

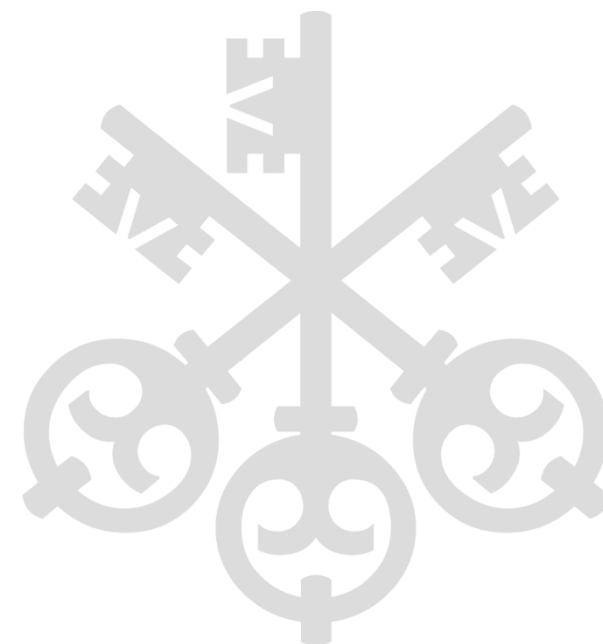


For marketing purposes  
For professional / sophisticated clients  
and qualified investors only  
UBS Asset Management

# Welcome

On Track Insights – Webinar for index investors  
**June edition**

Marcin Wojtowicz, Jaspreet Duhra and Alessandra Calabretta



9th June 2021



# Taking Sustainability to the Next Level

Time for the Elite. [UBS ETF S&P 500 ESG Elite](#).

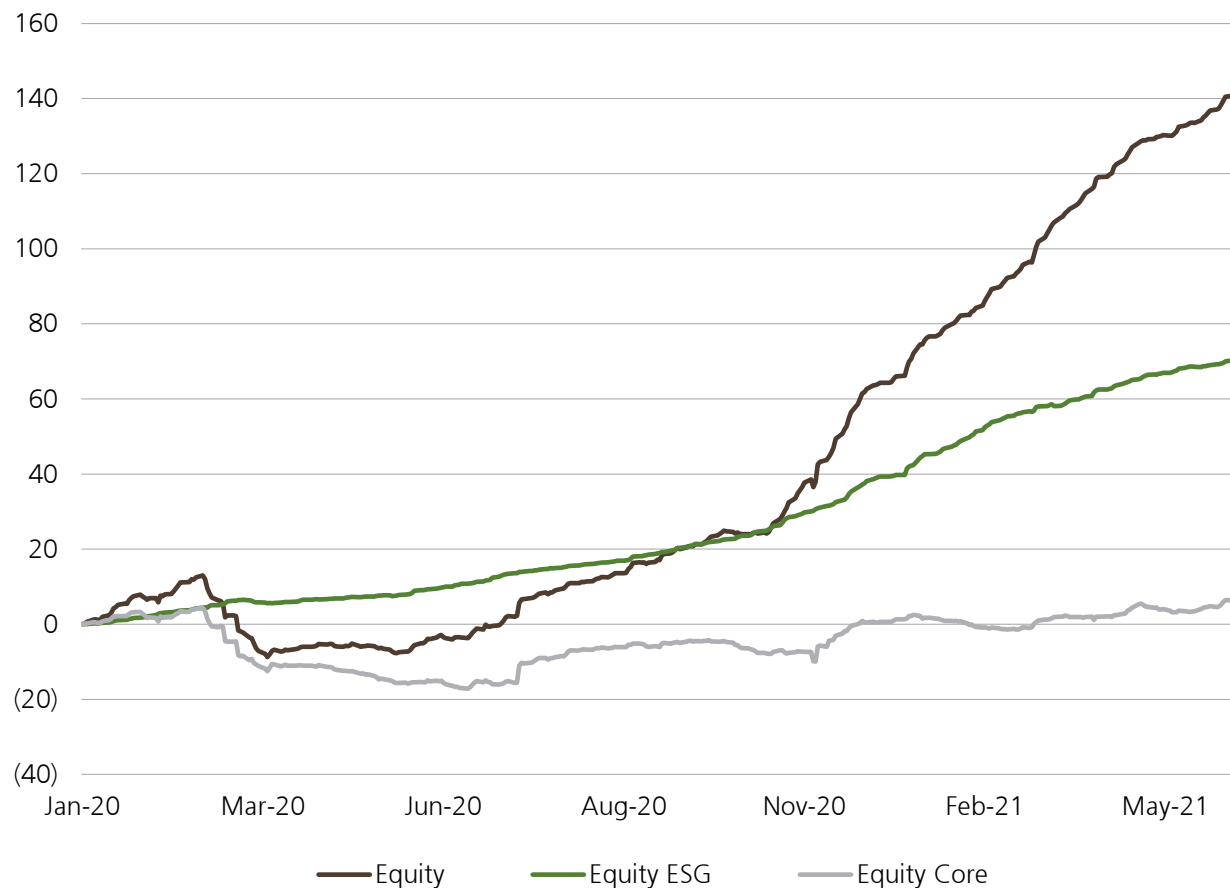
**Marcin Wojtowicz PhD** Passive & ETF Investment Analytics UBS Asset Management



# Accelerating inflows into ESG ETFs

Record inflows into sustainable solutions during Covid-19 period

## Flows into Equity UCITS ETFs



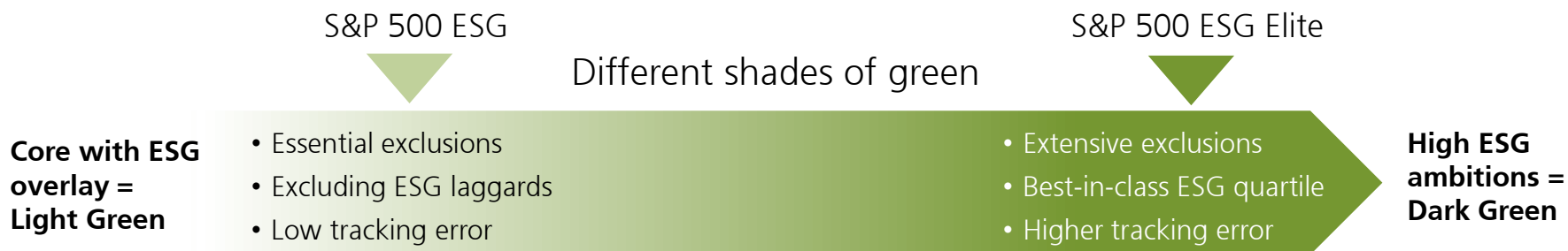
	NNM	AUM
<b>Equity All</b>	+140 bn	984 bn
<b>Equity ESG</b>	+70 bn	129 bn
<b>Equity Core</b>	+6 bn	592 bn

Source: UBS Asset Management, ETFbook.com. Data from 1 Jan 2020 to 31 May 2021. Based on UCITS universe.

\* NNM from 1 Jan 2020 to 30 April 2021. AuM data as of 31 May 2021.

# How to invest sustainably in S&P 500 universe?

Taking sustainability to the next level



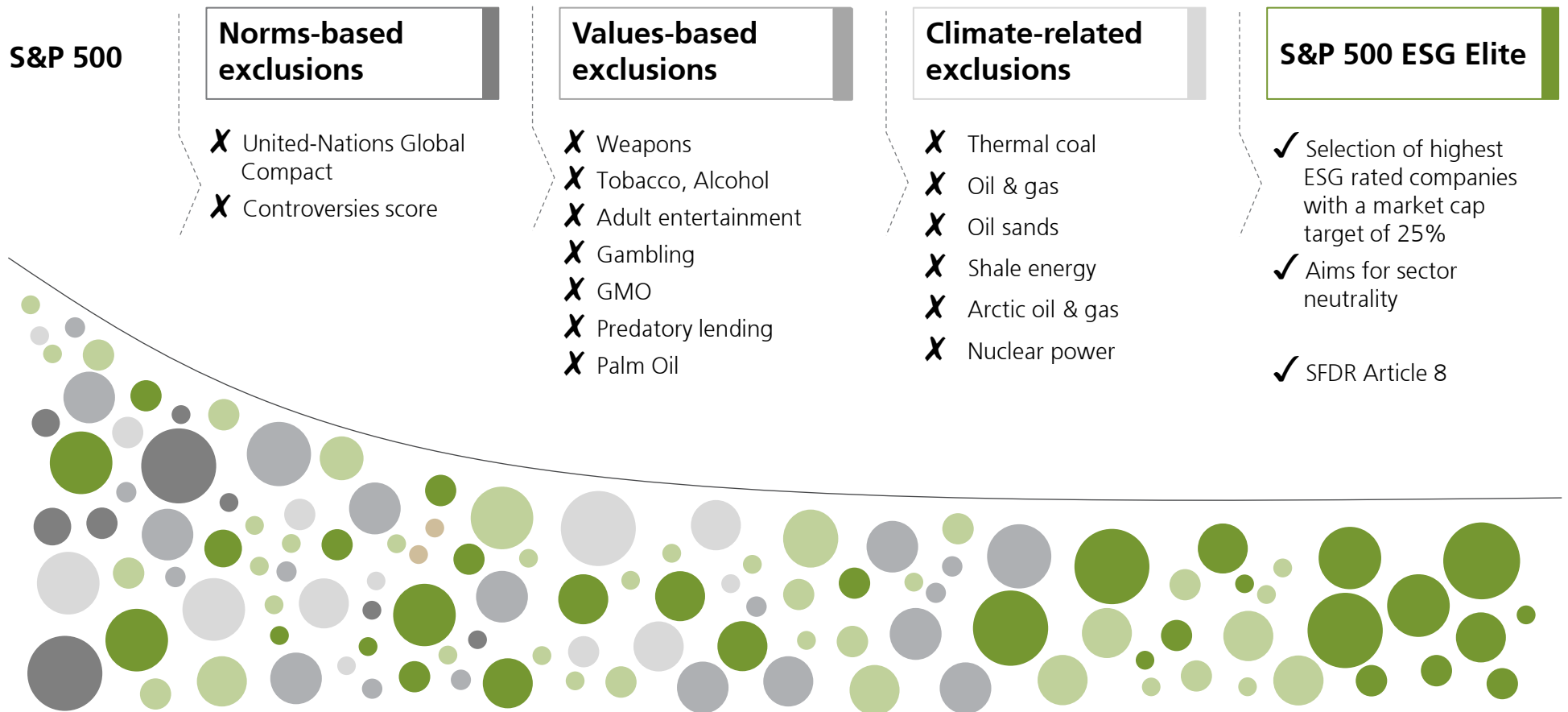
	S&P 500	S&P 500 ESG	S&P 500 ESG Elite <span style="color: red; font-weight: normal; font-size: small;">New</span>
Number of stocks	505	315	100
Active share	0%	24.6%	69.4%
Tracking error 5-year (annualized)	0%	c. 100 bps	c. 300 bps
Norms-based exclusions	n.a.	UNGC, controversies	UNGC, controversies
Values-based exclusions	n.a.	Essential	Extensive
Climate-related screening	n.a.	Essential	Extensive
Best-in-class ESG selection	n.a.	Exclude 25% laggards	Top 25%
Carbon intensity (t. CO <sub>2</sub> /\$1m revenue)	199	158	113
ESG score	63.61	71.84	89.44

**Highest ESG profile**

Source: UBS Asset Management. Data as of 30 April 2021.

# From S&P 500 to the ESG Elite

...through stringent exclusions to best-in-class selection



Source: MSCI, UBS Asset Management. **For illustration purposes only.**

# Step I: Norms-based exclusions

A normative assessment of companies based on the UNGC and S&P's controversies

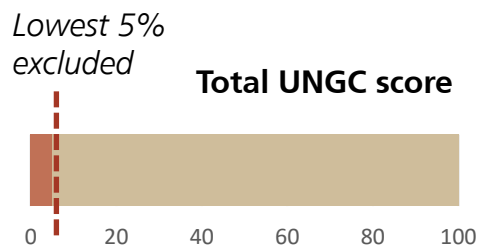
## United Nations Global Compact (UNGC)

The 10 UNGC core principles are grouped in 4 core pillars:



## Assessment based on Arabesque's S-Ray database

- More than 7'000 companies
- Over 77 countries
- Exclusion based on the aggregate UNGC score (0-100)



Source: S&P Dow Jones, UBS Asset Management. Data as of 30 April 2021.

