

BPER International SICAV - Global Convertible Bond EUR

Sustainability-related disclosures

Summary

The BPER International SICAV – Global Convertible Bond EUR (the “Sub-Fund”) is an Article 8 financial product for the purposes of Regulation (EU) 2019/2088 (“SFDR”) which promotes environmental or social characteristics. The following characteristics are promoted by the Sub-Fund:

- 1) A sustainability profile that is higher than its benchmark’s sustainability profile or a minimum of 51% of the sub-fund invested in companies with sustainability profiles in the top half of the sub-fund’s investment universe (ranked by the UBS ESG consensus score).
- 2) A lower Weighted Average Carbon Intensity (WACI) than the reference benchmark or a low absolute carbon profile.

The Sub-Fund does not have as its objective sustainable investment. Furthermore, no ESG reference benchmark has been designated for the purpose of attaining the characteristics promoted by the Sub-Fund.

The actively managed Sub-Fund invests worldwide in convertible bonds. The investment objective is to take full advantage of the beneficial risk-return characteristics of the global convertible bond markets. ESG Integration is driven by taking into account material ESG risks as part of the research process. ESG integration enables the Portfolio Manager to identify financially relevant sustainability factors that impact investment decisions and to incorporate ESG considerations when implementing investment decisions and allows ESG risks to be systematically monitored and compared to risk appetite and constraints. It also assists in portfolio construction through securities selection, investment conviction and portfolio weightings.

The Sub-Fund’s minimum proportion of the investments used to meet the environmental and/or social characteristics promoted by the financial product is 51%.

The monitoring is made through the detailed analysis of the relevant sustainability indicators and their evolution over time. The performance of the indicators used to measure the environmental or social characteristics promoted by the financial product are measured daily, assessed quarterly and reported annually.

The portfolio manager uses a variety of different sources to obtain ESG data. The ESG data is consumed from leading providers, processed in accordance with defined guidelines and supplemented with analyst recommendation. We apply a minimum coverage threshold for the data sources used to attain the stated environmental or social characteristics of the Sub-Fund, these thresholds ensure that the binding targets can be monitored and measured.

UBS Group and UBS AM invest significant resources in ESG data. The data selection and onboarding is just one part, extracting insights and actually using it in investment decisions is what really matters. Through our research process we will also seek to identify companies where material ESG and sustainability factors may present a future negative risk. We will prioritize such companies for engagement and additionally utilize proxy voting as part of our stewardship activities to minimize adverse impacts where appropriate.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Environmental or social characteristics promoted by the financial product

The following characteristic(s) is/are promoted by the financial product:

- 1) A sustainability profile that is higher than its benchmark's sustainability profile or a minimum of 51% of the sub-fund invested in companies with sustainability profiles in the top half of the sub-fund's investment universe.
- 2) A lower Weighted Average Carbon Intensity (WACI) than the reference benchmark or a low absolute carbon profile.

The benchmark is a broad market index which does not assess or include constituents according to environmental and/or social characteristics and therefore is not intended to be consistent with the characteristics promoted by the financial product. No ESG reference benchmark has been designated for the purpose of attaining the characteristics promoted by the financial product.

Investment strategy

ESG Integration:

ESG Integration is driven by taking into account material ESG risks as part of the research process. ESG integration enables the Portfolio Manager to identify financially relevant sustainability factors that impact investment decisions and to incorporate ESG considerations when implementing investment decisions and allows ESG risks to be systematically monitored and compared to risk appetite and constraints. It also assists in portfolio construction through securities selection, investment conviction and portfolio weightings.

