



# UBS Group AG

Compensation Report 2019

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# Compensation



Julie G. Richardson  
Chair of the  
Compensation Committee  
of the Board of Directors

## Dear Shareholders,

The Board of Directors and I wish to thank you for your support once again at last year's Annual General Meeting (AGM) and for sharing your views on our compensation practices over the past year.

Throughout 2019, the BoD Compensation Committee continued to oversee compensation and ensure that reward reflects performance, appropriate risk-taking and supports the alignment of employee interests with those of our shareholders. As the new Chair of the Compensation Committee, I am pleased to present our Compensation Report for 2019.

## Shareholder engagement

Over the course of 2019, we continued proactively engaging with shareholders and considered the feedback we received at the 2019 AGM. While shareholders value the consistency of our approach including the long delivery of our deferred compensation over five years, the feedback also highlighted opportunities to further evolve our approach. Our revised compensation framework supports us in achieving our ambitions for the Group and greater alignment with shareholders' interests.

We conducted a holistic review of all elements of our compensation framework for our employees, most senior leaders including the Group Executive Board (the GEB), the Chairman and independent Board members. We heard feedback requesting stronger alignment and we have taken that feedback seriously. While we have maintained the most important elements of our compensation framework, our review has led to some significant changes, as summarized in the table below and further detailed throughout this report.

## Key changes to our compensation framework and related disclosures

<b>Introduction of the Long-Term Incentive Plan</b>	<ul style="list-style-type: none"> <li>Effective for the performance year 2019, we replaced the Equity Ownership Plan (the EOP) with the <b>new equity-based Long-Term Incentive Plan (the LTIP)</b> for our most senior leaders (i.e., Group Executive Board (GEB) members, Group Managing Directors (GMDs) and Group or Divisional Vice Chair role holders). This supports the alignment of compensation with the execution of our strategy, financial performance and long-term growth.</li> <li>The LTIP features an absolute and a relative performance condition based on <b>reported return on CET1 capital (RoCET1) and relative total shareholder return (rTSR) metrics</b>, creating a strong sensitivity of realized compensation to UBS's financial performance and share price, and supports alignment with shareholders.</li> <li>Achieving the maximum payout under the LTIP requires both a three-year average RoCET1 of 18% and, over a three-year period, for our TSR to outperform the peer index by 25 percentage points.</li> <li>The use of reported RoCET1 as a performance metric supports the focus on ensuring the cost of litigation matters has a direct impact on the compensation awarded and realized by our most senior leaders.</li> </ul>
<b>Additional vesting condition in connection with the resolution of the French cross-border matter</b>	<ul style="list-style-type: none"> <li>For the Group CEO and certain other GEB members, the vesting of <b>a portion (30%) of the 2019 LTIP award</b> is, in addition to RoCET1 and rTSR performance conditions, <b>directly linked to the final resolution of the French cross-border matter</b>. This portion is entirely at risk and subject to forfeiture based on the final cost associated with the resolution of the matter. The same vesting condition also applies to a portion of the Chairman's 2019 share award.</li> <li>This is consistent with our approach to <b>align the interests of management with those of shareholders</b> to resolve this matter in the best interests of all shareholders, even though the underlying issue is a legacy matter.</li> </ul>
<b>Rebalancing of fees for members of the Board of Directors</b>	<ul style="list-style-type: none"> <li>Reflecting our holistic review, we have made a number of adjustments that also contribute toward our cost reduction efforts; starting with the current period from the 2019 AGM to the 2020 AGM, <b>the Chairman's fixed compensation was reduced by 14%</b>.</li> <li>In the same spirit, and effective from the 2020 AGM onward, the <b>BoD will reduce fees for all its members</b> and eliminate the share price discount.</li> <li>The adjustments in Board fees reflect our <b>commitment to sustainable results while maintaining competitive fee levels</b> aligned with the demands on our Board members.</li> </ul>
<b>Enhanced disclosure for CEO performance assessment</b>	<ul style="list-style-type: none"> <li>We have <b>enhanced the transparency</b> of the major elements of the performance assessment for the Group CEO.</li> <li>The disclosure brings <b>further clarity on the overall achievement, weighting and the scale of the assessment</b>.</li> </ul>

## Cornerstones of our compensation framework

<b>Consistent approach to key elements has been maintained</b>	<ul style="list-style-type: none"> <li>Strong alignment between compensation and <b>risk-adjusted financial performance</b></li> <li>Consideration of <b>behaviors and conduct</b> in performance assessment and compensation</li> <li>High mandatory deferral rates into <b>UBS shares</b> and <b>UBS contingent capital</b></li> <li><b>Long deferral periods</b> over five years</li> <li><b>Forfeiture and clawback</b> provisions</li> </ul>
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## 2019 financial highlights and performance award pool

In 2019, we delivered solid financial results in mixed market conditions, demonstrating the strength of our business model. Reported profit before tax was USD 5.6 billion, a decrease of 7% compared with 2018, while adjusted profit before tax decreased slightly to USD 6.0 billion. We maintained our strong capital position with a common equity tier 1 (CET1) capital ratio of 13.7% and a CET1 leverage ratio of 3.9% at year-end, both above our capital guidance. Reported return on CET1 capital was 12.4%. For 2019, the BoD intends to propose a dividend of USD 0.73 per share and we repurchased USD 806 million (CHF 800 million) of UBS shares over the course of the year.

In 2019, interest rate headwinds intensified, global growth slowed and geopolitical concerns persisted, impacting the overall Group results and, consequently, the Group performance award pool. In determining the final pool and consistent with prior years, we have considered a range of factors. These include risk-adjusted profit, returns and capital strength, as well as relative performance, progress on ESG, regulatory and litigation matters, including the impact of the French cross-border matter on the firm and the resulting share price development. The year-on-year development of the performance award pool reflected a reduction beyond that implied by underlying performance.

Based on these considerations, the performance award pool for the Group decreased 14% to USD 2.7 billion (compared with USD 3.1 billion in the prior year). This decrease demonstrates our disciplined approach in managing compensation over business cycles and alignment to shareholder interests, and we believe without significantly impacting our competitive pay position.

The GEB performance award pool, which includes the Group CEO performance award and is part of the Group pool, was CHF 70.3 million, a reduction of 14% on a per capita basis and 4% overall. As a percentage of adjusted Group profit before tax, the GEB performance award pool was 1.2%, well below the cap of 2.5%. The overall pool also reflects the changes in the composition of the GEB, including new GEB members and the elevation of certain roles to the GEB that were previously not included, and therefore the adjustments do not reflect a meaningful change in the total cost to shareholders. These changes were made to optimize our governance structure and execute on our strategic priorities.

## 2019 compensation philosophy and framework

Our compensation philosophy and framework support the alignment of employee interests with those of our shareholders and clients. The consistency of our approach reinforces our culture of sustainable performance, while also supporting our growth ambitions, sound governance, accountability and appropriate risk-taking. The recognition of behaviors and culture is an important element of our framework. To reinforce the behaviors framework established by the BoD and the GEB, we reward not only what was achieved, but also how those results were achieved. We reward doing the right thing, collaborating across the bank and speaking up to identify opportunities and risks. We penalize instances of behavior that do not reflect our values.

Variable compensation is earned over the performance year and many employees have a significant portion of their annual performance award deferred. We believe UBS has one of the most rigorous deferral regimes in the industry, with a deferral period of up to five years, or longer for certain regulated employees. This long deferral period, in conjunction with our deferred contingent capital (DCCP) awards, has been a cornerstone of our compensation framework to support sustainability. Since 2012, our most senior leaders have received 50% of their performance award in equity, linking a significant portion of compensation to the UBS share price. We have enhanced this feature by adding a connection to rTSR in the new LTIP.

Litigation and regulatory matters, and their resolution and remediation, are taken into consideration in the compensation decision-making process. Share price movements affect all employees receiving deferred equity-based awards. With respect to the performance conditions on LTIP awards, provisions for legal, regulatory and similar matters will directly affect the reported RoCET1 metric and thus also the final vesting amount. This metric accounts for 50% of the final payout under the 2019 LTIP. The use of reported RoCET1 as a performance metric supports the focus on ensuring the cost of litigation matters has a direct effect on the compensation awarded to and realized by our most senior leaders, including the GEB.

For 2019, to further enhance alignment with shareholders on the French cross-border matter, we have also introduced a new additional vesting condition for the Chairman, the Group CEO and certain other GEB members, which links a portion of their 2019 equity compensation to the final resolution of the French cross-border matter. This underlines their accountability for the successful resolution of the matter in the best interest of shareholders even though the underlying issue is a legacy matter.

### **Board fees and Chairman compensation**

In our review of the remuneration framework for independent Board members, we concluded that our fundamental approach remains appropriate. However, effective from the 2020 AGM onward, a number of adjustments will be made to reduce the level of the Board's compensation while still maintaining competitive fee levels.

The Chairman's fixed compensation has been reduced by CHF 0.8 million, or 14%, to CHF 4.9 million. This change is already effective for the current period from the 2019 AGM to the 2020 AGM. As noted above, a portion of the Chairman's 2019 share award remains entirely at risk due to a new vesting condition linked to the final resolution of the French cross-border matter. This further demonstrates the Chairman's alignment with shareholders on this matter and his accountability to resolve this matter in the best interest of shareholders.

In the same spirit, the BoD will reduce their base fee and eliminate their share price discount, resulting in a total fee reduction of approximately 14% (depending on committee memberships) and a 10% reduction in our proposed maximum amount of compensation for the BoD.

### **Environmental, Social and Governance (ESG)**

We are fully committed to ESG topics and reflect them in our compensation processes. ESG-related objectives have been embedded in our Pillars and Principles since they were established in 2011. Our contribution to supporting the planet, our workforce, our clients and society are important to our success. ESG matters are considered in the performance and compensation determination process in different aspects as described later in this report.

UBS continued to make progress in 2019 toward meeting its ambitions to be a leader in sustainable finance, in philanthropy and in sustainable business practices, as well as being an employer of choice. We were recognized as the industry leader, for the fifth time in a row, in the Dow Jones Sustainability Indices (the DJSI), the most widely recognized sustainability ranking, and received other valuable recognition from MSCI, Sustainalytics and CDP.

### **Gender-related aspects in compensation**

UBS remains committed to hiring, retaining and promoting more women at all levels across the firm. With two female GEB members and four female independent Board members, we have a leading position with regard to this topic.

The Compensation Committee systematically reviews any gender pay gap for equivalent roles across the workforce. Our policies and practices are impartial and support equal pay, and we are committed to ensuring that all employees are paid fairly.

Pay equity is embedded into our compensation policies and practices and we conduct regular reviews to ensure that all employees are paid fairly. In 2019, an independent third party conducted an analysis across the globe that shows that the unexplained salary differential between female and male employees is less than 1% at UBS. We continue to review the root causes and address any issue that cannot be explained by business factors such as experience, role / job, responsibility, performance or location.

Overall, we continue to make progress toward our aspiration of increasing the ratio of women in management roles to one-third, but progress takes time and we are committed to accelerating our efforts to progress women at all ranks.

### **Compensation Committee membership**

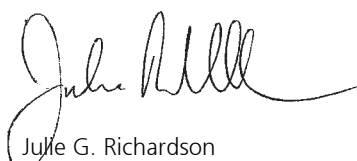
In 2019, Dieter Wemmer and I welcomed Reto Francioni back to the committee and Fred Hu to the committee for the first time.

### **2020 Annual General Meeting**

At the 2020 AGM on 29 April, we will seek your support on the following compensation-related items:

- the maximum aggregate amount of compensation for the BoD for the period from the 2020 AGM to the 2021 AGM;
- the maximum aggregate amount of fixed compensation for the GEB for 2021;
- the aggregate amount of variable compensation for the GEB for 2019; and
- shareholder endorsement in an advisory vote for this Compensation Report.