## S&P Controversies

Excludes companies subject to severe controversies:

### Media & Stakeholder Analysis (MSA)

- Involvement and management of critical economic, social and environmental issues or crisis situations
- Daily monitoring of negative news based on RepRisk data
- Cases must be financially material
- Companies are contacted for further information
- Decision depends on management transparency and effectiveness of response
- May result in an exclusion of a company by a committee decision

### UNGC exclusions

- ✗ Netflix
- ✗ Twitter

### Controversies exclusions

- ✗ Johnson & Johnson
- ✗ 3M Co
- ✗ DuPont de Nemours Inc.

$\Sigma$  mcap = 2.4%

# 5 companies

# Step II: Values-based exclusions

The broadest set of exclusions from the established ones to nascent categories

## Examples of exclusions in the Elite

### Contr. weapons

- ✗ Honeywell Intl
- ✗ Boeing Co
- ✗ Raytheon
- ✗ BlackRock

### Small arms

- ✗ Walmart
- ✗ L3Harris Technologies

### Military contracting

- ✗ Amphenol Corp A
- ✗ TransDigm Group
- ✗ Howmet Aerospace Inc.

### Tobacco

- ✗ Philip Morris
- ✗ Altria Group
- ✗ Eastman Chemical

### Alcohol

- ✗ Royal Caribbean
- ✗ MGM Resorts Int.

### Palm oil

- ✗ Procter & Gamble

∑ mcap = 5.1%

# 24 companies

Source: S&P Dow Jones, UBS Asset Management. Data as of June 2021.

## Revenue exclusions threshold

	S&P 500 ESG Elite	S&P 500 ESG
<b>Weapons</b>		
Controversial weapons (manufacturing)	0%	0%
significant ownership	10%	25%
Military weapons (manufacturing)	5%	
related products / services	10%	
Small arms (manufacturing, distribution, retail)	0%	
key components	0%	
<b>Tobacco</b> (production)	0%	0%
related products / services	5%	10%
distribution / retail	5%	10%
significant ownership	10%	25%
<b>Alcoholic beverages</b> (production)	5%	
retail	10%	
related products / services	10%	
<b>Adult entertainment</b> (production, venues)	0%	
distribution / retail	5%	
<b>Gambling</b> (operating, ownership)	5%	
manufacturing (equipment)	10%	
related products / services	10%	
<b>GMO</b> (development / cultivation)	5%	
growing plants & seeds	5%	
<b>Predatory lending</b> (involvement)	0%	
<b>Palm oil</b> (production / distribution)	0%	

### Weapons

Controversial weapons (manufacturing)	0%	0%
significant ownership	10%	25%
Military weapons (manufacturing)	5%	
related products / services	10%	
Small arms (manufacturing, distribution, retail)	0%	
key components	0%	

### Tobacco (production)

related products / services	5%	10%
distribution / retail	5%	10%
significant ownership	10%	25%

### Alcoholic beverages (production)

retail	10%	
related products / services	10%	

### Adult entertainment (production, venues)

distribution / retail	5%	
-----------------------	----	--

### Gambling (operating, ownership)

manufacturing (equipment)	10%	
related products / services	10%	

### GMO (development / cultivation)

growing plants & seeds	5%	
------------------------	----	--

### Predatory lending (involvement)

	0%	
--	----	--

### Palm oil (production / distribution)

	0%	
--	----	--

Assessment based on Sustainalytics data.

# Step III: Climate-related exclusions

A strong focus on climate with extensive exclusions

## Revenue exclusions threshold

	S&P 500 ESG Elite	S&P 500 ESG
--	-------------------	-------------

	S&P 500 ESG Elite	S&P 500 ESG
<b>Thermal coal</b> (extraction, power generation)	0%	5%
<b>Oil sands</b> (extraction)	0%	
<b>Shale energy</b> (extraction) exploration, production	0%	0%
<b>Arctic oil &amp; gas</b> (exploration, extraction)	0%	
<b>Oil &amp; Gas</b> (exploration) production, refining, transportation, storage power generation supporting products & services	0%	10%
<b>Nuclear Power</b> (production, distribution) supporting products / services	0%	10%

Assessment based on Sustainalytics data.

Source: S&P Dow Jones, UBS Asset Management. Data as of June 2021.



## ✓ A substantial carbon reduction

	S&P 500	S&P 500 ESG	S&P 500 ESG Elite
Carbon intensity (t. CO <sub>2</sub> e / USD1m revenues)	199	158	113
Fossil Reserves: embedded emissions (CO <sub>2</sub> / USD1m invested)	459	515	0

## Examples of well-known exclusions

### Thermal coal

- ✗ NextEra Energy
- ✗ Duke Energy
- ✗ Southern Co
- ✗ Dominion Energy

### Oil & gas

- ✗ Exxon Mobil
- ✗ Chevron
- ✗ Union Pacific
- ✗ CSX Corporation

Σ mcap = 5.9%

# 46 companies





# S&P Dow Jones Indices

Spotlight on the S&P 500 ESG Elite Index

June 2021

**S&P Dow Jones  
Indices**

A Division of **S&P Global**

S&P Dow Jones Indices is an independent third party provider of investable indices. We do not sponsor, endorse, sell or promote any investment fund or other vehicle that is offered by third parties. The views and opinions of any third party speaker are his/her own and may not necessarily represent the views or opinions of S&P Dow Jones Indices or any of its affiliates.

# Step IV – Best in Class ESG Selection

## 1) Exclude:

- Bottom 50% of S&P DJI ESG scoring companies within each global GICS Industry Group

## 2) Sort & Select:

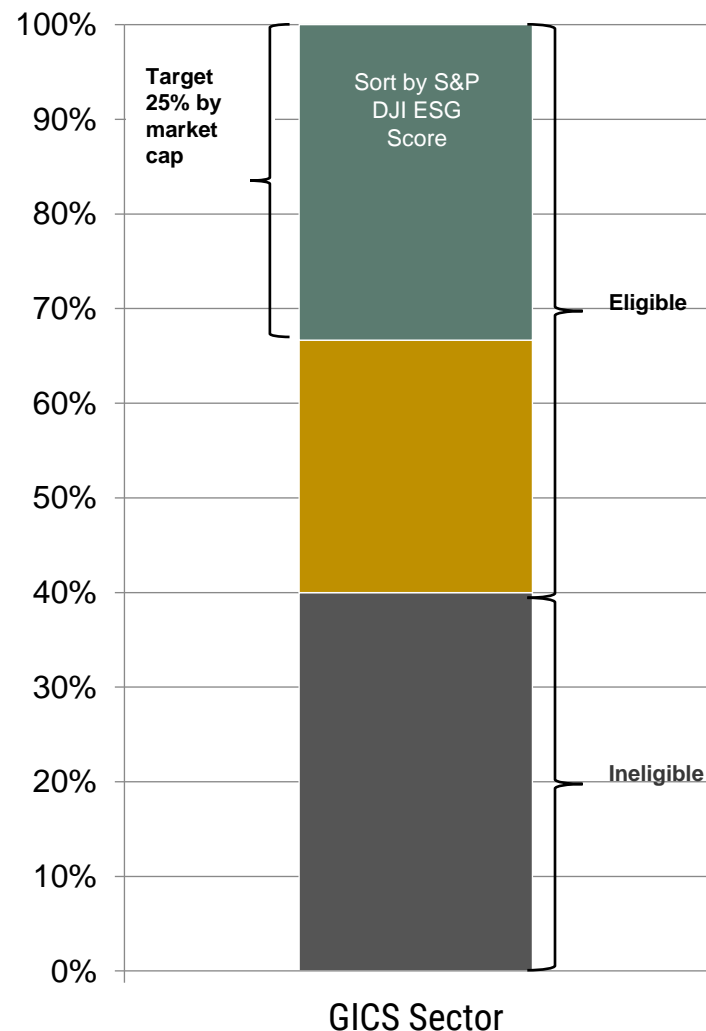
- Sort eligible companies by S&P DJI ESG Score within each GICS Sector
- Select top performing companies, targeting 25% float-adjusted market cap within each GICS Sector

## 3) Weight:

- Weight companies by float-adjusted market cap

Company	Weight (500 ESG Index post-rebal)	Reason (2021)	S&P DJI ESG Score Change	2020 DJI ESG Score
Apple Inc.	7.77%	Disqualifying S&P DJI ESG score	2.72	24.90
Amazon.com Inc	5.56%	Eligible, but not selected	19.05	59.70
JP Morgan Chase & Co	1.76%	Eligible, but not selected	10.27	43.94
Verizon Communications Inc	0.90%	Disqualifying S&P DJI ESG score	24.76	38.46
Pfizer Inc	0.81%	Eligible, but not selected	24.78	64.96
Merck & Co Inc	0.71%	Eligible, but not selected	6.93	67.46
Thermo Fisher Scientific	0.69%	Eligible, but not selected	-4.83	65.74

Selected ESG Score-based exclusions, April 30, 2021. Source: S&P Dow Jones Indices

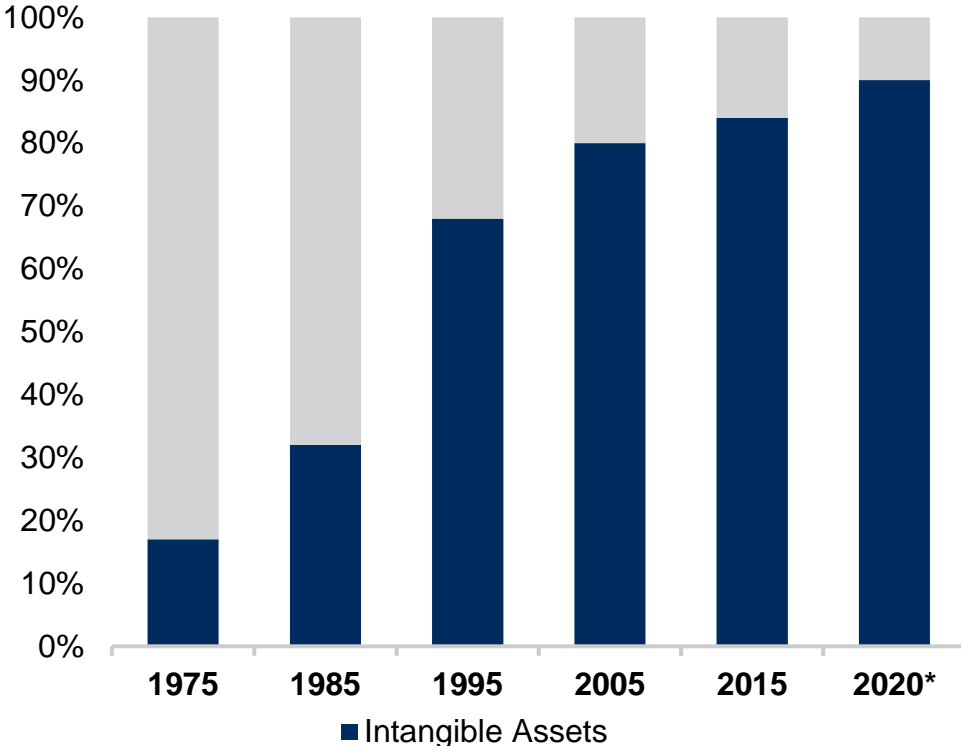


For illustrative purposes only

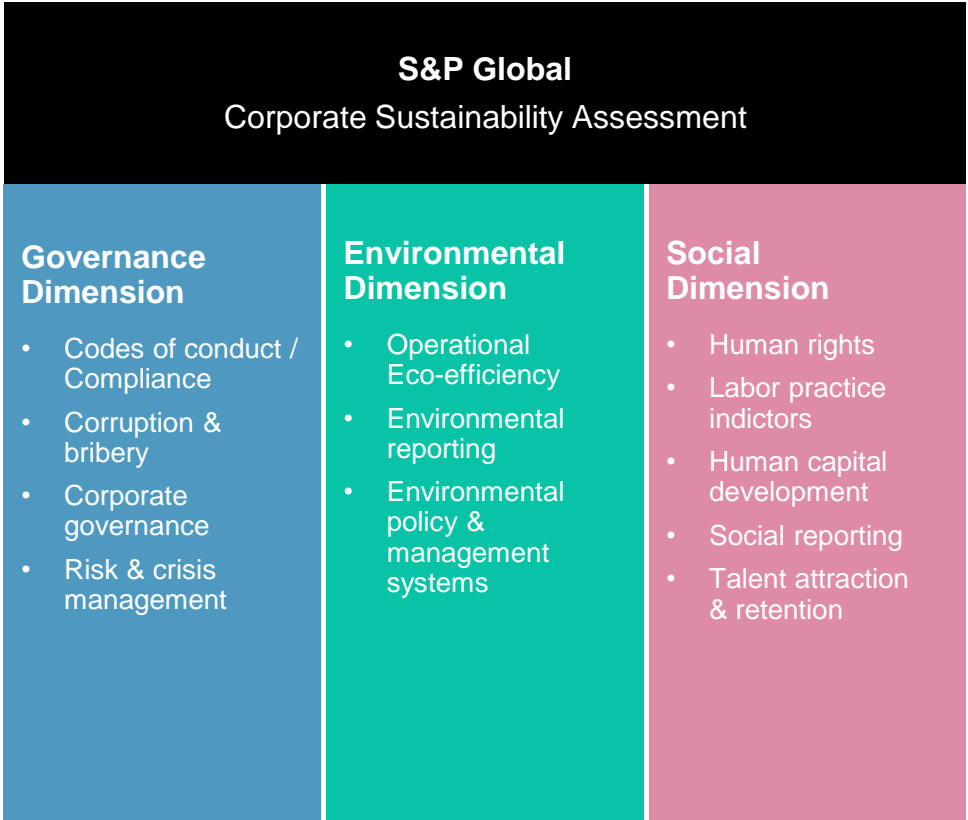
# Non-traditional valuation

The graph depicts percentage of market value represented by physical and financial assets versus intangible factors, some of which are explained within financial statements, but many of which are not.

