

# UBS Climate Aware Equity Index

Focusing on the transition to a **low carbon and climate resilient economy**

## What is the UBS Climate Aware Equity Index?

Climate change has become an important area of focus for major stakeholders in our economy. Corporations are working to adapt their business practices to reduce climate impact, governments are developing regulations to control and shrink carbon footprints, and institutional investors are committing capital with climate and environmental impacts in mind.

The UBS Climate Aware Equity Index (the "Index") is a rules-based strategy that aims to provide investment exposure to the long-term theme of transitioning to a low carbon and climate resilient economy. The Index includes equity securities of large and medium sized US companies\* while tilting the allocation towards companies that are expected to be successful in a low carbon economy. The Index is maintained by a third-party benchmark administrator and uses ESG scoring information provided by a recognized market data provider.

**1****Step 1:**

Calculate a Composite Climate Score for each company included in the Solactive GBS United States Large & Mid Cap index (the Parent Index) based on **6 climate scores: Carbon Emission, Coal Energy, Fossil Fuel Reserves, Renewable Energy, Emissions Trajectories, and Severe Weather Events.**

**2****Step 2:**

Reweight the Index component companies based on each company's Composite Climate Score by removing companies with lowest Climate Scores and overweighting companies with highest Climate Scores.

**3****Step 3:**

Adjust the weighting in Step 2 to reflect principles of the EU Climate Transition Benchmark\*, which, among its objectives, seeks to increase transparency on underlying methodologies and data sources, and address the risk of greenwashing. The Index also excludes companies involved in tobacco, controversial weapons and violators of societal or environmental norms. \*[https://ec.europa.eu/transparency/documents-register/detail?ref=C\(2020\)4757&lang=en](https://ec.europa.eu/transparency/documents-register/detail?ref=C(2020)4757&lang=en)

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Ticker: UBSClima

Web site: [www.ubs.com/climateawareindex](http://www.ubs.com/climateawareindex)

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### Index overview

**Systematic Rules-Based Approach:**

Development of the Index by UBS Investment Bank was informed in part by UBS Asset Management expertise in climate investing.

The Index applies a systematic, rules-based approach to select and weight Index constituents based on climate scores.

Current and forward-looking data is used to assess a company's carbon footprint and gauge its forward-looking carbon emissions profile.

**Innovative Process:**

Seeks to achieve climate objectives while controlling tracking error versus parent index.







Transparent rules-based methodology combines multiple climate factors, powered by a recognized market data provider: Institutional Shareholders Services ("ISS").

Portfolio construction through a process that calculates individual stock weights while applying climate and ESG considerations.

\* Large and Medium Size US companies refers to securities available in the US that account for the top 85% of the Accumulated Free Float Market Capitalization as described in Section 2 (Composition of the Indices) of the Index Guideline: Solactive Global Benchmark Series [GBS] as posted in the Index Administrator's website: <https://www.solactive.com/documents/solactive-global-benchmark-series/>

# Climate Score Components

UBS Climate Aware Equity Index scoring aims to consider key risks and opportunities related to climate change using 6 climate scores:

Carbon Emission		The Carbon Emission component <b>underweights</b> companies with high carbon emissions.
Coal Energy		The Coal Energy component <b>underweights</b> companies that generate revenue from coal mining or from generating energy from coal.
Fossil Fuel Reserves		The Fossil Fuel Reserves component <b>underweights</b> companies with large fossil fuel reserves and companies that generate revenue from distribution or servicing related to fossil fuel reserves.
Renewable Energy		The Renewable Energy component <b>overweights</b> companies engaged in renewable energy and associated technologies (by combining revenue from the generation of renewable energy and potential avoided emissions per revenue).
Emissions Trajectories		The Emissions Trajectories component <b>overweights</b> companies committed to achieve their associated industry target under a specific climate scenario.
Severe Weather Events		The Severe Weather Events component <b>underweights</b> companies with significant exposure to the negative effects of more frequent and severe weather events arising from permanent climate change.

## Controls Reflecting EU Climate Transition Benchmark (CTB) Minimum Standards\*

Baseline exclusions	Exclude companies involved in controversy and violators against societal norms (such as UNGC principles or OECD guidelines)
Further exclusions	Exclude companies with more than 10% revenue from coal mining, coal power generation and/or oil sands extraction
Carbon intensity	Weighted average carbon intensity of the benchmark must be 30% lower than the reference universe
Self-decarbonization	Benchmark is constrained to achieve at least a 7.0% reduction in its weighted average carbon intensity versus the prior year
High impact exposure	Aggregate weight of companies in high climate impact sectors must be at least as high as the aggregate weight in the reference universe