On behalf of the Compensation Committee and the BoD, I would like to thank you again for your feedback. The changes made have enhanced our compensation framework in the interests of shareholders, and we respectfully ask for your continued support at the upcoming AGM.



Julie G. Richardson  
Chair of the Compensation Committee of the Board of Directors

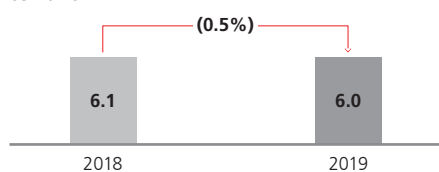
# Performance and compensation at a glance

## Financial achievements and strategic highlights<sup>1</sup>

- We delivered solid financial results in mixed market conditions, reflecting the strength of our business model. Profit before tax decreased 7% to USD 5.6 billion, as a 4% decrease in operating income was not fully offset by lower operating expenses. Adjusted profit before tax decreased slightly to USD 6.0 billion, as reduced adjusted operating expenses nearly offset lower adjusted operating income.
  - Net profit attributable to shareholders decreased 5% to USD 4.3 billion. Return on common equity tier 1 (CET1) capital was 12.4%. Our reported cost / income ratio increased 62 basis points to 80.5%, reflecting cost management measures that partly offset lower revenues, while our adjusted cost / income ratio saw a 51 basis point improvement to 78.9%, reflecting 4% lower expenses and 3% lower revenues.
  - Our capital position remained strong, with a CET1 capital ratio of 13.7% and a CET1 leverage ratio of 3.9%, both above our capital guidance of around 13% and 3.7%, respectively. We increased our total loss-absorbing capacity by USD 5.9 billion to USD 89.6 billion.
  - For the financial year 2019, the Board of Directors intends to propose a dividend of USD 0.73 per share, an increase compared with 2018. During 2019, we repurchased USD 806 million (CHF 800 million) of UBS shares and our tangible book value per share increased 6% to USD 13.29.
- Refer to the “Financial and operating performance” section of our Annual Report 2019 for further details about our Group and business division performance

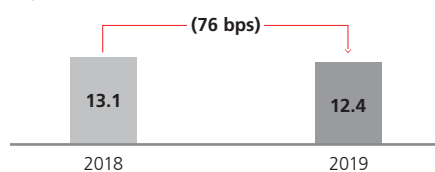
### Adjusted Group profit before tax<sup>1</sup>

USD billion



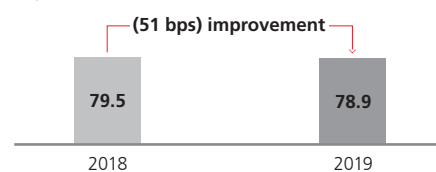
### Return on CET1 capital

in %



### Adjusted cost / income ratio<sup>1</sup>

in %

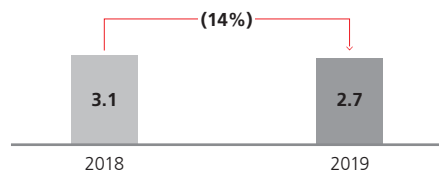


<sup>1</sup> Adjusted results are alternative performance measures (APMs) and non-GAAP financial measures. Refer to “Group Performance” in the “Financial and operating performance” section of our Annual Report 2019 for further information and a reconciliation of adjusted results to reported results.

## Performance award pool year-on-year development

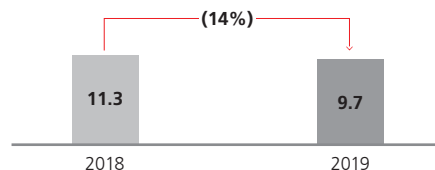
### Group performance award pool

CHF billion



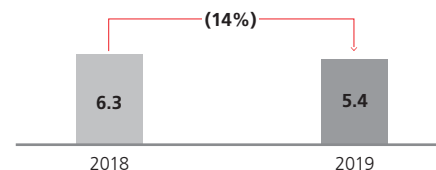
### Group CEO performance award

CHF million



### Per capita GEB performance award pool

CHF million



- The Group performance award pool for 2019 decreased 14% compared with the previous year. This significant decrease, which is a greater reduction than the change in underlying performance, demonstrates our disciplined approach in managing compensation over business cycles and alignment to shareholder interests, and we believe without significantly impacting our competitive pay position. It also considers the impact of the French cross-border matter on the firm and the resulting share price development.
- The Group CEO performance award for 2019 was CHF 9.7 million, a decrease of 14% compared with 2018. The award is comprised of 20% in cash (CHF 1.9 million) with the remaining 80% (CHF 7.8 million) deferred over three to five years.
- The GEB performance award pool, which includes the Group CEO performance award and is part of the Group performance award pool, was CHF 70.3 million, a decrease of 14% on a per capita basis and 4% overall. The overall pool also reflects the changes in the composition of the GEB, including new GEB members and the elevation of certain roles to the GEB that were previously not included, and therefore the adjustments do not reflect a meaningful change in the total cost to shareholders. These changes were made to optimize our governance structure and execute on our strategic priorities.
- The new Long-Term Incentive Plan introduced for 2019 performance awards increases the GEB’s exposure to the future performance of the Group and directly links compensation to relative total shareholder return.
- In addition, CHF 7.3 million of the GEB performance award pool is entirely at risk, contingent upon the final resolution of the French cross-border matter.

# Shareholder engagement and say on pay

The feedback we seek from our shareholders on compensation-related matters is very important to us, as we are committed to maintaining a strong link between the interests of our employees and those of our shareholders.

At the 2019 AGM, we committed to conducting a holistic review of all elements of the compensation framework for our employees, our most senior leaders including the Group

Executive Board (the GEB), the Chairman and independent Board members. We heard feedback requesting stronger alignment with shareholder interests, which we implemented while maintaining the most important elements of our compensation framework.

Below we provide responses to the questions we most frequently receive from stakeholders.

## Responses to frequent questions

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### What has changed in the compensation framework for your most senior leaders?

The most important elements of our compensation framework remain unchanged. In particular, performance awards continue to be based on the employee's annual performance assessment and we are maintaining the long-term nature of our compensation framework through mandatory deferrals into equity and contingent capital instruments. For GEB members, shares are delivered in equal installments in years 3, 4 and 5 after the grant year, and contingent capital awards continue to vest in year 5.

However, we have modified the delivery of the deferred equity portion for our most senior leaders (i.e., GEB members, GMDs and Group or Divisional Vice Chair role holders) with the new Long-Term Incentive Plan (the LTIP) replacing the Equity Ownership Plan (the EOP) to enhance focus on delivering on our return targets and increasing alignment with shareholders.

The LTIP features absolute and relative performance conditions based on reported return on CET1 capital (RoCET1) and relative total shareholder return (rTSR) metrics, creating a strong sensitivity of realized compensation to UBS's financial performance and share price. The final number of vesting shares is based on the achievements against these two equally-weighted performance conditions after a three-year performance period. Achieving the maximum payout under the LTIP requires both a three-year average RoCET1 of 18% and, over a three-year period, for our TSR to outperform the peer index by 25 percentage points. The RoCET1 performance level required for a maximum payout is substantially above our stated long-term target, and we believe this further strengthens the alignment with our strategy and supports delivering sustainable, profitable growth to drive higher returns, creating long-term value for our shareholders.

At the same time, the linear vesting between minimum threshold and performance required for maximum payout does not encourage excessive risk-taking, which might be the case with a non-linear payout geared toward high performance levels. This approach balances the importance of sustainable performance with our ambitions to deliver higher returns and outperform our peers.

### How are share price developments reflected in compensation?

Beyond the factors described elsewhere in this report, we consider rTSR as well as valuation relative to other banks.

Our mandatory share-based deferral plans create a direct link with shareholder returns and therefore many employees are directly impacted by the share price. In addition, the new LTIP features rTSR as a performance condition, which further supports the alignment of realized employee pay with shareholder returns.

While we are disappointed with our share price performance, we believe the share price movement in 2019 was significantly impacted by the outcome of the French cross-border matter and does not reflect the significant progress made during the year and our absolute financial performance. We continue to expect that the value of our business and the quality of our earnings will ultimately be positively reflected in our share price.

### How is ESG considered in the compensation process?

ESG is considered in the compensation determination process in different stages through the objective setting, performance award pool funding, performance assessment and compensation decision.

In the performance award pool funding, ESG is reflected through the assessment of regulatory compliance, as well as legal, compliance, reputational and operational risks. In addition, ESG-related objectives have been embedded in our Pillars and Principles since they were established in 2011. Achievements versus ESG-related goals are taken into account in the qualitative performance assessment and affect the final compensation decision for each individual. ESG-related goals are reflected in governance and risk management, talent management and diversity, client satisfaction, and corporate responsibility, including goals for reducing our carbon footprint and corporate waste, and progressing our philanthropic efforts. Therefore, ESG is taken in consideration when the Compensation Committee applies its discretion to reflect not only what results were achieved, but also how they were achieved.

### How is litigation considered in the compensation process?

Litigation and regulatory matters, and their resolution and remediation, are taken into consideration throughout the compensation decision-making process. The Compensation Committee distinguishes between current matters, where the underlying issues are within the responsibility of management, and legacy matters, where management is accountable for resolving them but not responsible for the underlying issue.

Current matters have a direct impact on the performance award pool, individual performance assessments and resulting compensation decisions, as well as the payout of deferred awards.

For legacy matters, the Compensation Committee seeks to incentivize management to resolve these matters in the best interest of shareholders and we hold management accountable for the effective and efficient resolution thereof. Therefore the performance and compensation assessment reflects management's responsibility for achieving a resolution without creating an incentive to inappropriately settle or take inappropriate risks on such matters. The use of reported RoCET1 supports the focus on ensuring the cost of litigation matters has a direct impact on the compensation awarded and realized by our most senior leaders including the GEB.

### How is the French cross-border matter reflected in the 2019 compensation of the GEB?

For the 2019 compensation decisions for the GEB, the Compensation Committee has considered the outcome of the French cross-border decision, reflecting alignment with shareholders on this matter. Additionally, the final outcome of the matter will impact the payout of the 2019 LTIP award through the RoCET1 metric.

For GEB members active in March 2017, when the investigating judges issued the trial order, as an added measure the 2019 LTIP award will further be subject to the following considerations impacting their 2019 compensation.

- Up to an additional CHF 7.9 million, or 30% of the 2019 LTIP awards at grant for relevant GEB members as well as the Chairman's unvested share award, are at risk and directly linked to the final resolution of the French matter. The portion at risk is subject to forfeiture based on the final cost associated with the resolution of the matter.
- A new malus clause allows the Compensation Committee to assess any new information that becomes available in the future and to retrospectively reduce the 2019 LTIP award by up to the full amount if such new information would have impacted our compensation decision in 2019.

### Why has UBS adjusted Board fees and compensation for the Chairman?

The Compensation Committee regularly reviews the remuneration framework for independent Board members to confirm it remains competitive and appropriately reflects their work on the Board of UBS. In this review, the Compensation Committee considered the feedback from shareholders and other stakeholders. In our 2019 review, we concluded that our fundamental approach for independent Board member compensation remains appropriate. However, effective from the 2020 AGM onward, a number of adjustments have been made to reduce the level of the Board compensation while still maintaining competitive fee levels.

We will reduce the fixed base fee by CHF 25,000 (i.e., approximately 8%) for each board member and will also reduce the additional fees for the Risk and Compensation Committee Chair roles. Furthermore, we will reduce the additional fee for the Senior Independent Director and Vice Chairman roles to CHF 150,000, a reduction of CHF 100,000. In case these two roles are allocated to one Board member, the fee will only be paid once. Moreover, independent Board members must continue to use a minimum of 50% of their fees to purchase UBS shares, which are blocked for four years, and we will eliminate the 15% discount for these purchases.