Components of S&P 500 Market Value



Source: Ocean Tomo, LLC (\*January 1, 2020), S&P Global 2020



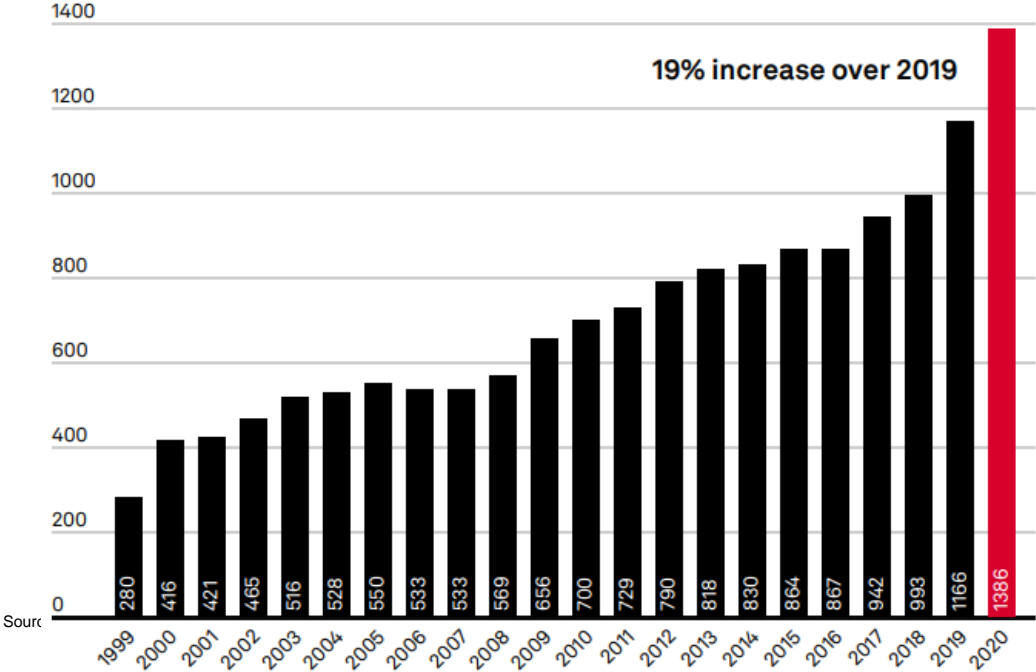
## S&P Dow Jones Indices

A Division of **S&P Global**

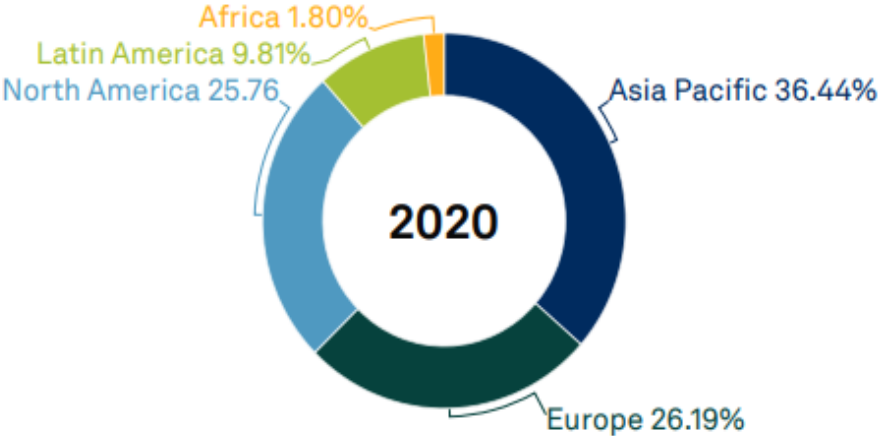
# Direct company engagement

In 2020, the 3500 largest companies globally, measured by free float asset capitalization were invited to participate. 5000+ companies are invited to reply to the CSA from April to December 2021.

Number of companies participating



Regional breakdown as % of total participation



# Deep, Granular ESG Data collection

## General Criteria include

### Governance and Economic Dimension

- Corporate governance
- Codes of Business Conduct
- Risk and Crisis Management

### Environmental Dimension

- Environmental reporting
- Operational Eco-Efficiency
- Climate Strategy

### Social Dimension

- Human Rights
- Human Capital Development
- Corporate Citizenship and Philanthropy



Approx.

**1,000**

Datapoints

Assessed values, text, checkboxes, documents

Sources: Web-based questionnaire, company documents

**100**

Questions

Weighted data point scores

Up to 50% industry-specific

Ave.

**23**

Criteria scores

Weighted question scores

61 industry specific approaches, with tailored question criteria and weightings

**3**

Dimension scores

Weighted criteria scores

**1**

S&P Global ESG Score

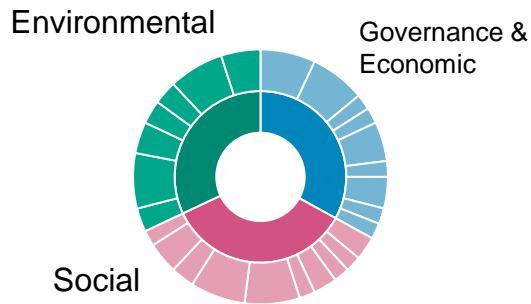
Sum of weighted dimension scores

# Deep Areas of ESG Assessment

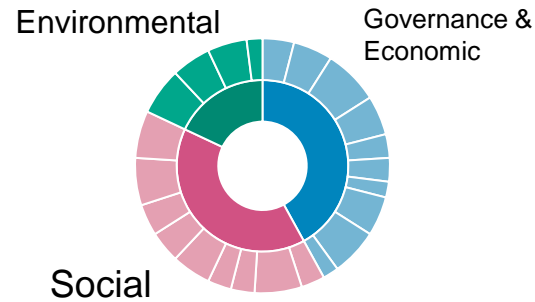
Assessment Focus	Description of information sought
<input type="checkbox"/> <b>Disclosure/Transparency</b>	Disclosure of qualitative/quantitative information
<input type="checkbox"/> <b>Documents</b>	Document supporting company's response
<input type="checkbox"/> <b>Public documents</b>	Publicly available document supporting company's response
<input type="checkbox"/> <b>Exposure/Coverage</b>	Coverage of measures implemented, or data reported
<input type="checkbox"/> <b>Trend</b>	Trend of key indicators in the last three / four years
<input type="checkbox"/> <b>Performance</b>	Performance of key indicators in comparison to SAM's expected threshold
<input type="checkbox"/> <b>Awareness</b>	Awareness about internal and external issues and measures taken
<input type="checkbox"/> <b>External Verification</b>	Third party verification of data or of processes

# Industry Specific Approaches

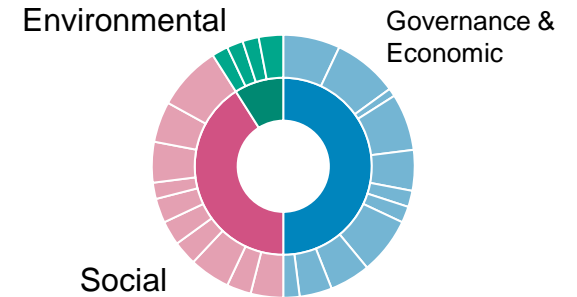
## Mining & Minerals



## Restaurants



## Pharmaceuticals



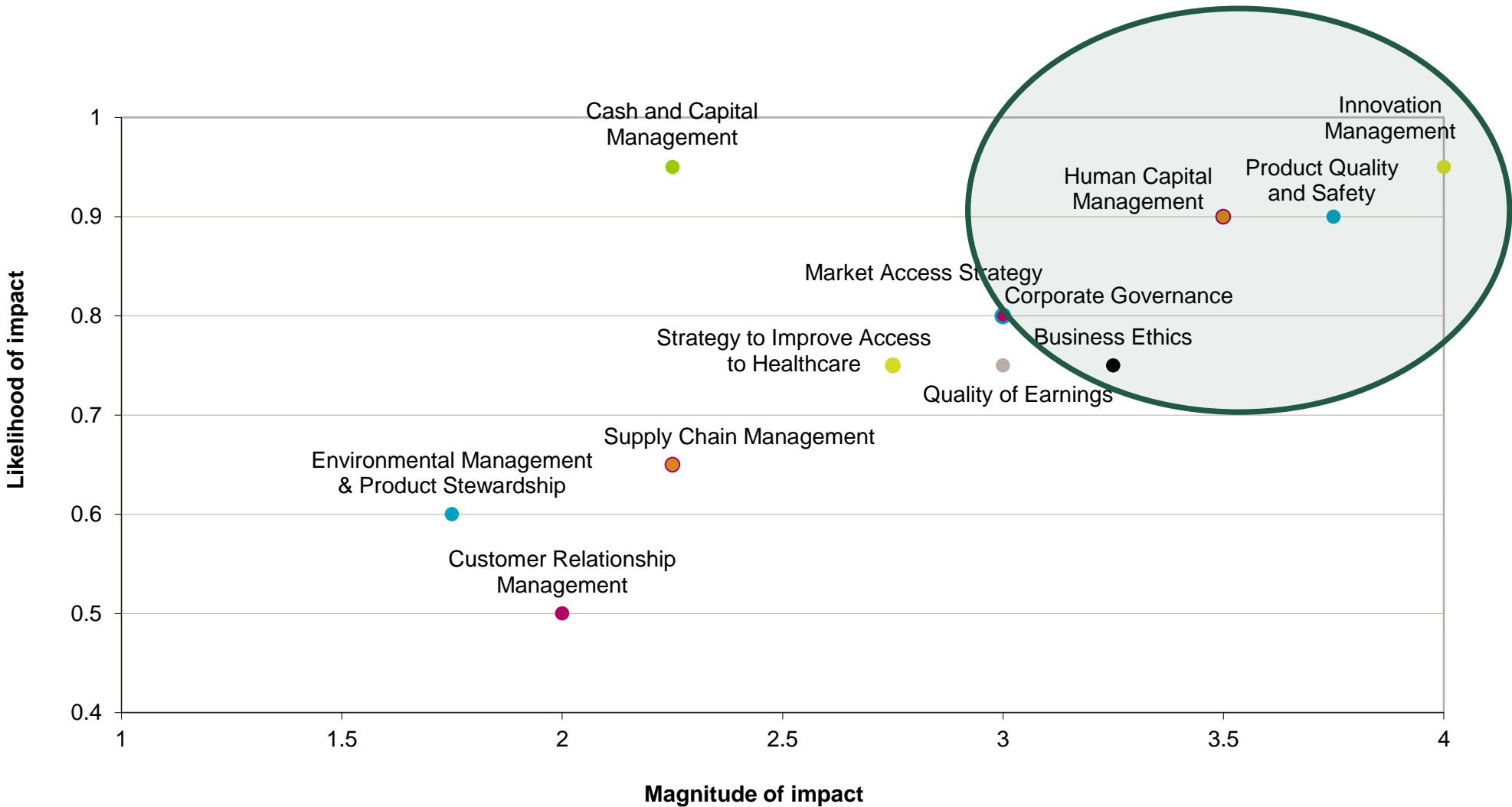
Industry specific criteria examples applied to a single or subset of industries

<ul style="list-style-type: none"> <li>• Payment transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Brand Management</li> <li>• Customer Relationship Management</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation management</li> <li>• Product Quality and Recall management</li> </ul>
<ul style="list-style-type: none"> <li>• Mineral waste management</li> <li>• Water related risks</li> <li>• Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>• Raw Material Sourcing</li> </ul>	
<ul style="list-style-type: none"> <li>• Asset closure management</li> <li>• Community impact</li> <li>• Stakeholder engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Local Impact of Business Operations</li> </ul>	<ul style="list-style-type: none"> <li>• Addressing cost burden</li> <li>• Access to drugs</li> <li>• Health outcome contributions</li> </ul>

Source: S&P Global. For illustrative purposes only.



