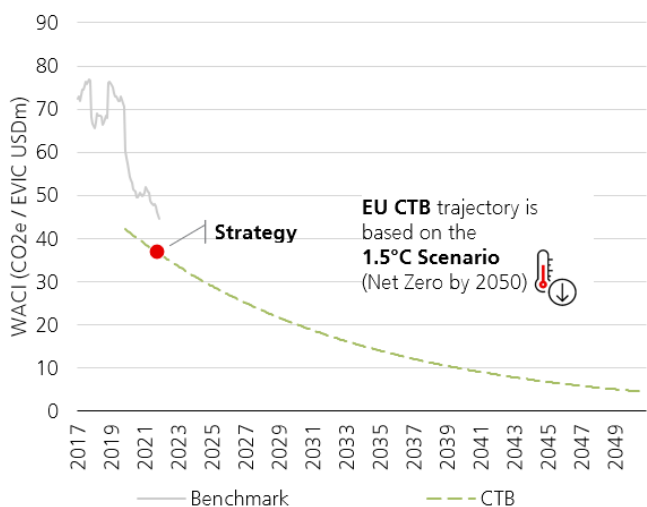
### PRI's relationship with SDGs and climate transition

#### The just transition and the Sustainable Development Goals



**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.<sup>1</sup>

**Carbon intensity trajectory (scope 1 + scope 2 tCO<sub>2</sub>e / EVIC USDm)**



**WACI target setting (scope 1 + scope 2 tCO<sub>2</sub>e / EVIC USDm)**

Base value (Benchmark, Dec 2019)	60.3
EU CTB WACI limit (Dec 2021)	36.5
<b>Selected WACI metrics</b>	
Latest WACI (Dec 2021)	44.7
Below EU CTB limit	<span style="color: red;">✗</span> <span style="color: green;">✔</span>

Source: UBS Asset Management, Trucost, MSCI. As of 31 December 2021. 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). **Benchmark** is the MSCI World Index, **Strategy** is an indicative initial portfolio for the UBS Global Equity Climate Transition Fund. **EU CTB** is a proxy for the trajectory implied under the EU Climate Benchmark Rules for Climate Transition Benchmarks (-30% initial reduction versus 2019 Benchmark, then -7% YoY self-decarbonization). This material contains data derived as a result of back-testing of data and is provided by UBS in good faith using our standard methodology for information of this kind.

<sup>1</sup> 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. Material Scope 3 will be phased-in as per IGCC net-zero guidelines.

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