The Chairman's fixed compensation has been reduced by CHF 0.8 million, starting with the current period from the 2019 AGM to the 2020 AGM. In addition, to further demonstrate the Chairman's alignment with shareholder interests, a portion of up to CHF 0.6 million of the share award is subject to the same new vesting condition linked to the resolution of the French cross-border matter that has been introduced for the Group CEO and certain other GEB members.

### How does the Compensation Committee use its discretion to determine the performance award pool?

The performance award pool funding begins with a direct link to risk-adjusted profit. The Compensation Committee, based on a proposal from the Group CEO, then applies discretionary adjustments that reflect a range of factors, such as capital returns to investors, risk profile, strategic initiatives, and labor market position and trends. Consequently, the performance award pool balances consideration of financial performance with a range of qualitative factors, including discretion to consider the quality of earnings and year-on-year performance, as well as progress with regard to delivering on our ambitions.

Reflecting these considerations, the Compensation Committee applied a negative discretionary adjustment for 2019 on the overall Group performance award pool and the GEB performance award pool, including the Group CEO performance award. Over the past seven years, the Compensation Committee applied discretionary adjustments to the performance award pool of between -6% and +2%, resulting in downward adjustments in all but one year.



## Say-on-pay votes at the AGM

In line with the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations, we seek binding shareholder approval for the aggregate compensation awarded for the GEB and for the BoD. The BoD believes that prospective approval for the fixed remuneration for the BoD and the GEB provides the firm and its governing bodies with the certainty necessary to operate effectively. Furthermore, retrospective approval for the GEB's variable compensation awards aligns total compensation for the GEB to performance and contribution, and to developments in the marketplace and across peers.

The combination of the binding votes on compensation and the advisory vote on the compensation framework reflects our commitment to our shareholders having their say on pay.

→ Refer to “Provisions of the Articles of Association related to compensation” in the “Supplemental information” section of this report for more information

Audited I

## Approved fixed compensation

At the 2018 AGM, shareholders approved a maximum aggregate fixed compensation amount of CHF 31.5 million for the members of the GEB for the performance year 2019. This includes base salaries, role-based allowances in response to Capital Requirements Directive IV, estimated standard contribution to retirement benefit plans, other benefits and a buffer.

As a result of the changes in the GEB in 2019, the aggregate fixed compensation paid in 2019 to current and former GEB members exceeded the approved amount for 2019. As authorized by article 46 para. 5 of the Articles of Association, an amount of CHF 8.4 million was used to pay the amount of the fixed compensation of the new GEB members that exceeded the approved amount. This additional amount was used to fund the new appointments to the GEB: Iqbal Khan, as Co-President Global Wealth Management, was awarded CHF 8.2 million (including replacement awards), Suni Harford, as President Asset Management, was awarded CHF 0.1 million, and Edmund Koh, as President UBS Asia Pacific, was awarded CHF 0.1 million. ▲

→ Refer to “2019 total compensation for the GEB members” in the “Compensation for the Group CEO and the other GEB members” section of this report

→ Refer to “Replacement awards for new GEB members and forfeitures of former GEB members” in the “Compensation philosophy and framework” section of this report

## Say on pay – compensation-related votes at the 2019 AGM

2019 AGM say-on-pay voting schemes	2019 AGM actual shareholder votes	Vote “for”
Binding vote on GEB variable compensation	Shareholders approved CHF 73,300,000 for the financial year 2018 <sup>1, 2, 3</sup>	81.4%
Binding vote on GEB fixed compensation	Shareholders approved CHF 33,000,000 for the financial year 2020 <sup>1, 2, 3</sup>	86.7%
Binding vote on BoD compensation	Shareholders approved CHF 14,500,000 for the period from the 2019 AGM to the 2020 AGM <sup>1, 2, 4</sup>	85.3%
Advisory vote on the Compensation Report	Shareholders approved the UBS Group AG Compensation Report 2018 in an advisory vote	79.4 %

<sup>1</sup> Local currencies are converted into Swiss francs at the exchange rates stated in “Note 37 Currency translation rates” in the “Consolidated financial statements” section of our Annual Report 2019. <sup>2</sup> Excludes the portion related to the legally required employer's social security contributions. <sup>3</sup> Thirteen GEB members were in office on 31 December 2019 including three new GEB members, one appointed on 1 January 2019 and two on 1 October 2019; three GEB members stepped down, one on 31 December 2018 and two on 30 September 2019. Thirteen GEB members were in office on 31 December 2018 including two new GEB members appointed on 1 October 2018 and one on 1 November 2018; two GEB members stepped down on 31 December 2017 and 30 September 2018, respectively. <sup>4</sup> Twelve BoD members were in office on 31 December 2019.

### Compensation-related proposals for 2020

At the 2020 AGM, we will ask our shareholders to vote on the variable compensation for the GEB for 2019, the fixed compensation for the GEB for 2021 and the compensation for the BoD from the 2020 AGM to the 2021 AGM. The variable compensation for the GEB for 2019 includes the total amount of Long-Term Incentive Plan (LTIP) awards granted to GEB members at fair value, which is based on the methodology used to determine the expense to the organization under IFRS 2 standards. The value was independently calculated to support the robustness of the approach, which uses a well-established

valuation methodology.

In addition, we will also ask our shareholders for an advisory vote on our Compensation Report, which describes our compensation framework, governance and policy. Both the advisory vote on our compensation policy and the binding votes on compensation reflect our commitment to transparent say on pay for our shareholders.

The table below outlines our compensation proposals, including supporting rationales, that we intend to submit to the 2020 AGM for binding votes (in line with the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations and our Articles of Association).

### Compensation-related proposals for binding votes at the 2020 AGM

Item	Proposal	Rationale
<b>GEB variable compensation</b>	The Board of Directors proposes an aggregate amount of variable compensation of CHF 70,250,000 for the members of the GEB for the financial year 2019.	The proposed amount reflects the overall solid financial results in mixed market conditions, continued strong capital position and increased capital distributions to shareholders. Further, the BoD also considered other factors including the impact of the French cross-border matter on the firm and the resulting share price development. The proposed amount is a substantial reduction of 14% on a per capita basis compared to the previous year, and is equivalent to the 14% decrease in the overall Group performance award pool. The pool also reflects the changes in the composition of the GEB, including new GEB members and the elevation of certain roles to the GEB that were previously not included, and therefore the adjustments do not reflect a meaningful change in the total cost to shareholders. These changes were made to optimize our governance structure and execute on our strategic priorities.
<b>GEB fixed compensation</b>	The Board of Directors proposes a maximum aggregate amount of fixed compensation of CHF 33,000,000 for the members of the GEB for the financial year 2021.	The proposed amount is unchanged from the previous year, reflecting stable base salaries for the Group CEO and other GEB members since 2011. As noted above, it further reflects the changes in the composition of the GEB, including new GEB members and the elevation of certain roles to the GEB that were previously not included, and therefore the adjustments do not reflect a meaningful change in the total cost to shareholders. These changes were made to optimize our governance structure and execute on our strategic priorities. The proposed amount hence reduces the reserve amount while still providing the necessary flexibility in light of evolving EU regulations, Brexit and competitive considerations for a potential additional role-based allowance.
<b>BoD compensation</b>	The Board of Directors proposes a maximum aggregate amount of compensation of CHF 13,000,000 for the members of the Board of Directors for the period from the 2020 AGM to the 2021 AGM.	The proposed amount is a decrease of 10%, or CHF 1,500,000, compared with the previous year. The amount includes the Chairman's compensation, which decreased by 14% effective from the 2019 AGM, as well as the reduced fees for independent Board members, which will be adjusted effective from the 2020 AGM. This includes a reduction of the fixed base fees for all independent Board members and other fee reductions. The adjustments in Board fees reflect our commitment to sustainable results while maintaining competitive fee levels aligned with the demands on our Board members.

# Compensation philosophy and framework

## Our compensation philosophy

### Total Reward Principles

Our compensation philosophy is to align the interests of our employees with those of our investors and clients, building on our three keys to success: our Pillars, Principles and Behaviors. Our Total Reward Principles establish a framework that balances sustainable performance as well as supporting growth ambitions and prudent risk-taking with a focus on conduct and sound risk management practices.

Our compensation structure is aligned with our strategic

priorities. It aligns the interests of our employees with those of our stakeholders and encourages our employees to focus on our clients, create sustainable value, deliver on our growth ambitions and achieve the highest standards of performance. Moreover, we reward behaviors that help build and protect the firm's reputation, specifically integrity, collaboration and challenge. We strive for client focus, excellence and sustainable performance in everything we do. Compensation for each employee is based on individual, team, business division and Group performance, within the context of the markets in which we operate.

### Total Reward Principles

Our Total Reward Principles apply to all employees globally. They may vary in certain locations according to local legal requirements and regulations. The table below provides a summary of our Total Reward Principles.

<b>Attract and retain a diverse, talented workforce</b>	We provide employees with pay that is fair, reflecting equal treatment of employees, appropriately balanced between fixed and variable elements, competitive in the market and delivered over an appropriate period.
<b>Foster effective individual performance management and communication</b>	Thorough evaluation of individual performance and adherence to our Behaviors, combined with effective communication, aims to ensure there is a direct connection between achievement of business objectives and compensation across the firm.
<b>Align reward with sustainable performance as well as support growth ambitions</b>	We embrace a culture of inclusiveness and collaboration within the firm. Our approach to compensation fosters engagement among employees, and serves to align their long-term interests with those of clients and stakeholders.
<b>Support appropriate and controlled risk-taking</b>	Compensation is structured such that employees behave in a manner consistent with the firm's risk framework and tolerance, thereby protecting our capital and reputation, and enhancing the quality of our financial results, in line with what our stakeholders expect from us.

### Our commitment to pay fairness

Pay fairness principles are embedded into our compensation policies and practices and we conduct regular reviews with the aim of ensuring that we appropriately evaluate and reward employees.

From a pay equity perspective, if we uncover any gaps that cannot be explained by business factors, such as experience, role / job, responsibility, performance or location, we explore the root causes of those gaps and address them. In 2019, an independent third party conducted a pay analysis across the globe which showed less than 1% of unexplained differential in salaries between female and male employees across the firm.

Pay equity is not the same as the gender pay gap, which looks at the average pay for all women versus all men. Our gender pay gap reflects a representation gap brought about by having unequal numbers of men and women at each level at UBS, with a greater proportion of men in more senior, higher-paying roles. The gender representation gap is being addressed through our global gender strategy to hire more, promote more and retain more women at all levels of the organization.

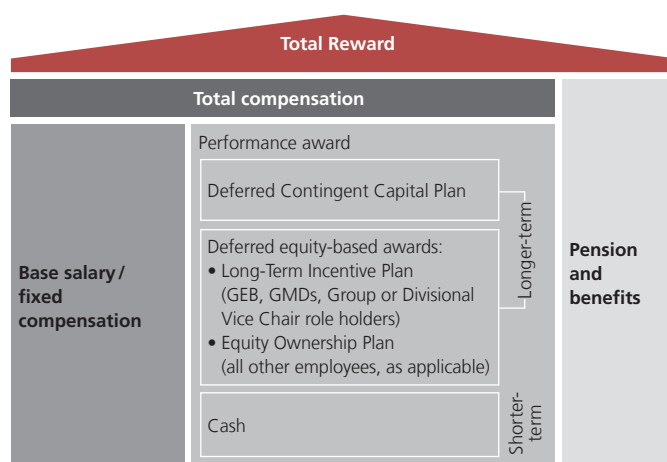
Addressing gender representation is a priority we share with many other organizations, both within financial services and other sectors. To share best practices, learn from peers and receive feedback, we are actively involved with initiatives such as the Bloomberg Gender-Equality Index.

### Our Total Reward approach

At UBS, we apply a holistic approach to compensation. Our Total Reward approach consists of fixed compensation (base salary and role-based allowances, if applicable), performance awards as well as pension contributions and benefits.