# ESG Materiality



Source: S&P Global

# Continuous Methodology Development

## Methodology Development

### SAM EXPERTISE

- Industry expertise
- Topic expertise

### COMPANY FEEDBACK

- Company comments from Feedback Survey

### COLLABORATIONS

- Continuous collaboration with CDP, GRI, SASB, NCC
- Working with the London Benchmarking group

### INVESTOR FEEDBACK

- S&P Global Market Intelligence Platform & Xpressfeed™ clients
- S&P Dow Jones Indices clients

# What makes the S&P Global ESG Scores unique?



**Direct company engagement** working with companies **>20 years**



Methodology **built by investment practitioners** with investment processes in mind



Companies use the framework to **drive measurable change**



Accepting private data challenges companies on **underreported ESG topics**



In-depth scoring allows for **precise differentiation of companies**

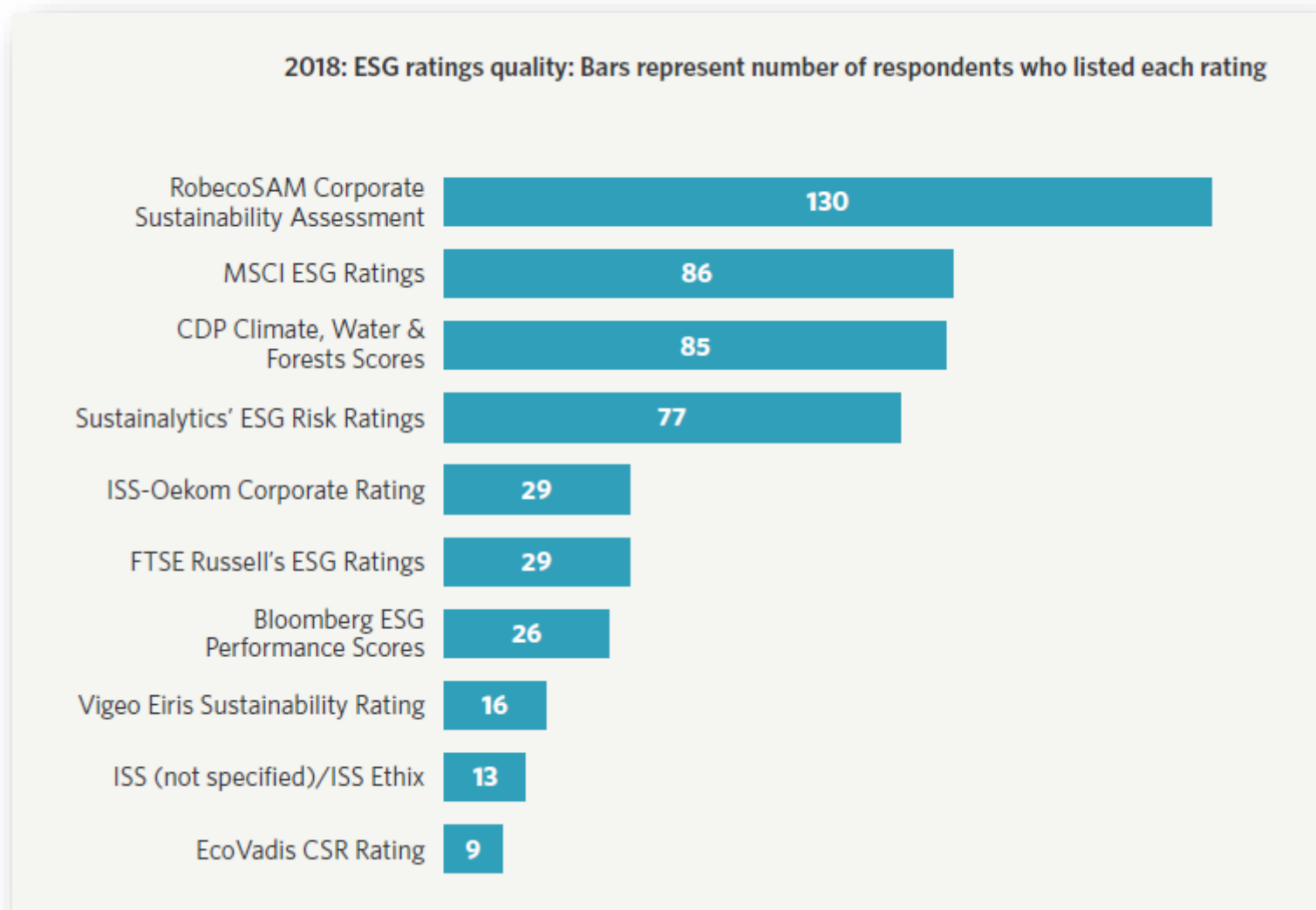


Well balanced methodology assesses performance on current ESG issues and awareness of **upcoming ESG risks and opportunities**



**Independent assurance** of analytical processes

# Market feedback on ESG Scores



# The S&P 500 ESG Elite Index: Measuring the Impacts (%)



## Environmental

**+22**

exposure to companies that have identified climate change risks driven by both changes in regulation and in physical climate parameters, including their estimated financial implications

**+17**

exposure to companies which have a science-based and absolute climate-related target in place, combining Scope 1 & 2 CO2e emissions

**+17**

exposure to companies that have estimated annual CO2e savings, investment required, average pay-back period, and anticipated cost savings related to their combined emissions reduction activities



## Social

**+19**

exposure to companies that have developed a due diligence process identifying actual or potential human rights issues, including their employees, third-party contracted labor, children, indigenous people, and migrant labor

**+17**

exposure to companies which monitor and disclose the diversity of their workforce, including a breakdown based on gender and other minority groups, such as age, nationality, and disability

**+12**

exposure to companies which have implemented health and well-being initiatives covering childcare facilities or contributions, flexible working hours, as well as maternity and paternity leaves in excess of legally required minimum for their employees



## Governance

**+30**

exposure to companies where executive management or the board are directly engaged in the information security/cybersecurity strategy, including a dedicated Chief Information Security Officer/Chief Security Officer within the company

**+20**

exposure to companies which have integrated ESG objectives into their supply chain management strategy, including minimum thresholds related to the selection and retention of suppliers

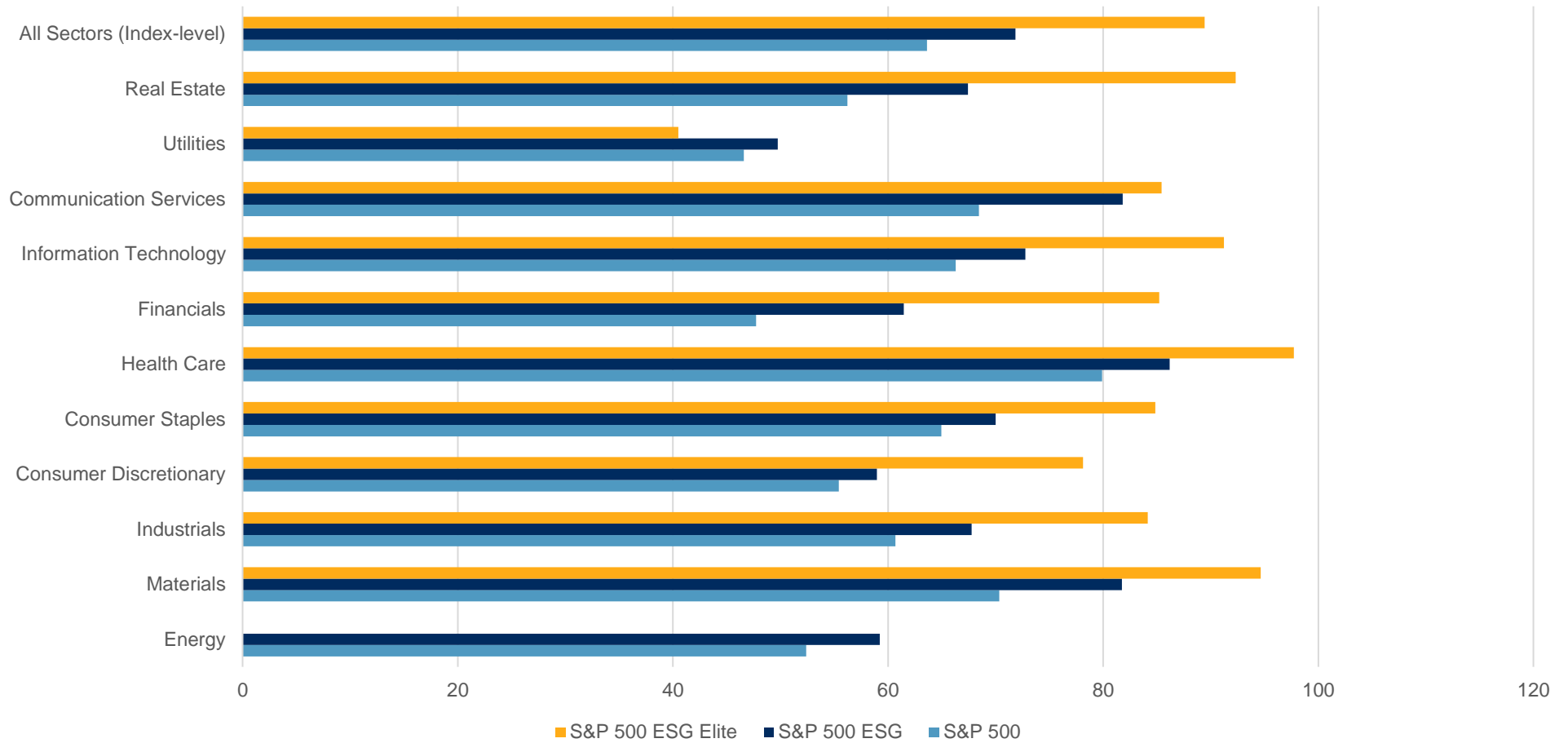
**+20**

exposure to companies that have no pending nor past investigations, fines or settlements incurred in the last 4 fiscal years related to anti-trust/anti-competitive practices

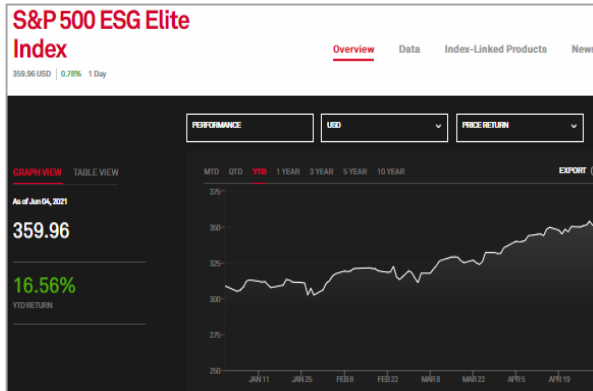
Source: S&P Dow Jones Indices LLC. These are just a few examples of the numerous ways in which the S&P 500 ESG Elite Index offers enhanced ESG representation. Increased index exposure to each ESG theme in the metrics above are calculated using the question-level data in S&P Global's Corporate Sustainability Assessments (2020 methodology year). These metrics are calculated using index data as of April 30, 2021 as the percentage difference between the performance of the S&P 500 ESG Elite Index and its parent index constituents across these metrics, on a weighted average basis.

# ESG Sector Score improvement

ESG Scores - GICS Sectors



# Tap into the Index Source for **ESG Innovation**



Access real-time index data, research, and thought leadership: [spglobal.com/spdji/en/index-family/esg/](https://spglobal.com/spdji/en/index-family/esg/)

## Raising the Bar with the S&P 500 ESG Elite Index



**Jaspreet Duhra**  
Managing Director, Head of EMEA  
ESG Indices  
S&P Dow Jones Indices

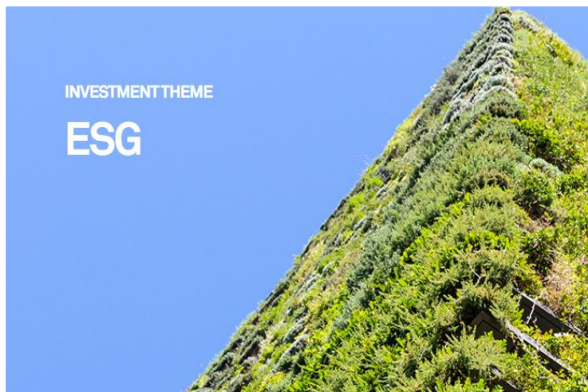
Starting with the big question, what *does* ESG mean to investors and can S&P DJI help?