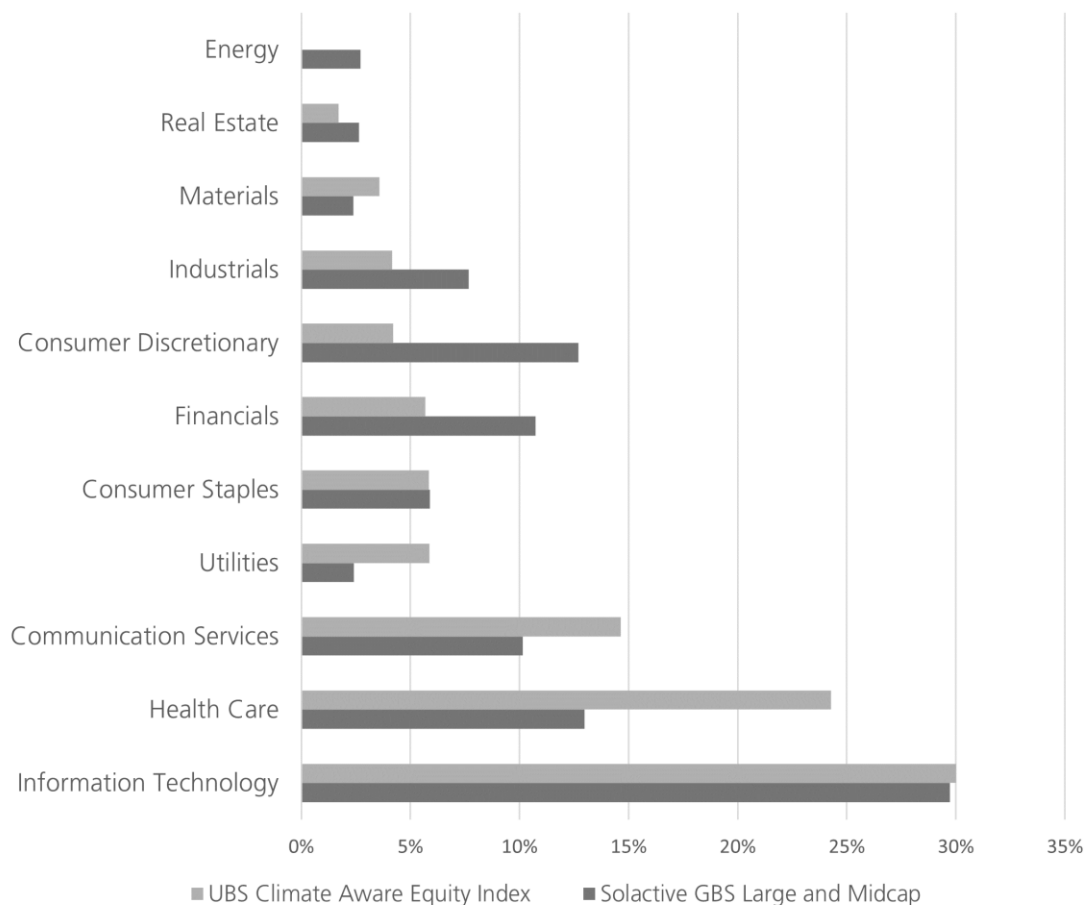
# Weights and Scores

## Top 10 Holdings as of 3/24/2022

UBS Climate Aware	Weight
APPLE INC	5.0%
NVIDIA CORP	3.7%
META PLATFORMS INC-CLASS A	3.3%
ALPHABET INC-CL A	3.1%
JOHNSON & JOHNSON	3.0%
ALPHABET INC-CL C	2.8%
VERIZON COMMUNICATIONS INC	2.3%
PROCTER & GAMBLE CO/THE	2.1%
UNITEDHEALTH GROUP INC	2.0%
ADOBE INC	1.9%

Parent Index*	Weight
APPLE INC	7.0%
MICROSOFT CORP	6.0%
AMAZON.COM INC	4.0%
TESLA INC	2.0%
ALPHABET INC-CL A	2.0%
META PLATFORMS INC-CLASS A	2.0%
ALPHABET INC-CL C	2.0%
NVIDIA CORP	2.0%
JPMORGAN CHASE & CO	1.0%
UNITEDHEALTH GROUP INC	1.0%

## Sector Allocation compared to parent index as of 3/24/2022



Source: UBS Data, Solactive, Bloomberg  
 \*Parent index is the Solactive GBS United States Large & Mid Cap Index NTR.

# Selected Risk Considerations

- Neither the UBS Climate Aware Index (the "Index") nor any of the components comprising the Index are guaranteed to yield specific results. There can be no assurance that the Index will be successful or that Index investors will not incur losses.
- The UBS Climate Aware Index levels are based on values of notional assets. There is no actual portfolio of assets to which any person is entitled or in which any person has any ownership interest.
- Prior to investing in any products linked to (or based on) the Index, investors should seek independent financial, tax, accounting and legal advice.
- Certain extraordinary and disruption events may impact the calculation of the Index.
- The Index is a new index, launched on October 7th, 2021. The performance shown before that date is hypothetical back-tested information. This website contains certain performance data based on back-testing, i.e. calculations of the hypothetical levels of the Index as if it had actually existed during a defined period of time, and may in certain circumstances contain simulated levels where the Index or assets described has recently been established or issued. Further, potential investors must note that such analysis is based on a number of working assumptions and data that may not be capable of duplication in actual trading terms. Unlike actual performance records, hypothetical or simulated performances, returns or scenarios may not necessarily reflect certain market factors such as liquidity constraints, fees, market impact and transaction costs and must be considered illustrative only. Actual history or back-tested past performance does not constitute an indication of futures results. The actual performance of the Index may bear little resemblance to the hypothetical results.
- The Index is a "price return" index and not a "total return" index and does not re-invest dividend paid by the Index constituents.
- The Index is invested in US stocks and lacks country diversification.
- The optimization process used to calculate the Index constituent weightings may not be successful on the first iteration and subsequent iterations may lead to further deviation from the Solactive GBS United States Large & Mid Cap Index NTR (the "Parent Index")
- Publicly available information on the Index and its methodology is limited. Information is available in the Index Administrator's website: [www.solactive.com/indices/?se=1&index=DE000SLOEC71#documents](http://www.solactive.com/indices/?se=1&index=DE000SLOEC71#documents)
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