For employees whose total compensation exceeds USD / CHF 300,000, performance awards are delivered in a combination of cash and a deferral into contingent capital awards (the DCCP) and equity awards (the LTIP and the EOP). For our most senior leaders, i.e., GEB members, Group Managing Directors (GMDs) and Group or Divisional Vice Chair role holders, the equity awards are delivered under the LTIP. All other employees eligible for deferred equity awards receive these awards under our EOP.

Our Total Reward approach is structured to support sustainable results and growth ambitions. A substantial portion of our performance award is deferred and vests over a period of five years, or longer for certain regulated employees. This deferral approach supports alignment of employee and investor interests, our capital base and the creation of sustainable shareholder value.



Note: illustrative, not drawn to scale

# Performance award pool funding

Our compensation philosophy focuses on balancing performance with appropriate risk-taking and retaining talented employees. To achieve this, as performance increases we reduce our overall performance award funding percentage. In years of strong performance, this prevents excessive compensation, resulting in an increased proportion of profit before performance award being available for distribution to shareholders or growing the Group's capital. In years where performance declines, the performance award pool will generally decrease; however, the funding percentage may increase.

Our performance award pool funding framework is based on Group and business division performance, including achievement against a set of performance targets. We also consider performance relative to industry peers, general market competitiveness and progress against our strategic objectives, including returns, capital growth, as well as risk-weighted assets and cost efficiency. We look at the firm's risk profile and culture, the extent to which operational risks and audit issues have been identified and resolved, and the success of risk reduction initiatives. Corporate Center funding is linked to overall Group performance and reflects headcount, workforce location and demographics. For each functional area, quantitative and

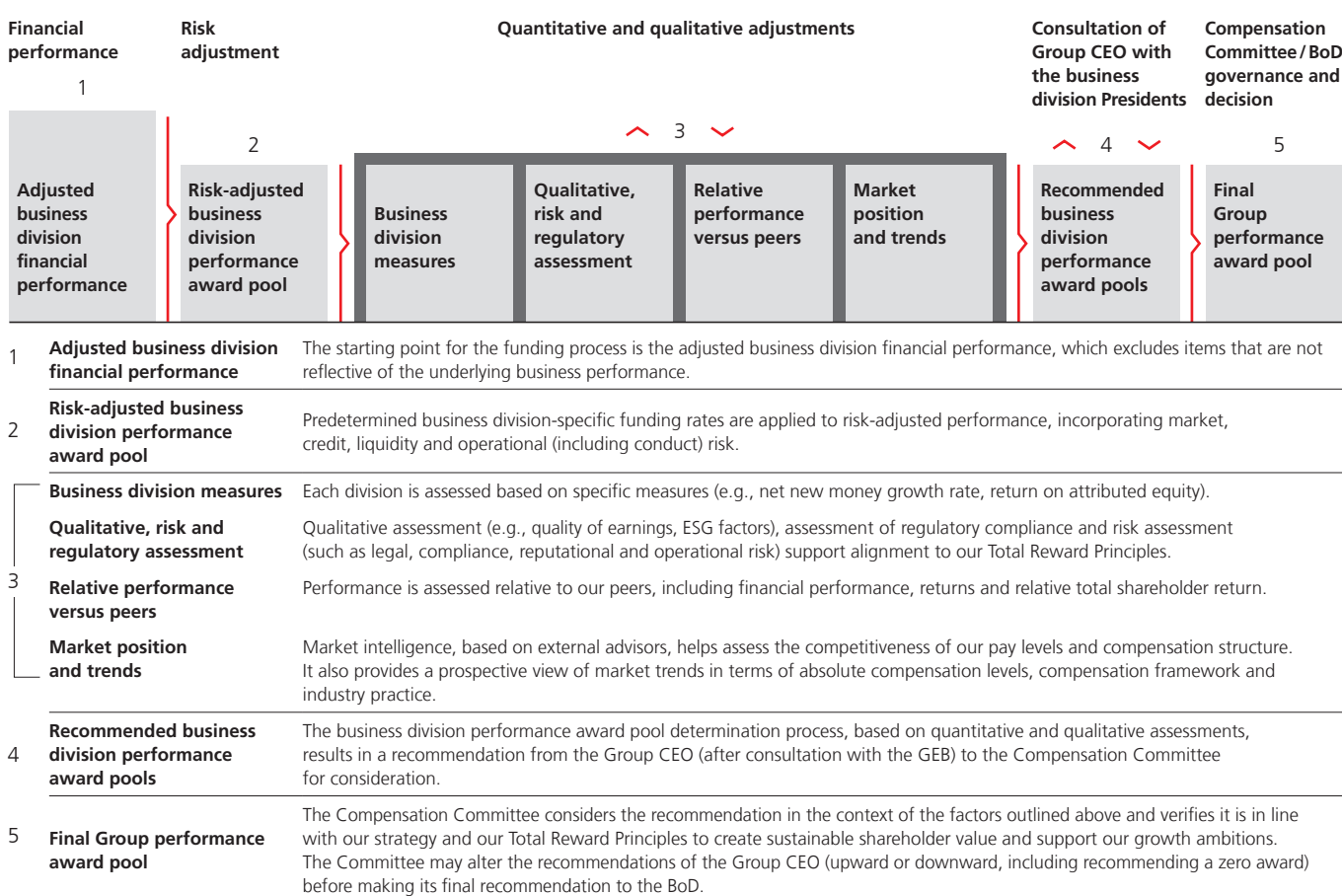
qualitative assessments evaluate service quality, risk management and financial achievements.

Before making its final recommendation to the BoD, the Compensation Committee considers the CEO's proposals and can apply a positive or negative discretionary adjustment to the performance award pool, including recommending a zero award. The Compensation Committee decision balances consideration of financial performance with a range of qualitative factors and takes into account the quality of earnings, progress against our ambitions, impact of risk management, litigation, regulatory costs, the effect of changes in financial accounting standards, capital returns and market competitiveness, as well as relative total shareholder return.

As described above, reflecting the aforementioned considerations, over the past seven years, the Compensation Committee based on the Group CEO proposal applied discretionary adjustments to the performance award pool of between -6% and +2%, resulting in downward adjustments in all but one year.

→ Refer to "Group performance" in the "Financial and operating performance" section of our Annual Report 2019 for more information about adjusted results

## Performance award pool funding process – illustrative overview



## Environmental, Social and Governance (ESG) at UBS

UBS made very good progress in 2019 toward enhancing its position as a leader in sustainable finance, and toward meeting its ambitions to be a recognized innovator and thought leader in philanthropy, an industry leader in sustainable business practices, and an employer of choice. We are pleased that our efforts and accomplishments continue to be recognized. We were recognized as the industry leader, for the fifth time in a row, in the Dow Jones Sustainability Indices (the DJSI), the most widely recognized sustainability ranking, and received other valuable recognition from MSCI, Sustainalytics and CDP.

UBS continues to maintain an industry-leading position in developing sustainable finance products and services: we are a leader in sustainable investing,<sup>1</sup> with a global footprint and a network of resources to deliver a wide range of research, advisory and product capabilities that continue to grow. An important part of our sustainable activities encompasses engagement in client philanthropy: for example through UBS Optimus Foundation we drive impactful philanthropy that delivers breakthrough solutions to pressing social needs.

We are widely recognized as an employer of choice and received various top-employer honors in 2019. Our diverse

workforce and inclusive culture are critical to our long-term success. We are committed to further increasing our diversity and to ensuring equal opportunities for all employees. We continue to make progress toward our stated aspiration to increase the representation of women in management roles to one-third. In addition to our global gender diversity ambitions, every year we sponsor numerous activities to promote greater diversity and inclusiveness.

We measure our culture-building progress through regular employee surveys. We have an ongoing focus on inclusive leadership and, in 2019, our in-house UBS University further updated its curriculum to emphasize future-skills development and personal growth for all employees. The table below summarizes our key achievements and the following section explains how we consider ESG in the compensation determination process.

- Refer to **"Our focus on ESG," "Employees" and "Society" in the "How we create value for our stakeholders" section of our Annual Report 2019 for more information**
- Refer to **[www.ubs.com/gri](http://www.ubs.com/gri) for more information about ESG-related topics**

<sup>1</sup> Euromoney Private Banking and Wealth Management Survey 2019: Global Results.

Our achievements	
<b>Sustainable finance</b>	<ul style="list-style-type: none"> <li>– Achieved our goal one year early, reaching USD 488.5 billion in core SI assets, representing 13.5% of total invested assets</li> <li>– USD 3.9 billion of client assets directed into Sustainable Development Goals (SDG)-related impact investments</li> </ul>
<b>Philanthropy</b>	<ul style="list-style-type: none"> <li>– 38% of global workforce volunteered and 48% of volunteer hours were skills based</li> <li>– 280,858 beneficiaries as a result of our community investments</li> <li>– UBS Optimus Foundation: USD 89.5 million in donations raised; USD 109.5 million in grants approved</li> <li>– Well-being of 3.3 million children globally improved with help of the work of UBS Optimus Foundation</li> </ul>
<b>Sustainable business practices</b>	<ul style="list-style-type: none"> <li>– Industry leadership position maintained (Dow Jones Sustainability Indices / DJSI)</li> <li>– AA rating maintained (MSCI ESG Research)</li> <li>– Industry leader rank maintained (Sustainalytics)</li> <li>– A-rating and included in Leadership band (CDP)</li> <li>– First TCFD reporting introduced for financial year 2017, continuous improvements ever since</li> <li>– Among the founding signatories of the Principles for Responsible Banking (September 2019)</li> </ul>
<b>Employer of choice</b>	<ul style="list-style-type: none"> <li>– Included in Global Universum ranking of Top 50 World's Most Attractive Employers</li> <li>– Peer-leading position in human resources elements of DJSI</li> <li>– Score above financial services norm in employee engagement and work environment (based on employee survey results)</li> <li>– Included in the Bloomberg Gender-Equality Index</li> </ul>

## ESG in the compensation determination process

ESG is considered in the compensation determination process in different phases through objective setting, performance award pool funding, performance assessment and compensation decision.

At the beginning of the year, objectives relative to Group, business divisions, Pillars, Principles and Behaviors are set. ESG-related objectives have been embedded in our Pillars and Principles since they were established in 2011. This long-term focus on ESG topics is reflected in the achievements outlined above. To maintain the focus on these important ESG topics, our Group CEO and other GEB members have specific ESG-aligned

goals under Pillars and Principles, including governance and risk management, talent management and diversity, client satisfaction and corporate responsibility. These include goals for reducing our carbon footprint and corporate waste, and progressing our philanthropic efforts.