How does the S&P 500 ESG Elite Index highlight top ESG performers? [indexologyblog.com/2021/02/23/raising-the-bar-with-the-sp-500-esg-elite-index/](https://indexologyblog.com/2021/02/23/raising-the-bar-with-the-sp-500-esg-elite-index/)

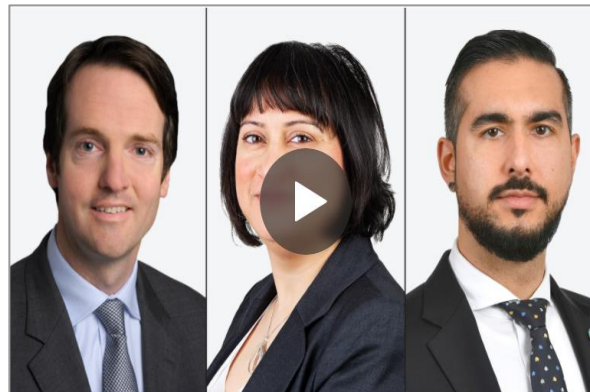


## S&P Global Corporate Sustainability Assessment (CSA)

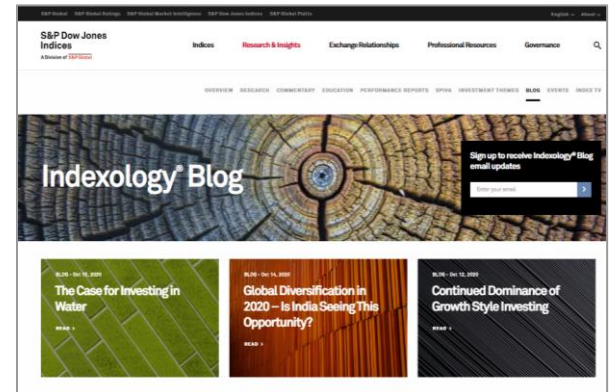
Leverage the data underlying the world's most renowned sustainability indices: [spglobal.com/esg/csa/about/](https://spglobal.com/esg/csa/about/)



Explore indices across the ESG spectrum: [spglobal.com/spdji/en/landing/investment-themes/esg/](https://spglobal.com/spdji/en/landing/investment-themes/esg/)



How deeper data impact ESG investing: <https://www.spglobal.com/spdji/en/index-tv/article/how-deeper-data-impacts-esg-investing/>



Join the ESG conversation with industry leaders: [indexologyblog.com/category/esg/](https://indexologyblog.com/category/esg/)

**S&P Dow Jones Indices**

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# ESG may positively contribute to performance

S&P 500 ESG Elite – Sustainability with a solid risk-return profile

## Cumulative returns comparison (May 2016 – May 2021)



### S&P 500 ESG vs S&P 500

### S&P 500 ESG Elite vs S&P 500

Excess returns 5Y (cumulative)	+5.33%	+16.48%
Tracking error 5Y (annualized)	111 bps	300 bps
Excess returns YTD (cumulative)	+0.15%	+3.83%

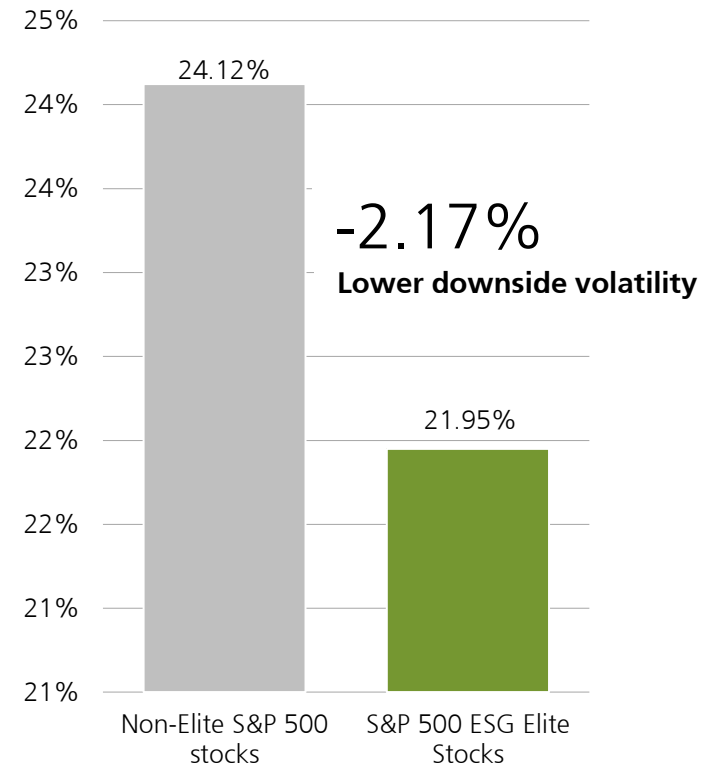
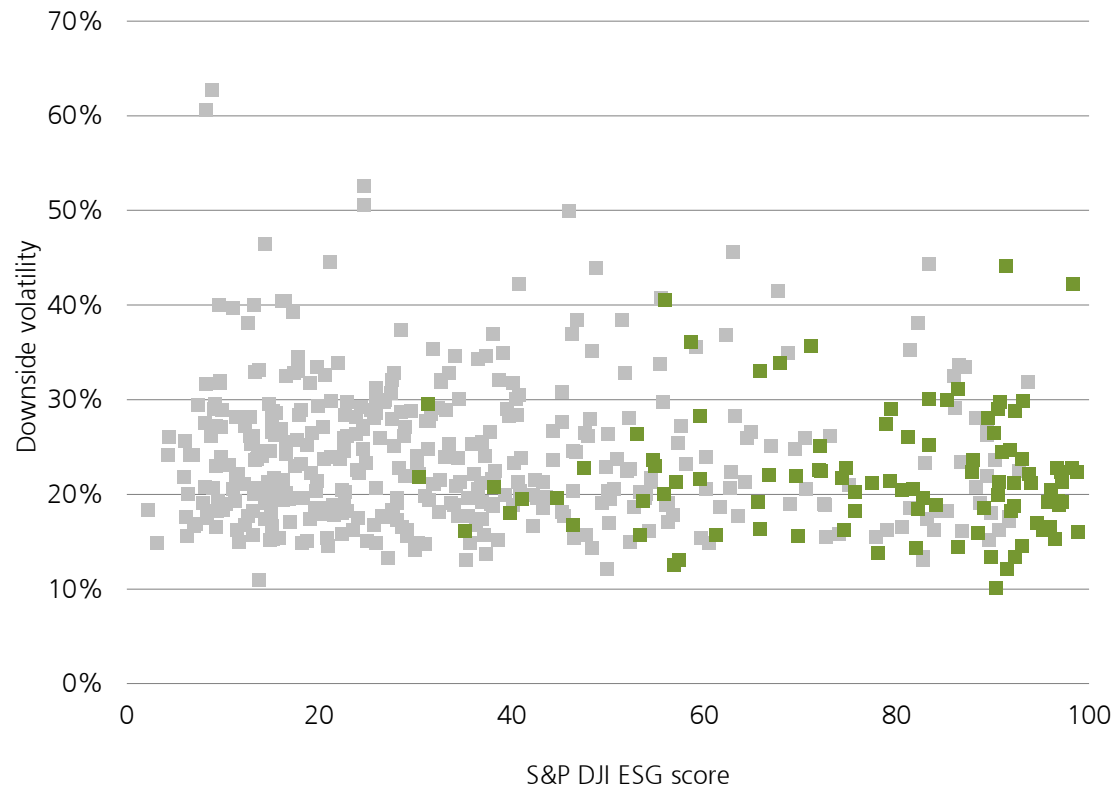
Source: S&P Dow Jones, UBS Asset Management. Data as of 31 May 2021.

**Past performance whether actual or simulated is not an indicator of future returns.** Includes backtested data.



# ESG may mitigate risks

ESG Elite stocks exhibited lower downside volatility

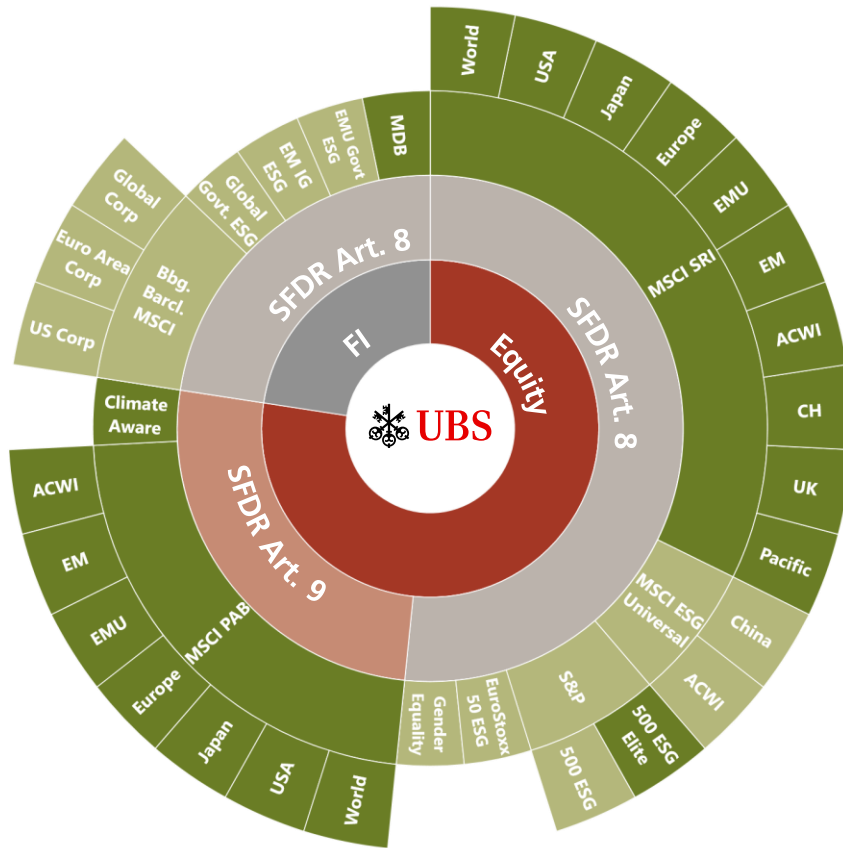


Average downside volatility (12m)

Source: UBS Asset Management, S&P Dow Jones, Bloomberg. Data from 30 April 2020 to 30 April 2021.

# UBS ETFs Sustainable Offering

Different shades of green offered, spanning both Equity and Fixed Income



 30bn

USD AuM in sustainable ETFs

 #2 Largest ESG ETF provider in Europe

## Our sustainable value proposition:

- Currency hedged share classes to major currencies
- Physically-replicating ETFs
- No securities lending
- Stewardship: Proxy voting & engagement

Source: UBS Asset Management. Data as of 30 May 2021.

# Q&A session



# Appendix

# Product Details

ETF Name	UBS ETF (IE) S&P 500 ESG ELITE UCITS ETF		
Share class	<b>(USD) A-acc</b>		
ISIN	IE00BLSN7P11		
Ticker	SPESGE		
TER	0.15% p.a.		
Index	S&P 500 ESG Elite Total Return Net		
Bloomberg Index Ticker	SPXESEUN		
Currency	USD		
Share class	<b>(hedged to CHF) A-acc</b>	<b>(hedged to EUR) A-acc</b>	<b>(hedged to GBP) A-dis</b>
ISIN	IE00BLSN7S42	IE00BLSN7W87	IE00BLSN7X94
Ticker	5ESGES	SPELE	S5EG
TER	0.20% p.a.	0.20% p.a.	0.20% p.a.
Index	S&P 500 ESG Elite Total Return Net hedged to CHF	S&P 500 ESG Elite Total Return Net hedged to EUR	S&P 500 ESG Elite Total Return Net hedged to GBP
Bloomberg Index Ticker	SPXESHCHN	SPXESHEN	SPXESHGN
Currency	CHF	EUR	GBP
Market	S&P 500 universe		
Weighting Methodology	Free-float market capitalization weighted with strict sustainability screening		
Index Description	The S&P 500 ESG Elite Index was constructed to select companies with the highest sustainability profiles. The index targets 25% of the float market capitalization of each sector within S&P 500. Extensive exclusions are also applied based on criteria detailed in the methodology.		