- For corporate issuers, this process utilizes an internal UBS ESG material issues framework which identifies the financially relevant factors per sector that can impact investment decisions. This orientation toward financial materiality ensures that analysts focus on sustainability factors that can impact the financial performance of the company and therefore investment returns. ESG integration can also identify opportunities for engagement to improve the company's ESG risk profile and thereby mitigate the potential negative impact of ESG issues on the company's financial performance. The Portfolio Manager employs an internal UBS ESG risk dashboard that combines multiple internal and external ESG data sources in order to identify companies with material ESG risks. An actionable risk signal highlights ESG risks to the Portfolio Manager for incorporation in their investment decision making process.
- For non-corporate issuers, the Portfolio Manager applies a qualitative or quantitative ESG risk assessment that integrates data on material ESG factors.

The analysis of material sustainability/ESG considerations can include many different aspects, such as the following among others: the carbon footprint, health and well-being, human rights, supply chain management, fair customer treatment and governance.

Sustainability Exclusion Policy

The Sustainability Exclusion Policy of the Portfolio Manager outlines the exclusions applied to the investment universe of the financial product. The link to the Sustainability Exclusion Policy can be found in the main body of the Prospectus.

The following binding element(s) of the investment strategy are used to select the investments to attain

the characteristic(s) promoted by this financial product:

For Characteristic 1):

A sustainability profile that is higher than its benchmark's sustainability profile or a minimum of 51% of the sub-fund invested in companies with sustainability profiles in the top half of the sub-fund's investment universe (ranked by the UBS ESG consensus score).

For characteristic 2):

A lower Scope 1 and 2 Weighted Average Carbon Intensity (WACI) than its benchmark or a low absolute carbon profile.

The calculations do not take account of cash, derivatives and unrated investment instruments.

The binding element(s) are calculated at quarter end using the average of all of business days' values in the quarter.

Good corporate governance is a key driver of sustainable performance and is therefore embedded in the Portfolio Manager's investment strategy. The Portfolio Manager employs a proprietary ESG Risk Dashboard that combines multiple ESG data sources from internal and recognized external providers in order to identify companies with material ESG risks. An actionable risk signal highlights ESG risks to the Portfolio Manager for incorporation in their investment decision making process. The assessment of good governance includes consideration of board structure and independence, remuneration alignment, transparency of ownership and control, and financial reporting.

Proportion of investments

The minimum proportion of the investments used to meet the environmental and/or social characteristics promoted by the financial product is 51%.

Monitoring of environmental or social characteristics

The portfolio manager has data indicators and a systemic pre-trade guideline control in place to monitor the stated environmental or social characteristics promoted by the financial product, specifically the binding targets stated in the investment strategy, there is a monitoring oversight control. There are also independent controls & audit by our delegated fund administrators.

Methodologies

The performance of the indicators used to measure the environmental or social characteristics promoted by the financial product are measured daily, assessed quarterly and reported annually.

The characteristic(s) is/are measured using the following indicator(s) respectively:

For characteristic 1):

The investment universe is defined as all convertible, exchangeable and warrant-linked bonds with a minimum capitalization of USD 50 m provided by the index provider (Refinitiv). The investment universe is ranked by the UBS ESG Consensus score.

The UBS ESG consensus score is used to identify issuers/companies for the investment universe with strong environmental and social performance characteristics, or a strong sustainability profile. This UBS

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ESG consensus score is a normalized weighted average of ESG score data from internal and recognized external providers. Rather than relying on an ESG score from a single provider, the consensus score approach increases conviction in the validity of the sustainability profile.

The UBS ESG consensus score assesses sustainability factors, such as the performance of the relevant issuers/companies with reference to environmental, social and governance (ESG) aspects. These ESG aspects relate to the main areas in which the issuers/companies operate and their effectiveness in managing ESG risks. Environmental and social factors can include (amongst others) the following: environmental footprint and operational efficiency, environmental risk management, climate change, natural resource usage, pollution and waste management, employment standards and supply chain monitoring, human capital, diversity within the board of directors, occupational health and safety, product safety, as well as anti-fraud and anti-corruption guidelines.

The individual investments in the sub-fund have a UBS ESG consensus score (on a scale of 0-10, with 10 having the best sustainability profile).