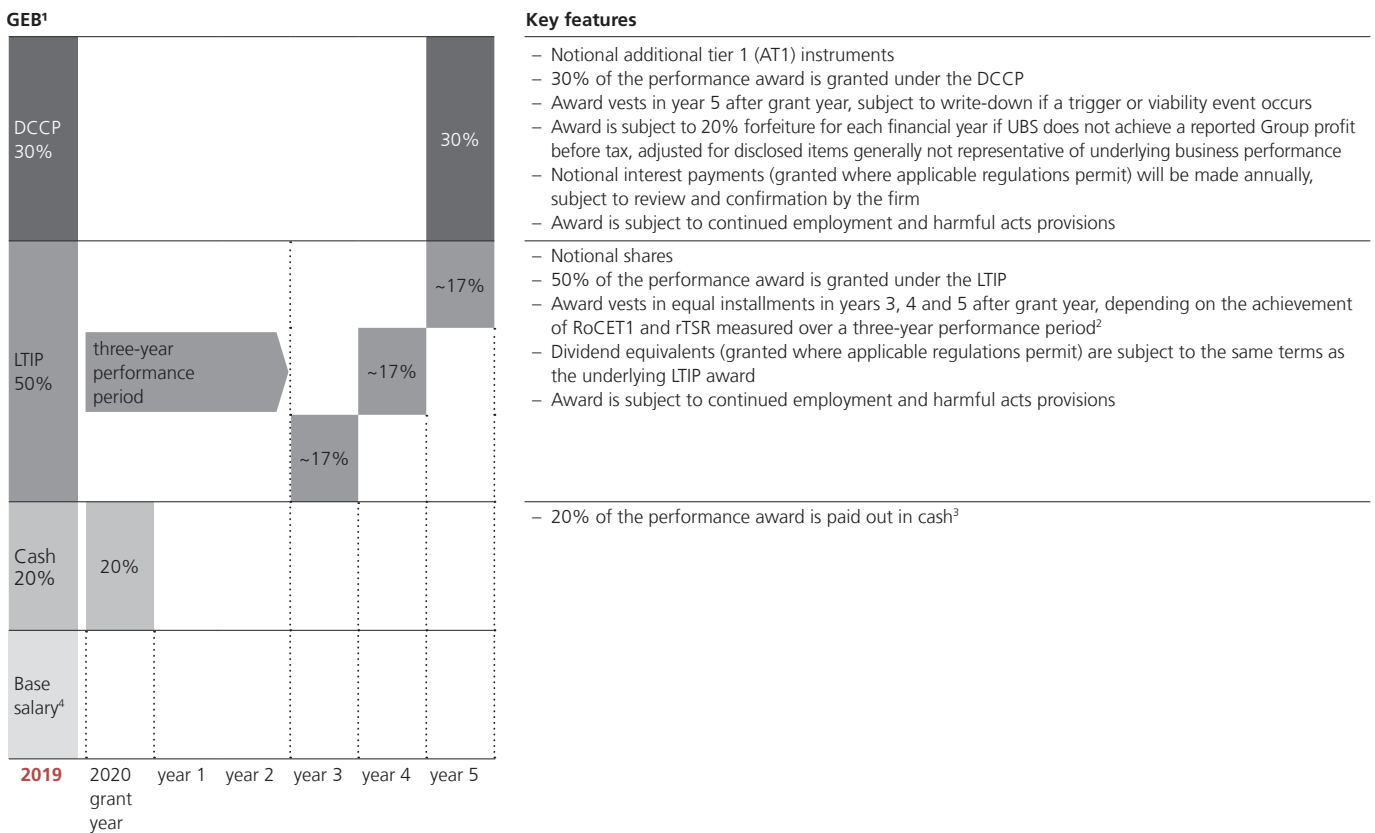
In the performance award pool funding, ESG is reflected through the assessment of risks, such as legal, compliance, reputational and operational risks. Therefore ESG is taken into consideration when the Compensation Committee assesses not only what results were achieved, but also how they were achieved. The achievements versus the ESG-related goals are reflected in the qualitative performance assessment and affect the final compensation decision.

# Compensation framework for GEB members

The chart below illustrates the compensation elements, pay mix and key features for GEB members.

## 2019 compensation framework for GEB members (illustrative example)

With regard to annual performance awards, 20% is paid in the form of cash and 80% will be deferred over a period of five years,<sup>1</sup> with 50% of the annual performance awards granted under the LTIP and 30% under the DCCP.



<sup>1</sup> Senior Management Functions Holders (SMFs) have extended deferral periods, with the deferred performance awards vesting no faster than pro rata between years 3 and 7. SMFs and Material Risk Takers (MRTs) have an additional 12-month blocking period on their awards post vest. <sup>2</sup> Due to regulatory requirements, LTIP awards granted to UK MRTs and SMFs will be subject to an additional non-financial conduct-related metric with a downward adjustment of up to 100% of the entire award. <sup>3</sup> SMFs and MRTs receive 50% in the form of immediately vested shares which are blocked for 12 months. <sup>4</sup> May include role-based allowances in line with market practice and regulatory requirements.

## Pay for performance safeguards for GEB members

<b>Performance award caps</b>	<ul style="list-style-type: none"> <li>– Cap on total GEB performance award pool (2.5% of adjusted profit before tax)</li> <li>– Caps on individual performance awards (for the Group CEO capped at five times the fixed compensation and at seven times for the other GEB members)</li> <li>– Cap of 20% of performance award in cash</li> </ul>
<b>Delivery and deferral</b>	<ul style="list-style-type: none"> <li>– 80% of performance awards are at risk of forfeiture</li> <li>– Long-term deferral over five years (or longer for certain regulated GEB members)</li> <li>– Alignment with shareholders (through the LTIP) and bondholders (through the DCCP)</li> <li>– Final payout of equity-based LTIP award (50% of performance award) subject to absolute and relative performance conditions (three-year performance period)</li> <li>– For certain GEB members, a portion of their 2019 compensation is additionally at risk and directly linked to the final resolution of the French cross-border matter</li> </ul>
<b>Contract terms</b>	<ul style="list-style-type: none"> <li>– No severance terms</li> <li>– Six-month notice period</li> </ul>
<b>Other safeguards</b>	<ul style="list-style-type: none"> <li>– Share ownership requirements</li> <li>– No hedging strategies allowed</li> </ul>

### GEB share ownership requirements

To align the interests of GEB members with those of our shareholders and to demonstrate commitment to the firm, we require the Group CEO and the other GEB members to hold a substantial number of UBS shares. GEB members must build up their minimum shareholding within five years from their appointment and retain it throughout their tenure. The total number of UBS shares held by a GEB member consists of any vested or unvested shares and any privately held shares. GEB

members may not sell any UBS shares before they reach the minimum ownership thresholds mentioned below. At the end of 2019, GEB members met their share ownership requirements, except for those appointed within the last four years, who need to build up and meet the required share ownership level within five years from appointment.

Our GEB member holdings represent approximately USD 169 million in shareholder value. This ownership level demonstrates their commitment to our strategy and alignment with shareholders.

### Share ownership requirements

Group CEO	min. 1,000,000 shares	Must be built up within five years from their appointment and retained throughout their tenure.
Other GEB members	min. 500,000 shares	

### Caps on the GEB performance award pool

The size of the GEB performance award pool may not exceed 2.5% of the adjusted Group profit before tax. This limits the overall GEB compensation based on the firm's profitability.

For 2019, the Group's adjusted profit before tax was USD 6.0 billion and the total GEB performance award pool was USD 70.7 million. The GEB performance award pool as a percentage of adjusted Group profit before tax was 1.2%, which is well below the cap of 2.5%.

In line with the individual compensation caps on the proportion of fixed pay to variable pay for all GEB members (introduced in 2013), the Group CEO's granted performance award is capped at five times his fixed compensation. Granted performance awards of other GEB members are capped at seven times their fixed compensation (or two times for GEB members who are also Material Risk Takers (MRTs)). For 2019, performance awards granted to GEB members and the Group CEO were, on average, 2.5 times their fixed compensation (excluding one-time replacement awards, benefits and contributions to retirement benefit plans).

### GEB employment contracts and severance terms

The employment contracts of the GEB members do not include severance terms or supplementary pension plan contributions. All employment contracts for GEB members are subject to a notice period of six months. A GEB member leaving the firm before the end of a performance year may be considered for a performance award during that performance year included in the GEB performance award pool approved by shareholders. Such awards are subject to approval by the BoD, which may decide not to grant any awards, and ultimately by the shareholders at the AGM.

### Benchmarking for the Group CEO and other GEB members

When recommending performance awards for the Group CEO and the other GEB members, as one dimension to consider, the Compensation Committee reviews the respective total compensation for each role against a financial industry peer group. The peer group is selected based on comparability of their size, business mix, geographic presence and the extent to which they compete with us for talent. The Compensation Committee considers our peers' strategies, practices and pay levels, as well as their regulatory environment; it also periodically refers to other firms' pay levels or practices, including both financial and non-financial sector peers as applicable. The total compensation for a GEB member's specific role considers the compensation paid by our peers for a comparable role and performance within the context of our organizational profile. The Compensation Committee periodically reviews and approves the peer group for executive compensation.

The table below presents the composition of our peer group for 2019, which has been reviewed and approved by the Compensation Committee for the performance year 2019.

Bank of America	Goldman Sachs
Barclays	HSBC
BlackRock	JPMorgan Chase
BNP Paribas	Julius Baer
Citigroup	Morgan Stanley
Credit Suisse	Standard Chartered
Deutsche Bank	State Street



# How the French cross-border litigation matter affects our compensation decisions for 2019

In February 2019, the Paris Court of First Instance imposed fines of EUR 3.7 billion on UBS, and awarded the French state civil damages of EUR 800 million. This judgment was issued in connection with a litigation matter related to cross-border business activities with French residents between 2004 and 2011/2012. UBS has appealed the decision of the Court of First Instance, and it will still take time for this matter to be finally concluded.

The BoD and the GEB continue to focus on progressing and resolving the French matter. Both of them are accountable for a resolution of this legacy matter in the best interest of shareholders.

When determining the 2019 performance award pool, the impact of the French matter on the firm was taken into consideration. Additionally, this was also considered in individual performance assessments and compensation decisions as applicable.

→ Refer to “**Note 21 Provisions and contingent liabilities**” in the “**Consolidated financial statements**” section of our **Annual Report 2019 for more information about litigation, regulatory and similar matters**

## Existing principles and approach for considering litigation in the performance and compensation process

Litigation and regulatory matters, and their remediation and resolution, are taken into consideration in the compensation decision-making process. The Compensation Committee distinguishes between current matters, where the underlying issues are within the responsibility of management, and legacy matters, where management is accountable for resolving them but not responsible for the underlying issues.

Current matters have a direct impact on the performance award pool, the performance assessment and resulting compensation decision, as well as the payout of deferred awards. For legacy matters, current management is incentivized to effectively and efficiently resolve these matters in the best interest of the shareholders. In this regard, it is important to distinguish between legacy matters, and financial and operating performance for the year. At the same time, we are mindful of the potential costs of such matters, the prudent management thereof, and the effect on our share price. Therefore the performance and compensation assessment reflect management’s impact on achieving an effective resolution without creating an incentive to inappropriately settle or take risks with regard to such matters.

## Enhancements to our approach

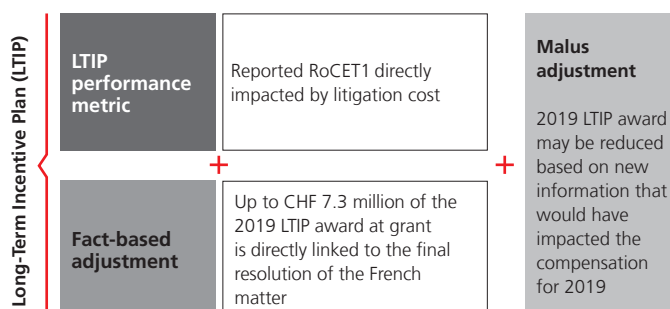
For 2019, the Compensation Committee has taken additional measures to demonstrate the accountability of management and their alignment with shareholders regarding the outcome of the French cross-border matter.

Share price movements affect all employees with deferred equity-based awards. With respect to the performance conditions on the LTIP awards, provisions for legal, regulatory and similar matters will directly impact the reported RoCET1 metric and thus also the final vesting amount subject to this performance condition. This metric accounts for 50% of the final payout under the 2019 LTIP. The use of reported RoCET1 supports the focus on ensuring the cost of litigation matters has a direct impact on the compensation realized by our senior leaders including the GEB.

For GEB members active in March 2017, when the investigating judges issued the trial order, as an added measure, the 2019 LTIP awards will be subject to the following considerations impacting their 2019 compensation.