Source: UBS Asset Management. Data as of June 2021.

# Product Details

ETF Name	UBS ETF (IE) S&P 500 ESG UCITS ETF		
Share class	<b>(USD) A-acc</b>	<b>(USD) A-dis</b>	
ISIN	IE00BHXMH11	IE00BHXMHK04	
Ticker	SPESG	SPESG	
TER	0.12% p.a.	0.12% p.a.	
Index	S&P 500 ESG Total Return Net	S&P 500 ESG Total Return Net	
Bloomberg Index Ticker	SPXESUN	SPXESUN	
Currency	USD	USD	
Share class	<b>(hedged to CHF) A-acc</b>	<b>(hedged to EUR) A-acc</b>	<b>(hedged to GBP) A-dis</b>
ISIN	IE00BHXMHN35	IE00BHXMHQ65	IE00BHXMHR72
Ticker	5ESGS	5ESGE	5ESG
TER	0.17% p.a.	0.17% p.a.	0.17% p.a.
Index	S&P 500 ESG Total Return Net hedged to CHF	S&P 500 ESG Total Return Net hedged to EUR	S&P 500 ESG Total Return Net hedged to GBP
Bloomberg Index Ticker	SPXESCNH	SPXESENH	SPXESGNH
Currency	CHF	EUR	GBP
Market	S&P 500 universe		
Weighting Methodology	Free-float market capitalization weighted with sustainability screening		
Index Description	The S&P 500 ESG Index was constructed to provide a risk and return profile similar to that of the S&P 500, while improving ESG characteristics. The index targets 75% of the float market capitalization of each GICS industry group within S&P 500. Certain exclusions are also made based on criteria detailed in the methodology.		

Source: UBS Asset Management. Data as of June 2021.

# Risk & return considerations

The S&P 500 ESG Elite index has outperformed in most periods

	Return p.a.			Excess return p.a.	
	S&P 500	S&P 500 ESG	S&P 500 ESG Elite	S&P 500 ESG	S&P 500 ESG Elite
1 Year	45.25%	45.67%	46.76%	0.42%	1.51%
2 Years	20.65%	22.39%	21.82%	1.75%	1.17%
5 Years	16.71%	17.35%	18.05%	0.63%	1.34%
7 Years	13.63%	14.03%	14.70%	0.40%	1.07%
10 Years	13.46%	13.78%	13.96%	0.40%	1.07%
Since April 2010	13.74%	13.96%	13.84%	0.22%	0.10%
YTD (30 April) period return	11.55%	11.87%	15.27%	0.33%	3.73%

	Volatility			Tracking error (bps)	
	S&P 500	S&P 500 ESG	S&P 500 ESG Elite	S&P 500 ESG	S&P 500 ESG Elite
1 Year	17.52%	17.70%	17.33%	183	377
2 Years	25.52%	25.64%	26.24%	151	362
5 Years	18.71%	18.78%	19.32%	111	299
7 Years	17.50%	17.55%	18.04%	102	290
10 Years	17.12%	17.04%	17.57%	106	287
Since April 2010	17.14%	17.01%	17.46%	106	288
YTD (30 April) period return	14.61%	14.41%	13.74%	154	402

Source: S&P Dow Jones, UBS Asset Management. Data as of 30 April 2021. Based on daily data.

Past performance whether actual or simulated is not an indicator of future returns. Includes backtested data.

# Performance attribution 1/3

In the last year, *allocation* across sectors as well as *selection* of ESG stocks contributed positively to performance

## Performance attribution of S&P 500 ESG Elite versus S&P 500

Sector	Weight S&P 500 ESG Elite (%)	Weight S&P 500 (%)	Weight Difference (%)	Return S&P 500 ESG Elite (%)	Return S&P 500 (%)	Allocation Effect (%)	Selection Effect (%)	Total Effect (%)
Communication Services	9.94	10.94	-1.00	46.94	52.45	0.00	-0.58	-0.58
Consumer Discretionary	12.21	11.69	0.52	51.09	51.30	0.18	-0.13	0.05
Consumer Staples	7.05	6.69	0.36	16.91	22.79	-0.11	-0.50	-0.61
Energy		2.56	-2.56		35.76	0.35	0.00	0.35
Financials	10.87	10.41	0.46	63.45	62.90	-0.04	0.22	0.18
Health Care	15.26	13.94	1.31	32.32	23.70	-0.31	1.49	1.18
Industrials	9.29	8.35	0.94	87.47	61.19	0.19	1.90	2.09
Information Technology	29.31	27.29	2.02	47.10	54.24	0.16	-2.04	-1.88
Materials	2.90	2.62	0.28	41.61	62.88	0.07	-0.61	-0.54
Real Estate	2.80	2.60	0.19	49.24	30.59	0.01	0.54	0.55
Utilities	0.37	2.91	-2.54	30.14	20.65	0.71	0.05	0.76
<b>Total</b>	<b>100</b>	<b>100</b>	<b>0.00</b>	<b>47.53</b>	<b>45.98</b>	<b>1.21</b>	<b>0.33</b>	<b>1.54</b>

Source: UBS Asset Management. S&P Dow Jones Indices. Data from April 30, 2020, to April 30, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. The S&P 500 ESG Elite Index was launched on Dec 21, 2020.

**Past performance whether actual or simulated is not an indicator of future returns.**



# Performance attribution 2/3

Top 15 contributors added 7.52% to outperformance

## Top 15 contributors to performance of S&P 500 ESG Elite versus S&P 500

Rank	Company	S&P 500 ESG Elite (%)	S&P 500 (%)	Weight Difference (%)	Return (%)	Total Effect (%)
1	Nvidia Corp	4.24	1.02	3.22	105.69	1.38
2	Deere & Co	1.07	0.26	0.81	159.16	0.67
3	United Parcel Service Inc B	1.50	0.36	1.14	121.75	0.65
4	Bank of America Corp	3.11	0.75	2.36	72.76	0.63
5	Johnson & Johnson	0.00	1.37	-1.37	11.40	0.57
6	Intel Corp	0.00	0.80	-0.80	-1.61	0.51
7	General Motors Company	0.68	0.16	0.52	156.71	0.40
8	Merck & Co Inc	0.00	0.69	-0.69	-3.05	0.40
9	Verizon Communications Inc	0.00	0.82	-0.82	5.05	0.40
10	Procter & Gamble	0.00	1.12	-1.12	15.97	0.36
11	Capital One Financial	0.57	0.14	0.43	133.11	0.34
12	FedEx Corp	0.77	0.18	0.58	131.93	0.33
13	Pfizer Inc	0.00	0.70	-0.70	10.90	0.30
14	Gilead Sciences Inc	0.00	0.29	-0.29	-21.18	0.29
15	Alphabet Inc C	2.57	1.70	0.88	78.70	0.29
<b>Total</b>		<b>14.51</b>	<b>10.36</b>			<b>7.52</b>

Source: UBS Asset Management. S&P Dow Jones Indices. Data from April 30, 2020, to April 30, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. The S&P 500 ESG Elite Index was launched on Dec 21, 2020.

**Past performance whether actual or simulated is not an indicator of future returns.**

# Performance attribution 3/3

Bottom 15 contributors add up to a 7.48% performance drag

## Bottom 15 contributors to performance of S&P 500 ESG Elite versus S&P 500

Rank	Company	S&P 500 ESG Elite (%)	S&P 500 (%)	Weight Difference (%)	Return (%)	Total Effect (%)
1	Apple Inc.	0.00	6.21	-6.21	80.36	-1.79
2	AT&T Inc	3.00	0.72	2.27	10.60	-0.99
3	PepsiCo Inc	2.71	0.66	2.06	12.30	-0.79
4	Visa Inc A	4.71	1.18	3.53	31.51	-0.54
5	Cisco Systems Inc	2.68	0.65	2.03	24.07	-0.51
6	PayPal Holdings Inc.	0.00	0.83	-0.83	113.24	-0.41
7	Biogen Inc	0.63	0.15	0.48	-9.94	-0.36
8	McDonald's Corp	2.21	0.53	1.67	29.01	-0.31
9	Abbott Laboratories	2.68	0.65	2.03	32.35	-0.28
10	Baxter Intl Inc	0.60	0.14	0.45	-2.32	-0.28
11	Facebook Inc A	0.00	2.15	-2.15	58.80	-0.27
12	Unitedhealth Group Inc	4.39	1.06	3.33	38.48	-0.26
13	Mondelez International Inc	1.13	0.27	0.86	20.84	-0.24
14	Newmont Corp	0.71	0.17	0.54	7.55	-0.24
15	Applied Materials Inc	0.00	0.25	-0.25	170.32	-0.23
<b>Total</b>		<b>25.44</b>	<b>15.63</b>			<b>-7.48</b>

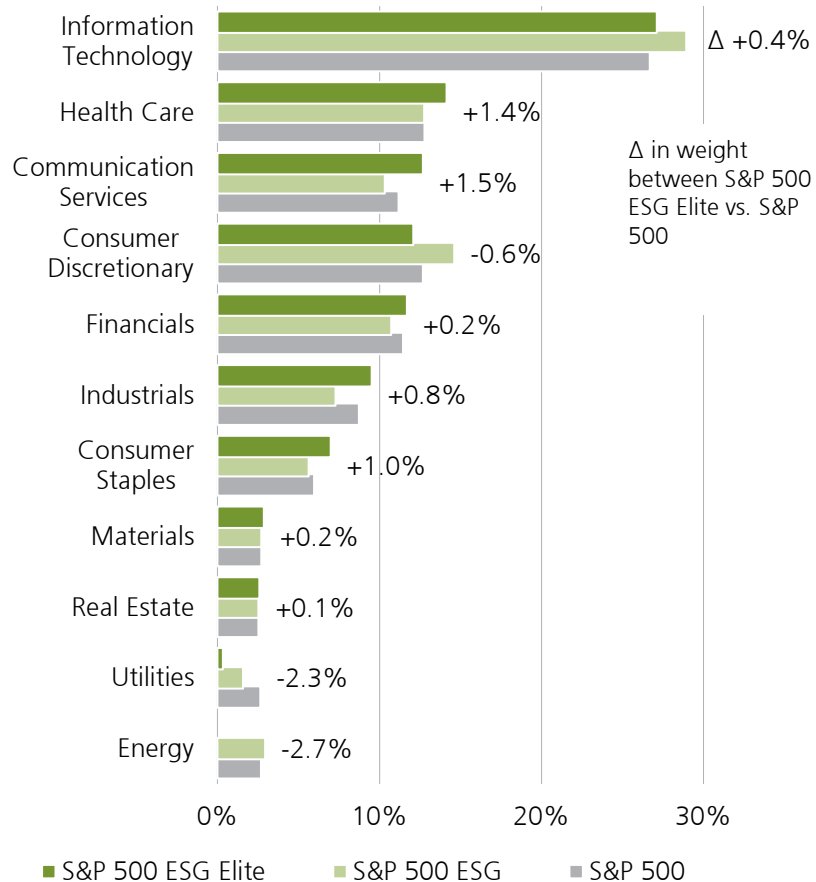
Source: UBS Asset Management. S&P Dow Jones Indices. Data from April 30, 2020, to April 30, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. The S&P 500 ESG Elite Index was launched on Dec 21, 2020.

**Past performance whether actual or simulated is not an indicator of future returns.**

# Sector allocation

Sector neutrality is preserved, except for Utilities and Energy

## Sector neutrality



Source: S&P Dow Jones, UBS Asset Management. Data as of 30 April 2021.

## Index construction rules

- ✓ S&P 500 ESG Elite aims for a 25% market cap coverage for each GICS sector at rebalancings.
- ✓ A buffer rule to limit turnover: existing companies ranked between 17.5% and 32.5% by ESG score are prioritized.
- ✓ Minimum market cap coverage of at least 22.5%.
- ✓ A company level market cap of 5% applies.