The sub-fund carries out an ESG analysis using the UBS ESG Consensus Score for:

- at least 90% (based on market value) of the developed market equities or convertible bonds that may be converted into high-cap (equity market capitalization greater than EUR 10 billion) developed market equities, other debt securities and money market instruments (regardless of company size and credit rating), and
- at least 75% (based on market value) for all other equities or convertible bonds

Developed markets are defined as those contained in the MSCI World index. The calculation excludes cash, certain derivatives and other instruments without a rating.

For convertible bonds, all ratings and calculations relating to ESG Consensus Score, sustainability profile and CO2 are based on the share into which the respective convertible bond may be converted (as opposed to the bond issuer). The issuer of a convertible bond is taken into consideration for all exclusion-based restrictions.

For money market instruments and non-convertible bonds, all ratings and calculations relating to ESG Consensus Score, CO2 and all exclusion-based restrictions are based on their respective issuers.

For equities, all calculations relating to ESG Consensus Score, CO2 and all exclusion-based restrictions are based on the respective issuer.

For Characteristic 2):

Scope 1 and 2 Weighted Average Carbon Intensity (WACI):

- Scope 1 refers to direct carbon emissions and therefore includes all direct greenhouse gas emissions from owned or controlled sources of the relevant entity or issuer.
- Scope 2 refers to indirect carbon emissions and therefore includes greenhouse gas emissions from the generation of electricity, thermal energy and/or steam that is consumed by the relevant entity or issuer.

Low absolute carbon profile is defined as below 100 tons of CO2 emissions per million US dollars of revenues.

At least 90% (based on market value) of the developed market equities or convertible bonds that may be converted into high-cap (equity market capitalization greater than EUR 10 billion) developed market equities, other debt securities and money market instruments (regardless of company size and credit rating), and

At least 75% (based on market value) for all other equities or convertible bonds.

Developed markets are defined as those contained in the MSCI World index. The calculation excludes cash, certain derivatives and other instruments without a rating.

Data sources & processing

The data sources used to attain the stated environmental or social characteristics are as follows:

1. Weighted Average Carbon Intensity and carbon profile, carbon metrics are supplied from a leading industry vendor
2. The UBS ESG consensus score, which is a score that is a normalized weighted average of ESG score data from internal and recognized external providers. Rather than exclusively relying on an ESG score from a single provider, the Consensus Score approach enhances the plausibility of the sustainability profile quality. The UBS ESG consensus score assesses sustainability factors, such as the performance of the relevant companies with reference to environmental, social and governance (ESG) aspects.

Data is consumed from leading providers, processed in accordance with defined guidelines and supplemented with analyst recommendation.

Limitations to methodologies and data

We apply a minimum coverage threshold for the data sources used to attain the stated environmental or social characteristics of the financial product, these thresholds ensure that the binding targets can be monitored and measured. Accuracy of data is dependent on 3rd party providers, coverage of data sources can be < 100% due to uncovered asset types, incomplete or inconsistent data and gaps in the coverage of these 3rd party providers.

Due diligence

UBS Group and UBS AM invest significant resources in ESG data. Within UBS AM, the data selection and onboarding process is jointly handled by our Sustainable Investment team and QED (data science). This ensures that datasets provide meaningful insights and that they are robust from a data quality point of view. Also, the data selection and onboarding is just one part, extracting insights and actually using it in investment decisions is what really matters.

Engagement policies

Through our research process we will also seek to identify companies where material ESG and sustainability factors may present a future negative risk. We will prioritize such companies for engagement and additionally utilize proxy voting as part of our stewardship activities to minimize adverse impacts where appropriate. Where UBS-AM has direct ownership of a physical asset, it aligns its partners to prescribed standards and KPIs which are monitored so that remedy actions can be taken if performance and standards fall short.

Designated reference benchmark

The Sub-Fund has not designated a reference benchmark for the purpose of attaining its environmental or social characteristics.