- Up to an additional CHF 7.9 million or 30% of the 2019 LTIP awards at grant for relevant GEB members as well as the Chairman’s unvested share award are at risk and directly linked to the final resolution of the French matter. The portion at risk is subject to forfeiture based on the final cost associated with the resolution of the matter. If the French matter is unresolved at the time the 2019 award is expected to vest, 30% of the LTIP shares will continue to be at risk, contingent upon the final resolution of this matter.
- Finally, a new malus clause has been introduced, which provides the Compensation Committee with the opportunity to assess any new information that becomes available in the future. If the Compensation Committee determines that the new information would have impacted its 2019 performance award decisions had the information been known at the time, it can retrospectively reduce the 2019 LTIP grant by up to the full amount.

## Impact of litigation matters on the Long-Term Incentive Plan



## Compensation framework for employees other than GEB members

Employees other than GEB members that receive performance awards with total compensation exceeding USD / CHF 300,000 are subject to a mandatory deferral framework, under which a significant portion of the performance award is deferred over a period of five years, or longer for certain regulated employees. The deferred amount increases at higher marginal rates in line with the value of the performance award. The effective deferral rate therefore depends on the amount of the performance award and the amount of total compensation.

The deferred compensation is delivered through three plans, which are described in detail later in this section: the DCCP (notional additional tier 1 capital instruments), the LTIP and the EOP (notional shares).

For Group Managing Directors (GMDs), 50% of the deferred performance award is granted under the LTIP and 50% under the DCCP. The LTIP award vests in year 3 after the grant year, while the DCCP award vests in year 5 after the grant year, the same as for GEB members. For below-GMD employees, 60% of the deferred performance award is granted under the EOP and 40% under the DCCP. The EOP award vests in equal installments in years 2 and 3 after the grant year, while the DCCP award vests in year 5 after the grant year.

Asset Management (AM) GMDs and employees in investment areas have a different deferral and plan mix to align their compensation more closely with industry standards. Therefore AM GMDs receive 50% of their deferred performance awards in notional funds under the AM EOP, 25% under the LTIP and 25% under the DCCP. AM employees below GMD in investment areas continue to receive 75% of their deferred performance awards in notional funds under the AM EOP and 25% under the DCCP, while AM employees below GMD in non-investment areas continue to receive 50% of their deferral under the AM EOP plus 25% under the EOP and 25% under the DCCP.

Certain regulated employees, such as Senior Management Functions (SMFs) and Material Risk Takers (MRTs), are subject to additional requirements (e.g., an additional non-financial conduct-related performance metric under the LTIP, more stringent deferral requirements, additional blocking periods). In addition, SMFs and MRTs receive 50% of their cash portion in the form of immediately vested shares which are blocked for 6 to 12 months.

### Benchmarking for employees other than GEB members

We generally consider market practice in our pay decisions and framework. Our market review reflects a number of factors, including the comparability of the business division, location, scope and the diversity of our businesses. For certain businesses

or roles, we may take into account practices at other major international banks, other large Swiss private banks, private equity firms, hedge funds and non-financial firms. Furthermore, we also benchmark employee compensation internally for comparable roles within and across business divisions and locations.

### Employee share purchase program

The Equity Plus Plan is our employee share purchase program. It allows employees below the rank of Managing Director to voluntarily defer up to 30% of their base salary and/or up to 35% of their performance award (up to USD / CHF 20,000 annually) for the purchase of UBS shares. Eligible employees may buy UBS shares at market price and receive one additional share for every three shares purchased through the program. The additional shares vest after a maximum of three years, provided the employee remains employed with the firm and has retained the purchased shares throughout the holding period.

Considering available records on employee shareholdings including unvested deferred compensation, as of 31 December 2019, employees held at least USD 2.5 billion of UBS shares (of which approximately USD 1.8 billion were unvested), representing approximately 6% of our total shares issued. Our senior leaders (GEB members and GMDs) held approximately USD 410 million of UBS shares (of which approximately USD 272 million were unvested).

→ **Refer to "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2019 for more information**

### Compensation for US financial advisors in Global Wealth Management

In line with market practice for US wealth management businesses, the compensation for US financial advisors in Global Wealth Management is comprised of production payout and deferred compensation awards. Production payout, paid monthly, is primarily based on compensable revenue. Financial advisors may also qualify for deferred compensation awards, which generally vest over a six-year period. The awards are based on strategic performance measures, including production, length of service with the firm and net new business. Production payout rates and deferred compensation awards may be reduced for, among other things, errors, negligence or carelessness, or a failure to comply with the firm's rules, standards, practices, policies and/or applicable laws and regulations.

# Compensation elements for all employees

Overall, we look across all elements of pay when making our decisions on total compensation. We regularly review our principles and compensation framework to remain competitive and aligned with stakeholders. For 2019, we enhanced our framework by introducing the LTIP, the details of which are outlined in this section. We will continue to review our approach to salaries and performance awards in light of market developments, our performance and our commitment to deliver sustainable returns to our shareholders.

## Base salary and role-based allowance

Employees' fixed compensation (e.g., base salary) reflects their level of skill, role and experience, as well as local market practice. Base salaries are usually paid monthly or fortnightly in line with local market practice. We offer our employees competitive base salaries that reflect their location, function and role. Salary increases generally consider promotions, skill set, performance and overall responsibility.

Each GEB member receives a fixed base salary, which is reviewed annually by the Compensation Committee. The Group CEO's annual base salary for 2019 was CHF 2.5 million and has remained unchanged since his appointment in 2011. The other GEB members each received a base salary of CHF 1.5 million (or local currency equivalent), also unchanged since 2011.

In addition to a base salary and as part of fixed compensation, some employees may receive a role-based allowance. This allowance represents a shift in the compensation mix between fixed and variable compensation and not an increase in total compensation. It reflects the market value of a specific role and is fixed, non-forfeitable compensation. Unlike salary, a role-based allowance is paid only as long as the employee is in a specific role. Similar to previous years, 2019 role-based allowances consisted of a cash portion and, where applicable, a blocked UBS share award.

Two GEB members are considered Material Risk Takers (MRTs), including one UK Senior Management Function (SMF), for UK / EU entities due to their impact on those entities regardless of personal domicile. In addition to base salary, role-based allowances are part of their fixed compensation.

At the AGM, shareholders are asked to approve the maximum aggregate amount of fixed compensation for the members of the GEB for the following financial year. The amount requested includes a reserve to consider potential future changes in GEB composition or role changes, and potential additional role-based allowances.

- **Refer to the "Supplemental information" section of this report for more information about MRTs and SMFs**
- **Refer to the "Shareholder engagement and say on pay" section of this report for more information about the shareholders' vote on GEB compensation**

## Pensions and benefits

We offer certain benefits for all employees, such as health insurance and retirement benefits. These benefits vary depending on the employee's location and are intended to be competitive in each of the markets in which we operate. Pension contributions and pension plans also vary across locations and countries in accordance with local requirements and market practice. However, pension plan rules in any one location are generally the same for all employees, including management.

For GEB members, pension contributions and benefits are in line with local practices for other employees. No enhanced or supplementary pension contributions exist for the GEB.

## Performance award

Most of our employees are eligible for an annual performance award. The level of the award, where applicable, generally depends on the firm's overall performance, the employee's business division, team and individual performance, and behavior, reflecting their overall contribution to the firm's results. They are awarded in line with applicable local employment conditions and at the discretion of the firm.

In addition to the firm's Pillars and Principles, Behaviors related to integrity, collaboration and challenge are part of the performance management approach. Therefore, when assessing performance, we take into account not only what was achieved, but also how those results were achieved.

### Our deferred compensation plans

To reinforce our emphasis on sustainable performance, risk management and focus on achieving our growth ambitions, we deliver part of our annual variable compensation through a deferral. We believe our approach with a single incentive decision and a deferral is simple, transparent, and is best suited to implementing our compensation philosophy and delivering sustainable performance. This aligns the interests of our employees and shareholders and appropriately links compensation to longer-term sustainable performance.

Deferred compensation is delivered through a combination of equity-based plans and a contingent capital plan. The equity-based plans are: (i) the Long-Term Incentive Plan (the LTIP), which is for the most senior leaders of our organization, i.e., GEB members, GMDs and Group or Divisional Vice Chair role holders, and supports delivering profitable growth to drive higher returns and create long-term value for our shareholders; and (ii) the Equity Ownership Plan (the EOP), which is for all other employees, and which primarily aligns employees' interests with those of our shareholders. The Deferred Contingent Capital Plan (the DCCP) aligns employees' interests with those of debt

holders. We believe our deferral regime has one of the longest vesting periods in the industry. The average deferral period is 4.4 years for GEB members, 4 years for GMDs and 3.5 years for employees below GEB / GMD level.

To further promote sustainable performance, our deferred compensation components include malus conditions. These enable the firm to forfeit unvested deferred awards under certain circumstances, pursuant to performance and harmful acts provisions.

Deferred awards granted to our most senior employees and to Highly Paid Employees (employees with a total compensation exceeding USD / CHF 2.5 million), Key Risk Takers (KRTs) and other selected employees are subject to performance conditions.

- **Refer to "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2019 for more information**
- **Refer to the "Supplemental information" section of this report for more information about MRTs and SMFs**
- **Refer to "Vesting of outstanding awards granted in prior years subject to performance conditions" in the "Supplemental information" section of this report for more information**

## Long-Term Incentive Plan

The Long-Term Incentive Plan (the LTIP) is a mandatory deferral plan for senior leaders of the Group (i.e., GEB members, GMDs and Group or Divisional Vice Chair role holders). For the performance year 2019, we granted LTIP awards to 119 employees at a fair value of 62.25% of maximum, which is based on the methodology used to determine the expense to the organization under IFRS 2 standards. The value was independently calculated to support the robustness of the approach, which uses a well-established valuation methodology.

The performance metrics of the equity-based LTIP awards are average reported return on CET1 capital (RoCET1) and relative total shareholder return (rTSR) over a three-year performance period starting in the year of grant. Performance outcomes and actual payout levels will be disclosed at the end of the performance period.

Performance metric	Weight	Threshold	Maximum
RoCET1	50%	6%	18%
rTSR vs G-SIBs Index	50%	-25 pps	+25 pps
Payout level		33%	100%

Note: Linear payout between threshold and maximum performance. SMFs and UK MRTs are subject to an additional non-financial metric based on a conduct assessment.

The three-year average reported RoCET1 performance metric reflects our strategic return ambitions:

- the required RoCET1 performance for a maximum payout is set at 18%, which represents a stretch objective relative to our communicated ambitions;
- the required performance threshold of 6% for the minimum payout supports our focus on delivering sustainable results and appropriate risk-taking;
- this approach significantly increases the level of RoCET1 performance required to achieve a payout that is equal to the award value relative to our legacy approach under the EOP; and
- the linear payout design between the threshold and the maximum level reflects our focus on sustainable performance while also supporting our growth ambitions. This design does not encourage excessive risk-taking, as might be the case with a non-linear payout geared toward high performance levels.

## LTIP payout illustration

- The final number of notional shares vesting will vary based on the achievement versus the performance metrics.
- Vesting levels are a percentage of the maximum opportunity of the LTIP and cannot exceed 100%.
- Full forfeiture for performance below the predefined threshold levels.

		Average reported RoCET1		
		Below threshold (<6%)	Threshold (6%) up to maximum (18%)	Maximum and above (≥18%)
rTSR	Maximum and above (+25 pps)	Partial vest		Full vest
	Threshold (-25 pps) up to maximum (+25 pps)	Partial vest		
	Below threshold (-25 pps)	Full forfeiture	Partial vest	

The rTSR performance metric over the three-year period further aligns the interests of employees with shareholders:

- the metric compares the TSR of UBS with the TSR of an index consisting of Global Systemically Important Banks (G-SIBs) as determined by the Financial Stability Board;
- the G-SIBs have been selected because they are independently defined and reflect companies with a comparable risk profile and impact on the global economy;
- the index, which includes publicly traded G-SIBs, is equal weighted, calculated in Swiss francs, and maintained by an independent index provider to increase transparency and ensure independence of the TSR calculation; and
- the payout interval of ±25 percentage points versus the index performance demonstrates our ambition to deliver attractive relative returns to our shareholders. The linear payout and the threshold level set below index performance further support sustainability of results and prudent risk-taking.