# S&P 500 ESG Elite composition

1/2

Company name	Sector	Weight
Microsoft Corp	Information Technology	4.83%
Visa Inc A	Information Technology	4.61%
Nvidia Corp	Information Technology	4.33%
Mastercard Inc A	Information Technology	3.90%
Adobe Inc.	Information Technology	2.83%
Intel Corp	Information Technology	2.72%
Cisco Systems Inc	Information Technology	2.50%
TE Connectivity Ltd.	Information Technology	0.52%
HP Inc	Information Technology	0.50%
Hewlett Packard Enterprise Co	Information Technology	0.24%
NortonLifeLock Inc.	Information Technology	0.15%
Unitedhealth Group Inc	Health Care	4.39%
Abbott Laboratories	Health Care	2.47%
AbbVie Inc.	Health Care	2.29%
CVS Health Corporation	Health Care	1.17%
Cigna Corporation	Health Care	1.02%
Edwards Lifesciences Corp	Health Care	0.69%
Illumina Inc	Health Care	0.67%
Baxter Intl Inc	Health Care	0.50%
Biogen Inc	Health Care	0.47%
Agilent Technologies Inc	Health Care	0.47%
Comcast Corp A	Communication Serv.	2.99%
Alphabet Inc A	Communication Serv.	2.63%
AT&T Inc	Communication Serv.	2.61%
Alphabet Inc C	Communication Serv.	2.58%

Company name	Sector	Weight
Activision Blizzard Inc	Communication Serv.	0.82%
Electronic Arts	Communication Serv.	0.48%
Take-Two Interactive Software	Communication Serv.	0.23%
Omnicom Group	Communication Serv.	0.21%
Interpublic Group Cos	Communication Serv.	0.14%
Home Depot Inc	Consumer Discretionary	4.05%
NIKE Inc B	Consumer Discretionary	1.96%
Target Corp	Consumer Discretionary	1.21%
TJX Cos Inc	Consumer Discretionary	0.99%
General Motors Company	Consumer Discretionary	0.84%
Aptiv plc	Consumer Discretionary	0.45%
eBay Inc.	Consumer Discretionary	0.42%
Yum! Brands Inc	Consumer Discretionary	0.42%
Hilton Worldwide Holdings Inc	Consumer Discretionary	0.42%
Dollar Tree Inc	Consumer Discretionary	0.31%
Best Buy Co Inc	Consumer Discretionary	0.31%
Etsy, Inc.	Consumer Discretionary	0.29%
Whirlpool Corp	Consumer Discretionary	0.17%
Hasbro Inc	Consumer Discretionary	0.15%
Gap Inc	Consumer Discretionary	0.08%
Bank of America Corp	Financials	3.58%
Citigroup Inc	Financials	1.73%
American Express Co	Financials	1.16%
S&P Global Inc	Financials	1.09%
Capital One Financial	Financials	0.80%

Source: S&P Dow Jones, UBS Asset Management. Data as of 30 April 2021.  
For information purposes only. No investment advice or a recommendation to buy or sell any securities.

# S&P 500 ESG Elite composition

2/2

Company name	Sector	Weight
Moody's Corp	Financials	0.61%
Metlife Inc	Financials	0.56%
The Bank of New York Mellon Corp	Financials	0.47%
Allstate Corp	Financials	0.45%
State Street Corp	Financials	0.34%
Northern Trust Corp (IL)	Financials	0.28%
Hartford Finl Services Group	Financials	0.27%
Nasdaq Inc	Financials	0.22%
Lincoln National Corp	Financials	0.13%
United Parcel Service Inc B	Industrials	1.71%
Caterpillar Inc	Industrials	1.45%
Deere & Co	Industrials	1.35%
FedEx Corp	Industrials	0.82%
Waste Management Inc	Industrials	0.62%
Roper Technologies, Inc	Industrials	0.54%
Johnson Controls International plc	Industrials	0.52%
Trane Technologies plc	Industrials	0.48%
Cummins Inc	Industrials	0.43%
Stanley Black & Decker	Industrials	0.39%
Republic Services Inc	Industrials	0.26%
W.W. Grainger Inc	Industrials	0.22%
Ingersoll Rand Inc.	Industrials	0.21%
American Airlines Group Inc.	Industrials	0.16%
Pentair PLC	Industrials	0.12%
Nielsen Holdings plc	Industrials	0.11%
Alaska Air Group Inc	Industrials	0.10%

Company name	Sector	Weight
Coca-Cola Co	Consumer Staples	2.44%
Mondelez International Inc	Consumer Staples	1.00%
Colgate-Palmolive Co	Consumer Staples	0.80%
Walgreens Boots Alliance Inc	Consumer Staples	0.44%
General Mills Inc	Consumer Staples	0.43%
Archer-Daniels-Midland Co	Consumer Staples	0.41%
Kroger Co	Consumer Staples	0.32%
The Kraft Heinz Company	Consumer Staples	0.31%
Hershey Foods Corp	Consumer Staples	0.28%
McCormick & Co	Consumer Staples	0.26%
Kellogg Co	Consumer Staples	0.18%
Campbell Soup Co	Consumer Staples	0.11%
Linde plc	Materials	1.74%
Newmont Corp	Materials	0.58%
Dow Inc	Materials	0.54%
ProLogis Inc	Real Estate	1.00%
Welltower Inc	Real Estate	0.36%
CBRE Group Inc.	Real Estate	0.33%
Ventas Inc	Real Estate	0.24%
Healthpeak Properties Inc.	Real Estate	0.22%
Boston Properties Inc	Real Estate	0.18%
Host Hotels & Resorts Inc	Real Estate	0.15%
Kimco Realty Corp	Real Estate	0.11%
American Water Works Co Inc	Utilities	0.33%

Source: S&P Dow Jones, UBS Asset Management. Data as of 30 April 2021.  
For information purposes only. No investment advice or a recommendation to buy or sell any securities.

# Values-based exclusions

1/2

Company name	Exclusion reason	Weight
NetFlix Inc	UNGC Violation	0.64%
Twitter Inc	UNGC Violation	0.12%
Johnson & Johnson	MSA Controversies	1.21%
3M Co	MSA Controversies	0.32%
DuPont de Nemours Inc.	MSA Controversies	0.12%
PTC Inc	Rebalance addition to S&P 500	0.04%
Carrier Global Corp.	Missing ESG Score	0.10%
Amtcor plc	Missing ESG Score	0.05%
Federal Realty Invst Trust	Missing ESG Score	0.02%
Honeywell Intl Inc	Controversial Weapons	0.44%
Boeing Co	Controversial Weapons	0.36%
Raytheon Technologies Corp	Controversial Weapons	0.36%
BlackRock Inc	Controversial Weapons	0.33%
Lockheed Martin	Controversial Weapons	0.27%
Northrop Grumman Corp	Controversial Weapons	0.16%
General Dynamics	Controversial Weapons	0.12%
L3Harris Technologies Inc	Controversial Weapons	0.12%
T Rowe Price Group Inc	Controversial Weapons	0.12%
Jacobs Engineering Group Inc	Controversial Weapons	0.05%
Textron Inc	Controversial Weapons	0.04%
Huntington Ingalls Industries Inc.	Controversial Weapons	0.02%
Amphenol Corp A	Military Contracting	0.11%
TransDigm Group	Military Contracting	0.09%
Howmet Aerospace Inc.	Military Contracting	0.04%
Walmart Inc.	Small Arms	0.55%

Company name	Exclusion reason	Weight
Philip Morris International	Tobacco	0.42%
Altria Group Inc	Tobacco	0.25%
Eastman Chemical Co	Tobacco	0.04%
Royal Caribbean Group	Alcohol	0.05%
MGM Resorts International	Alcohol	0.05%
Las Vegas Sands	Gambling	0.06%
Corteva Inc.	GMO	0.10%
Procter & Gamble	Palm Oil	0.93%
Eversource Energy	Nuclear Power	0.08%

Source: S&P Dow Jones, UBS Asset Management. Data as of 30 April 2021.  
For information purposes only. No investment advice or a recommendation to buy or sell any securities.

# Fossil-fuel exclusions

2/2

Company name	Exclusion reason	Weight
NextEra Energy Inc	Thermal Coal	0.43%
Duke Energy Corp	Thermal Coal	0.22%
Southern Co	Thermal Coal	0.20%
Dominion Energy Inc	Thermal Coal	0.18%
American Electric Power	Thermal Coal	0.12%
Xcel Energy Inc	Thermal Coal	0.11%
Public Service Enterprise Grp	Thermal Coal	0.09%
WEC Energy Group Inc	Thermal Coal	0.09%
Weyerhaeuser Co	Thermal Coal	0.08%
DTE Energy Co	Thermal Coal	0.08%
PPL Corp	Thermal Coal	0.06%
Entergy Corp	Thermal Coal	0.06%
Ameren Corp	Thermal Coal	0.06%
FirstEnergy Corp	Thermal Coal	0.06%
CMS Energy Corp	Thermal Coal	0.05%
AES Corp	Thermal Coal	0.05%
Eergy Inc.	Thermal Coal	0.04%
Alliant Energy Corp	Thermal Coal	0.04%
Nisource Inc	Thermal Coal	0.03%
Pinnacle West Capital (AZ)	Thermal Coal	0.03%
NRG Energy	Thermal Coal	0.02%

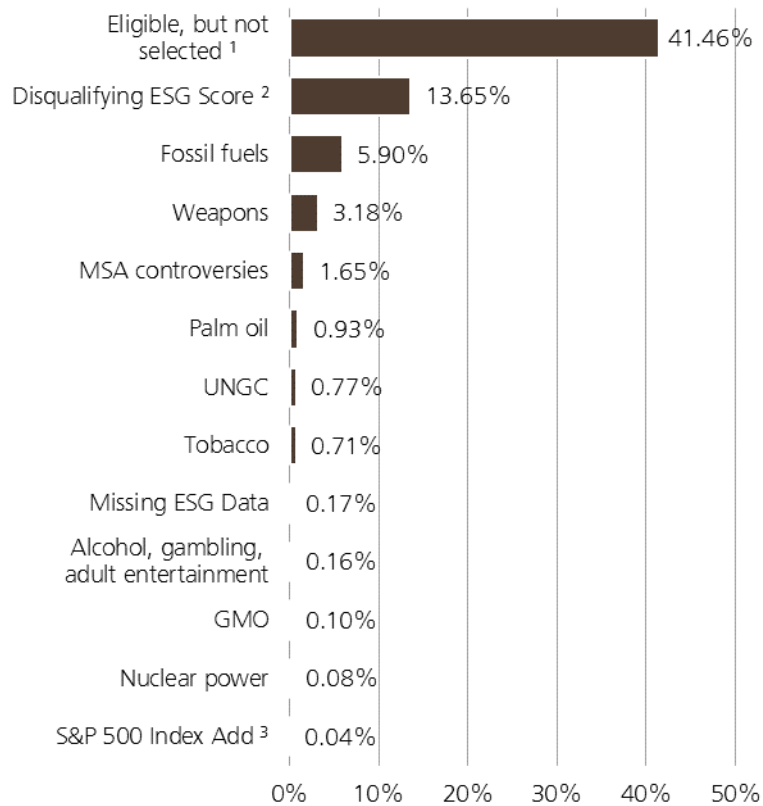
Company name	Exclusion reason	Weight
Exxon Mobil Corp	Oil & Gas	0.68%
Chevron Corp	Oil & Gas	0.56%
Union Pacific Corp	Oil & Gas	0.42%
CSX Corporation	Oil & Gas	0.22%
Norfolk Southern Corp	Oil & Gas	0.20%
ConocoPhillips	Oil & Gas	0.20%
Emerson Electric Co	Oil & Gas	0.15%
Exelon Corp	Oil & Gas	0.12%
Sempra Energy	Oil & Gas	0.12%
Schlumberger Ltd	Oil & Gas	0.11%
Marathon Petroleum Corp.	Oil & Gas	0.10%
Kinder Morgan Inc	Oil & Gas	0.09%
Pioneer Natural Resources	Oil & Gas	0.09%
Delta Air Lines	Oil & Gas	0.08%
The Williams Companies Inc	Oil & Gas	0.08%
LyondellBasell Industries N.V.	Oil & Gas	0.08%
Consolidated Edison Inc	Oil & Gas	0.07%
ONEOK Inc	Oil & Gas	0.07%
Edison Intl	Oil & Gas	0.06%
Occidental Petroleum	Oil & Gas	0.06%
Hess Corp	Oil & Gas	0.06%
Albemarle Corp	Oil & Gas	0.06%
Halliburton Co	Oil & Gas	0.05%
Devon Energy Corp	Oil & Gas	0.04%
APA Corporation	Oil & Gas	0.02%

Source: S&P Dow Jones, UBS Asset Management. Data as of 30 April 2021.  
For information purposes only. No investment advice or a recommendation to buy or sell any securities.

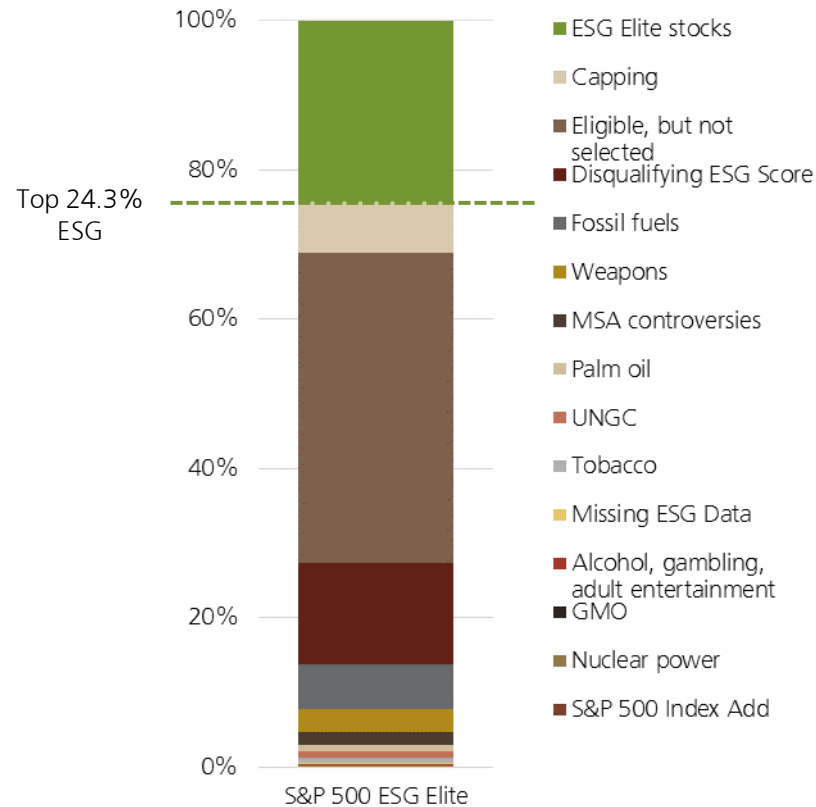
# Summary of exclusions

S&P 500 ESG Elite aims for top 25% of the most sustainable companies

## Total market cap by exclusion



## S&P 500 vs S&P ESG Elite



<sup>1</sup> The company's ESG score is low relative to its GICS sector peers

<sup>2</sup> The company's ESG score is in the lowest 25% of all ESG scores in the anchor universe (S&P Global Large MidCap Index + S&P Global 1200 Index)

<sup>3</sup> The company has been added to S&P 500 after Jan 2021


Source: S&P Dow Jones, UBS Asset Management. Data as of 30 April 2021.











# S&P 500 ESG Elite – top holdings and exclusions

ESG screening affects 10 out of 20 top holdings

## Top 20 constituents

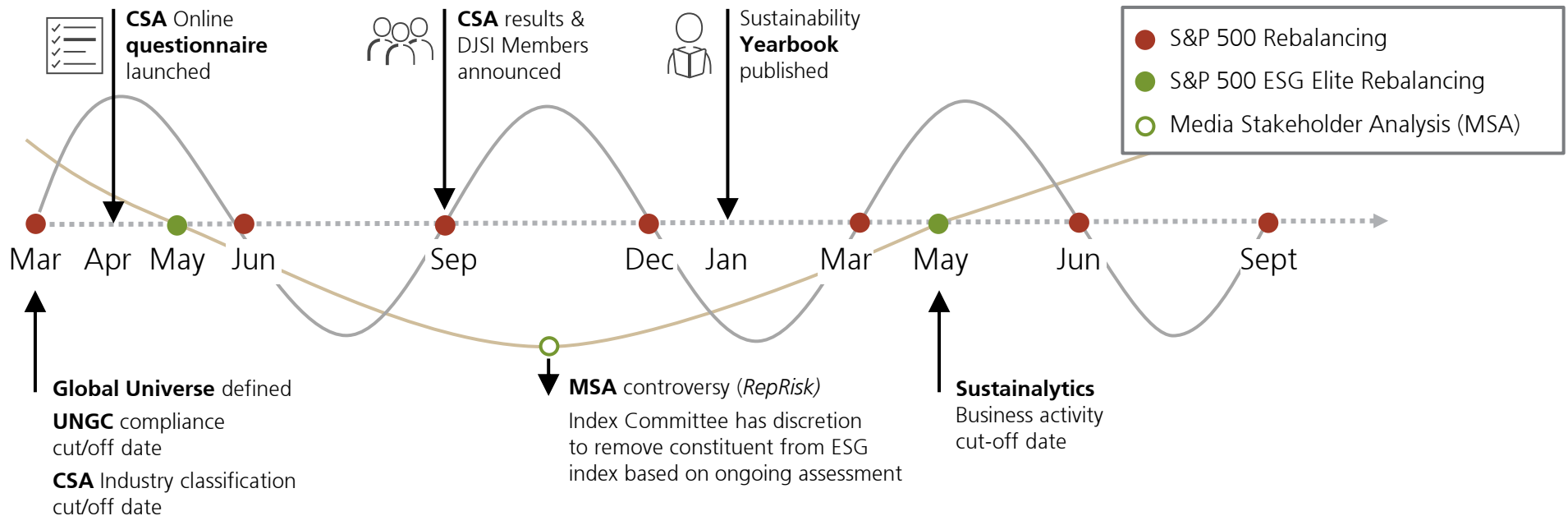
S&P 500	Weight	Exclusion reason
Apple Inc.	5.86%	Ineligible ESG score
Microsoft Corp	5.38%	
Amazon.com Inc	4.19%	Eligible, not selected
Facebook Inc A	2.21%	Eligible, not selected
Alphabet Inc A	2.00%	
Alphabet Inc C	1.96%	
Tesla, Inc	1.54%	Ineligible ESG score
Berkshire Hathaway B	1.48%	Ineligible ESG score
JP Morgan Chase & Co	1.33%	Eligible, not selected
Johnson & Johnson	1.21%	Controversies
Visa Inc A	1.12%	
Unitedhealth Group Inc	1.07%	
Nvidia Corp	1.05%	
Home Depot Inc	0.98%	
Walt Disney Co	0.95%	Eligible, not selected
Mastercard Inc A	0.95%	
Procter & Gamble	0.93%	Palm Oil
Bank of America Corp	0.87%	
PayPal Holdings Inc.	0.87%	Eligible, not selected
Comcast Corp A	0.73%	

S&P 500 ESG Elite	Weight
Microsoft Corp 	4.83%
Visa Inc A 	4.61%
Unitedhealth Group Inc 	4.39%
Nvidia Corp 	4.33%
Home Depot Inc 	4.05%
Mastercard Inc A 	3.90%
Bank of America Corp 	3.58%
Comcast Corp A 	2.99%
Adobe Inc. 	2.83%
Intel Corp 	2.72%
Alphabet Inc A 	2.63%
AT&T Inc 	2.61%
Alphabet Inc C 	2.58%
Cisco Systems Inc 	2.50%
Abbott Laboratories 	2.47%
Coca-Cola Co 	2.44%
AbbVie Inc. 	2.29%
NIKE Inc B 	1.96%
Linde plc 	1.74%
Citigroup Inc 	1.73%

Source: S&P Dow Jones, UBS Asset Management. Data as of 30 April 2021.  
For information purposes only. No investment advice or a recommendation to buy or sell any securities.

# S&P 500 and S&P 500 ESG Elite index life cycle

## ESG scoring and rebalancing frequencies



### Sustainalytics

- Exclude companies that are involved, directly or indirectly with certain controversial business involvement
- In S&P 500 ESG Elite, the reference date for business involvement is **each rebalancing date**

### S&P Global

- Timeline of **CSA process ~6months** (questionnaire + analysis)
- S&P 500 Index committee reviews **MSA cases** and can remove companies accordingly
- MSA analysis is done on a **daily basis** (news/report screening from RepRisk)

### Arabesque's S-Ray

- **Long Term reporting/analysis** with 1 year frequency
- **Short-term adjustment** based on daily review of controversies news and NGO campaigns
- In S&P 500 ESG Elite, the reference date for GC score is **last business day of March**

Source: S&P Dow Jones, UBS Asset Management. Data as of June 2021.

# United Nations Global Compact (UNGC)

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## The 10 UNGC key principles

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### **Human Rights**

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**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2:** make sure that they are not complicit in human rights abuses.

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### **Labour Standards**

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**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4:** the elimination of all forms of forced and compulsory labour;

**Principle 5:** the effective abolition of child labour; and

**Principle 6:** the elimination of discrimination in respect of employment and occupation.

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### **Environment**

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**Principle 7:** Businesses should support a precautionary approach to environmental challenges;

**Principle 8:** undertake initiatives to promote greater environmental responsibility; and

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies

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### **Anti-Corruption**

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**Principle 10:** Businesses should work against all forms of corruption, including extortion and bribery.

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Source: United Nations Global Compact, UBS Asset Management. Data as of June 2021.

# Disclaimers

# Risk information

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## **UBS ETFs investing in equities**

UBS Exchange Traded Funds invest in equities and may therefore be subject to high fluctuations in value. For this reason, an investment horizon of at least five years and corresponding risk tolerance and capacity are required. All investments are subject to market fluctuations. Every fund has specific risks, which can significantly increase under unusual market conditions. The fund's assets are passively managed. As a result, the net asset value of the fund's assets is directly dependent on the performance of the underlying equities. Losses that could be avoided via active management will not be offset.

## **UBS ETFs investing in Real Estate Funds**

The funds invest in real estate funds under Swiss law that are denominated in CHF and invest exclusively in Swiss properties. The price of the underlying fund units is not determined by estimates of market value but by investor supply and demand. All investments are subject to market fluctuations. Every fund has specific risks, which may increase considerably in unusual market conditions. Please contact your client advisor if you wish to receive further information on the investment risks associated with this product.

## **UBS ETFs investing in Metals**

The UBS Exchange Traded Fund investing in metals may be subject to considerable fluctuations in value. Investors therefore require an investment horizon of at least five years and corresponding risk tolerance and capacity. All investments are subject to market fluctuations. All funds have specific risks, which may significantly increase under unusual market conditions. The fund's assets are passively managed. As a result, the net asset value of the fund's assets is directly dependent on the performance of the underlying equities. Losses that could be avoided via active management will not be offset.

## **UBS ETFs investing in Oil and Commodities**

The Fund delivers the returns of a broadly diversified commodity index and may therefore be subject to high fluctuations in value. For this reason, an investment horizon of at least five years and corresponding risk tolerance and capacity are required. The returns payable on the Fund are dependant on payments received by the Fund from the Swap Counterparty under the terms of the Relevant Swap and, therefore, are subject to the credit risk of the Swap Counterparty. In the event that the Swap Counterparty defaults under the terms of the Relevant Swap, the Fund may suffer a loss. Assets are passively managed meaning losses that could be avoided via active management will not be offset. The net asset value of the Fund's assets are materially dependent on the performance of the underlying investments. In case the currency of the product is different from your reference currency, the return may increase or decrease as a result of currency fluctuations. All investments are subject to market fluctuations. Every fund has specific risks, which can significantly increase under unusual market conditions.

## **UBS ETFs investing in HFR**

The Fund delivers the returns of a broadly diversified hedge fund index and may therefore be subject to high fluctuations in value. For this reason, an investment horizon of at least five years and corresponding risk tolerance and capacity are required. The returns payable on the Fund are dependent on payments received by the Fund from the Swap Counterparty under the terms of the Relevant Swap and, therefore, are subject to the credit risk of the Swap Counterparty. In the event that the Swap Counterparty defaults under the terms of the Relevant Swap, the Fund may suffer a loss. Assets are passively managed meaning losses that could be avoided via active management will not be offset. The net asset value of the Fund's assets are directly dependent on the performance of the underlying investments. In case the currency of the product is different from your reference currency, the return may increase or decrease as a result of currency fluctuations.

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## **UBS ETFs investing in Multi Asset Portfolios**

The Fund is highly dynamic and may exhibit above-average potential growth and investment performance, depending on the economic environment. For this reason, an investment horizon of at least five years and corresponding risk tolerance and capacity are required. The Fund is exposed to the investment risk arising from the Reference Strategy underlying the Swaps. In the event that the swap counterparty defaults under the terms of the relevant swap, the Fund may suffer a loss. The Fund's assets are passively managed. As a result, the net asset value of the Fund's assets is materially dependent on the performance of the underlying investments. Losses that could be avoided via active management will not be offset. The Reference Strategy is a rules-based Algorithm designed to target consistent returns but may not be effective in delivering such returns.

The Fund is subject to the risk that its climate-focused investment strategy may select or exclude securities of certain issuers for reasons other than investment performance considerations. Climate Criteria and risks are considered as part of the Index selection process.

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