## Global Systemically Important Banks (G-SIBs) listed companies peer group<sup>1</sup>

Agricultural Bank of China	Goldman Sachs	Santander
Bank of America	Groupe Crédit Agricole	Société Générale
Bank of China	HSBC	Standard Chartered
Bank of New York Mellon	ING Bank	State Street
Barclays	ICBC	Sumitomo Mitsui FG
BNP Paribas	JPMorgan Chase	Toronto-Dominion
China Construction Bank	Mitsubishi UFJ FG	UniCredit
Citigroup	Mizuho FG	Wells Fargo
Credit Suisse	Morgan Stanley	
Deutsche Bank	Royal Bank of Canada	

<sup>1</sup> As of November 2019.

The LTIP award reflects the long-term focus of our compensation framework. The final number of shares as determined at the end of the three-year performance period will vest in three equal installments in each of the three years following the performance period for GEB members, and cliff-vest in the first year following the performance period for GMDs and Group or Divisional Vice Chair role holders.

## Equity Ownership Plan

The Equity Ownership Plan (the EOP) is a mandatory deferral plan for all employees with total compensation greater than USD / CHF 300,000, other than GEB members, GMDs and Group or Divisional Vice Chair role holders. For the performance year 2019, we granted EOP awards to 3,558 employees.

The plan includes provisions that allow the firm to reduce or fully forfeit the unvested deferred portion of a granted EOP award if an employee commits certain harmful acts, and in most cases trigger forfeiture where employment has been terminated.

The award vests in equal installments in years 2 and 3 after grant year. For Key Risk Takers (KRTs) (including Highly Paid Employees) and Senior Management Functions (SMFs), the EOP awards granted will only vest if both Group and business division performance conditions are met. The Group performance condition is based on the average reported return on CET1 capital (RoCET1) over the applicable performance period. The Compensation Committee sets the minimum future performance thresholds at levels to demonstrate that the long-term quality of the past year's performance is sustainable. Once set, the thresholds remain in place for that particular award year. The Compensation Committee also determines whether the performance conditions have been met.

The Group performance condition is based on the average reported RoCET1. If the outcome is equal to or above the threshold, the award will vest in full, or if it is between 0% and the threshold, it will vest on a linear basis at 0–100%. In both

cases, vesting is contingent on the relevant business division performance condition also being met. If the outcome is 0% or negative, the installment will be fully forfeited regardless of any business division performance.

Similarly, business division performance is measured on the basis of their average return on attributed equity (RoAE) adjusted for disclosed items generally not representative of underlying business performance. For Corporate Center employees, it is measured on the basis of the average operating businesses' RoAE adjusted for disclosed items generally not representative of underlying business performance. If the threshold is met, the award will vest in line with the Group performance achievement. If the outcome is 0% or below, the respective awards are fully forfeited. If it is between 0% and the respective threshold, the awards are subject to forfeiture of up to 40%. Finally, the Compensation Committee retains discretion to adjust the award if the performance metric does not reflect a fair measure of performance.

One of our key objectives is to deliver sustainable performance, and therefore we link the EOP award vesting with minimum performance thresholds over a multi-year time horizon. Our EOP awards have no upward leverage, and this approach promotes sustainable performance by establishing a minimum level of performance, below which awards are subject to full or partial forfeiture.

→ **Refer to "Vesting of outstanding awards granted in prior years subject to performance conditions" in the "Supplemental information" section of this report for more information**

## Deferred Contingent Capital Plan

The Deferred Contingent Capital Plan (the DCCP) is a mandatory deferral plan for all employees with total compensation greater than USD / CHF 300,000. For the performance year 2019, we granted DCCP awards to 3,654 employees.

Employees are awarded notional additional tier 1 (AT1) capital instruments, which, at the discretion of the firm, can be settled as either a cash payment or a perpetual, marketable AT1 capital instrument. Prior to granting, employees can elect to have their DCCP awards denominated in either Swiss francs or US dollars.

DCCP awards vest in full after five years and up to seven years for SMFs, unless there is a trigger event. Awards are forfeited if a viability event occurs, i.e., if FINMA notifies the firm in writing that the DCCP awards must be written down to prevent an insolvency, bankruptcy or failure of UBS, or if the firm receives a commitment of extraordinary support from the public sector that is necessary to prevent such an event. Additionally, they are written down for GEB members if the Group's common equity tier 1 (CET1) capital ratio falls below 10% and for all other employees if it falls below 7%.

As an additional performance condition, GEB members forfeit 20% of their award for each loss-making year during the vesting period. This means that 100% of the award is subject to risk of forfeiture. Like the EOP, the DCCP also has provisions that allow

the firm to apply malus conditions on some, or all, of the unvested deferred portion of a granted award if an employee commits certain harmful acts, or, in most cases, trigger forfeiture where employment has been terminated.

Under the DCCP, employees who are not MRTs may receive discretionary annual notional interest payments. The notional interest rate for grants in 2020 was 1.50% for awards denominated in Swiss francs and 3.90% for awards denominated in US dollars. These interest rates are based on the current market rates for similar AT1 capital instruments. Notional interest will be paid out annually, subject to review and confirmation by the Compensation Committee.

Over the last five years, USD 2.0 billion of DCCP awards were issued, contributing to the Group's total loss-absorbing capacity (TLAC). Therefore, DCCP awards not only support competitive pay, but also provide a loss absorption buffer that protects the firm's capital position. The following table illustrates the contribution of the DCCP to our AT1 and tier 2 capital as well as to our TLAC ratio.

- Refer to the "Supplemental information" section of this report for more information about performance award- and personnel-related expenses
- Refer to the "Supplemental information" section of this report for more information about longer vesting and clawback periods for MRTs and SMFs

### Contribution of the Deferred Contingent Capital Plan to our loss-absorbing capacity<sup>1</sup>

<i>USD million, except where indicated</i>	31.12.19	31.12.18	31.12.17
<b>Deferred Contingent Capital Plan (DCCP)</b>	<b>1,962</b>	2,005	2,160
<i>of which: high-trigger loss-absorbing additional tier 1 capital</i>	<i>1,962</i>	<i>2,005</i>	<i>1,714</i>
<i>of which: high-trigger loss-absorbing tier 2 capital<sup>2</sup></i>			<i>447</i>
DCCP contribution to the total loss-absorbing capacity ratio (%)	<b>0.8</b>	0.8	0.9

<sup>1</sup> Refer to "Bondholder information" at [www.ubs.com/investors](http://www.ubs.com/investors) for more information about the capital instruments of UBS Group AG and UBS AG both on a consolidated and a standalone basis. <sup>2</sup> Relates to DCCP awards granted for the performance year 2013 – based on Swiss SRB framework including transitional arrangements (phase-in) as of 31 December 2017. As of 31 December 2019 these DCCP awards no longer met the grandfathering treatment under Swiss TBTF capital requirements.

### Other variable compensation components

To support hiring and retention, particularly at senior levels, we may offer certain other compensation components. These include:

- replacement payments to compensate employees for deferred awards forfeited as a result of joining the firm – such payments are industry practice and are often necessary to attract senior candidates, who generally have a significant portion of their awards deferred at their current employer, where continued employment is required to avoid forfeiture;
- retention payments made to key employees to induce them to stay, particularly during critical periods for the firm, such as a sale or wind-down of business;
- on a limited basis, guarantees may be required to attract individuals with certain skills and experience – these awards are fixed incentives subject to our standard deferral rules and are limited to the first full year of employment;
- award grants to employees hired late in the year to replace performance awards that they would have earned at their previous employers, but have foregone by joining the firm – these awards are generally structured with the same level of deferral as for employees at a similar level at UBS; and
- in exceptional cases, candidates may be offered a sign-on award to increase the chances of them accepting our offer.

These other variable compensation components are subject to a comprehensive governance process. Authorization and responsibility may go up to the Compensation Committee, depending on the amount or type of such payments.

No severance payments are made to members of the GEB. Below-GEB level employees who are made redundant may receive severance payments. Our severance terms comply with the applicable local laws (legally obligated severance). In certain locations, we may provide severance packages that are negotiated with our local social partners and may go beyond the applicable minimum legal requirements (standard severance). Such payments are governed by location-specific severance policies. In addition, we may make severance payments that exceed legally obligated or standard severance payments (supplemental severance) where we believe that they are aligned with market practice and appropriate under the circumstances.



## Replacement awards for new GEB members and forfeitures of former GEB members

Our compensation framework and plans include provisions whereby the firm generally reduces or fully forfeits an employee's unvested or deferred awards where employment has been terminated and in particular where they join another financial services organization and/or violate restrictive covenants, such as solicitation of clients or employees, in line with industry practice.

Conversely, also consistent with industry practice to support talent acquisition, in particular at senior levels, we may offer certain other compensation components such as replacement payments to offset compensation being forfeited as a result of joining UBS. In making such replacement awards, we aim to match the terms and conditions of the awards granted by an employee's previous employer that are forfeited upon the employee joining UBS.

In 2019, Iqbal Khan joined UBS and was appointed to the GEB on 1 October 2019 as Co-President Global Wealth Management. He received awards as replacements for deferred compensation awarded by his previous employer that was forfeited as a result of him joining UBS. Mr. Khan's replacement payment consists of deferred EOP share awards representing 712,342 UBS shares (denominated in Swiss francs) with a grant date total fair market value of USD 8.1 million. The award vests in various installments between 2020 and 2024. All of these awards are subject to the firm's harmful acts provisions. This one-time replacement award to Mr. Khan is more than offset by the total 2019 forfeitures of USD 16.2 million by former GEB members, as shown in the table below. The total 2019 forfeitures of USD 173 million of previously awarded deferred compensation offset the 2019 total sign-on payments, replacement payments and guarantees of USD 114 million.

## Sign-on payments, replacement payments, guarantees and severance payments

	Total 2019	of which: expenses recognized in 2019 <sup>6</sup>	of which: expenses to be recognized in 2020 and later <sup>6</sup>	Total 2018	Number of beneficiaries	
					2019	2018
<i>USD million, except where indicated</i>						
<b>Total sign-on payments<sup>1</sup></b>	<b>31</b>	<b>18</b>	13	30	<b>644</b>	178
<i>of which: Key Risk Takers<sup>2</sup></i>	<b>9</b>	<b>5</b>	5	7	<b>6</b>	6
<b>Total replacement payments<sup>3</sup></b>	<b>57</b>	<b>6</b>	51	72	<b>178</b>	299
<i>of which: Key Risk Takers<sup>2</sup></i>	<b>22</b>	<b>1</b>	21	19	<b>12</b>	11
<b>Total guarantees<sup>3</sup></b>	<b>27</b>	<b>14</b>	12	48	<b>32</b>	54
<i>of which: Key Risk Takers<sup>2</sup></i>	<b>6</b>	<b>2</b>	3	12	<b>3</b>	5
<b>Total severance payments<sup>1,4</sup></b>	<b>144</b>	<b>164<sup>6</sup></b>	0	165	<b>1,444<sup>7</sup></b>	1,524 <sup>7</sup>
<i>of which: Key Risk Takers<sup>2</sup></i>	<b>3</b>	<b>3</b>	0	4	<b>18</b>	18

<sup>1</sup> GEB members are not eligible for sign-on or severance payments. <sup>2</sup> Expenses for Key Risk Takers are full-year amounts for individuals in office on 31 December 2019. Key Risk Takers as defined by UBS, including all employees with a total compensation exceeding USD / CHF 2.5 million (Highly Paid Employees). <sup>3</sup> For 2019, includes a replacement payment to one GEB member. No GEB member received a guarantee for 2019, and no GEB member received replacement payments or guarantees for 2018. <sup>4</sup> Includes legally obligated and standard severance payments as well as payments in lieu of notice. <sup>5</sup> Expenses before post-vesting transfer restrictions. <sup>6</sup> Represents expense recognized in 2019 associated with payments made in 2019 as well as provisions for expected payments in 2020. <sup>7</sup> Relates only to payments expensed in the year.

## Forfeitures<sup>1</sup>

	Total 2019	Total 2018	Population affected	
			2019	2018
<i>USD million, except where indicated</i>				
<b>Total forfeitures</b>	<b>173</b>	179	<b>653</b>	661
<i>of which: former GEB members</i>	<b>16</b>	0	<b>1</b>	0
<i>of which: Key Risk Takers<sup>2</sup></i>	<b>6</b>	30	<b>6</b>	8

<sup>1</sup> Forfeitures are calculated as units forfeited during the year, valued at the share price on 31 December 2019 (USD 12.58) for 2019. The 2018 data is valued using the share price on 31 December 2018 (USD 12.38). For the notional funds awarded to Asset Management employees under the EOP, this represents the forfeiture credits recognized in 2019 and 2018. For the DCCP, the fair value at grant of the forfeited awards during the year is reflected. <sup>2</sup> Key Risk Takers as defined by UBS, including all employees with a total compensation exceeding USD / CHF 2.5 million (Highly Paid Employees) and excluding former GEB members who have forfeited awards in 2019 or 2018.

## Compensation governance

### Board of Directors and Compensation Committee

The Board of Directors (the BoD) is ultimately responsible for approving the compensation strategy proposed by the Compensation Committee, which determines compensation-related matters in line with the principles set forth in the Articles of Association.

As determined in the Articles of Association and the firm's Organization Regulations, the Compensation Committee supports the BoD in its duties to set guidelines on compensation and benefits, to approve certain compensation and to scrutinize executive compensation. It is responsible for the governance and oversight of our compensation process and practices, including considering the alignment between pay and performance and that our compensation system does not encourage inappropriate risk-taking. Our Compensation Committee consists of four independent BoD members, who are elected annually by shareholders at the Annual General Meeting (the AGM).

Among other responsibilities, the Compensation Committee, on behalf of the BoD, annually:

- reviews our Total Reward Principles;
- reviews and approves the design of the compensation framework;
- reviews performance award funding throughout the year and proposes the final performance award pool to the BoD for approval;
- together with the Group CEO, reviews performance targets and performance assessments and proposes base salaries and annual performance awards for the other Group Executive Board (GEB) members to the BoD, which approves the total compensation of each GEB member;
- together with the Chairman of the BoD, establishes performance targets, evaluates performance and proposes the compensation for the Group CEO to the BoD;
- approves the total compensation for the Chairman of the BoD;
- together with the Chairman, proposes the total individual compensation for independent BoD members for approval by the BoD;
- together with the BoD, proposes the maximum aggregate amounts of compensation for the BoD and for the GEB, to be submitted for approval by shareholders at the AGM;

- approves remuneration / fee frameworks for external supervisory board members of Significant Group Entities and periodically reviews remuneration / fee frameworks for external supervisory board members of Significant Regional Entities; and
- reviews the compensation report and approves any material public disclosures on compensation matters.

The Compensation Committee meets at least four times a year. In 2019, the Compensation Committee held six meetings and two conference calls, with a participation rate of 97%. The Chairman of the BoD attended all meetings and calls, and the Group CEO all but one meeting. The Chairman of the BoD and the Group CEO were not present during discussions related to their own compensation or performance evaluations. The Chair of the Compensation Committee may also invite other executives to join the meeting in an advisory capacity. No individual whose compensation is reviewed is allowed to attend meetings during which specific decisions are made about that same individual's compensation. Such decisions are subject to approval of the Compensation Committee and the BoD.

After the meetings, the Chair of the Compensation Committee reports to the BoD on the activities of the Compensation Committee and the matters discussed. In addition, where necessary, the Chairperson submits proposals for approval by the full BoD. The minutes of Compensation Committee meetings are sent to all members of the BoD.

On 31 December 2019, the members of the Compensation Committee were Julie G. Richardson, who chairs the committee, Reto Francioni, Fred Hu and Dieter Wemmer.

### External advisors

The Compensation Committee may retain external advisors to support it in fulfilling its duties. In 2019, HCM International Ltd. provided independent advice on compensation matters. HCM International Ltd. holds no other mandates with UBS. The compensation consulting firm Willis Towers Watson provided the Compensation Committee with data regarding market trends and pay levels, including in relation to GEB and BoD compensation. Various subsidiaries of Willis Towers Watson provide similar data to Human Resources in relation to compensation for employees below the BoD and GEB level. Willis Towers Watson holds no other compensation-related mandates with UBS.

## The Risk Committee's role in compensation

The Risk Committee, a committee of the BoD, works closely with the Compensation Committee to reinforce that our approach to compensation reflects proper risk management and control. The Risk Committee supervises and sets appropriate risk

management and risk control principles and receives regular briefings on how risk is factored into the compensation process. It also monitors Group Risk Control's involvement in compensation and reviews risk-related aspects of the compensation process.

→ Refer to [www.ubs.com/governance](http://www.ubs.com/governance) for more information

## Compensation Committee 2019 / 2020 key activities and timeline

The table below provides an overview of the Compensation Committee's key activities from the 2019 AGM to the 2020 AGM.

	July	Sept	Oct	Nov	Dec <sup>1</sup>	Jan	Feb
<b>Strategy, policy and governance</b>							
Total Reward Principles		●					
Three-year strategic plan on variable compensation			●				
Compensation disclosure and stakeholder communication matters	●	●	●		●		●
AGM reward-related items	●						●
Compensation Committee governance							●
<b>Annual compensation review</b>							
Accruals and full-year forecast of the performance award pool funding	●		●	●	●	●	
Performance targets and performance assessment of the Group CEO and GEB members					●	●	●
Group CEO and GEB members' salaries and individual performance awards					●	●	
Update on market practice, trends and peer group matters	●	●	●	●	●		
Pay for performance, including governance on certain higher-paid employees, and non-standard compensation arrangements	●	●				●	●
Board of Directors remuneration	●	●			●	●	
<b>Compensation framework</b>							
Compensation framework and deferred compensation matters	●	●	●		●	●	●
<b>Risk and regulatory</b>							
Risk management in the compensation approach and joint meeting with BoD Risk Committee		●		●		●	
Regulatory activities impacting employees and engagement with regulators	●		●		●	●	●

<sup>1</sup> The Compensation Committee held two meetings in December 2019.

## Compensation governance

The table below provides an overview of compensation governance by specific role.

Recipients	Compensation recommendations proposed by	Approved by
Chairman of the BoD	Chairperson of the Compensation Committee	Compensation Committee <sup>1</sup>
Independent BoD members (remuneration system and fees)	Compensation Committee and Chairman of the BoD	BoD <sup>1</sup>
Group CEO	Compensation Committee and Chairman of the BoD	BoD <sup>1</sup>
Other GEB members	Compensation Committee and Group CEO	BoD <sup>1</sup>
Key Risk Takers (KRTs) / (senior) employees	Respective GEB member together with functional management team	Individual compensation for KRTs and senior employees: Group CEO
		Performance award pool for all employees: BoD

<sup>1</sup> Aggregate compensation for the GEB and aggregate remuneration for the BoD are subject to shareholder approval.

# Compensation for the Group CEO and the other GEB members

## Performance assessment

Annual performance awards for the Group CEO and the other Group Executive Board (GEB) members are based on the GEB compensation determination process as outlined below and, in aggregate, subject to shareholder approval at the AGM.

We assess the GEB members' performance against a number of financial targets and goals related to Pillars, Principles and Behaviors. The financial measures for the Group CEO are based on overall Group performance. For the other GEB members, such measures are based on both Group performance and the performance of the relevant business division and/or region; those who lead Group functions are assessed on the performance of the Group and the function they oversee.

The weighting between Group, business division, regional and functional measures varies depending on a GEB member's role. A significant weight is given to Group measures for all GEB members. The achievements relative to goals related to Pillars and Principles are additional factors for assessing the overall quality and sustainability of the financial results. We have adjusted the metric and goal weightings and enhanced the transparency of the respective disclosure. New for 2019, the financial measures account for 70% of the assessment while Pillars and Principles account for 15% and Behaviors account for the remaining 15%.

### Overview of the GEB compensation determination process

The compensation for the Group CEO and the other GEB members is governed by a rigorous process under Compensation Committee and BoD oversight. The chart below shows how compensation for all GEB members is determined.

The Compensation Committee is involved at all stages of the performance and total compensation decision-making process for the Group CEO and the other GEB members, for review and approval by the BoD.			
	Objective setting	Performance assessment	Delivery and deferral
Decision-making process	<p>Financial targets are based on Group, business division, regional and/or functional performance measures (depending on the role of the GEB member).</p> <p>Financial targets and goals related to Pillars, Principles (including ESG-related goals) and Behaviors reflect the strategic priorities determined by the Chairman and the BoD.</p> <p>Financial targets weight: 70% Pillars and Principles weight: 15% Behaviors weight: 15%</p>	<p>Financial results are assessed quantitatively.</p> <p>Achievements relative to goals related to Pillars and Principles (including ESG-related goals) and Behaviors are assessed qualitatively, based on a five-point scale.</p>	<p>When determining actual pay levels, the Compensation Committee factors in:</p> <ul style="list-style-type: none"> <li>• financial performance</li> <li>• performance assessment</li> <li>• relative performance versus peers</li> <li>• compensation market value and trends</li> <li>• other parameters deemed relevant</li> </ul> <p>Final compensation decisions for GEB members consider the Group CEO's recommendation (the Group CEO makes no recommendation on his own awards).</p>
Role of the Compensation Committee	<ul style="list-style-type: none"> <li>• Together with the BoD Chairman establishes the objectives for the Group CEO.</li> <li>• Together with the Group CEO reviews objectives for the other GEB members.</li> </ul>	<ul style="list-style-type: none"> <li>• Together with the BoD Chairman evaluates the performance of the Group CEO and determines the overall assessment.</li> <li>• Together with the Group CEO reviews the performance assessment for the other GEB members.</li> </ul>	<p>Proposes to the BoD:</p> <ul style="list-style-type: none"> <li>• together with the BoD Chairman, the total individual compensation for the Group CEO; and</li> <li>• together with the Group CEO, the total individual compensation for the other GEB members.</li> </ul> <p>The final decision on the aggregate amount is subject to shareholder approval.</p>

The performance assessment is the starting point for determining a GEB member's annual performance award. Financial measures are assessed quantitatively based on full-year financial results versus predetermined targets and plan figures. The outcome for each financial measure is expressed as an achievement. Pillars, Principles and Behaviors are assessed qualitatively based on the five-point scale outlined below, which requires a "significantly exceeded expectations" goal rating to provide a 100% achievement score. The total of all weighted achievement scores across financial measures and qualitative goals cannot exceed 100%.

The Compensation Committee can still exercise its judgment with respect to the performance achieved relative to the prior year, the strategic plan and competitors, and considers the Group CEO's recommendation. The Compensation Committee's recommendations are then reviewed and subject to approval by the BoD.

The Compensation Committee, and then the full BoD, follows a similar process in setting the compensation for the Group CEO, except that the recommendation is from the Chairman of the BoD.

## Overview of the performance assessment measures

The table below presents the measures for the 2019 performance assessment of the Group CEO and GEB members.

<b>Group measures</b>		A range of financial measures including adjusted Group profit before tax, adjusted Group cost / income ratio, reported return on CET1 capital, CET1 ratios.
<b>Business division, regional and/or functional measures (if applicable)<sup>1</sup></b>		Business division and/or regional measures vary but may include: net new money growth rate, adjusted divisional / regional profit before tax, adjusted cost / income ratio, net new business volume growth rate, net interest margin, adjusted RoAE, Basel III RWA and LRD expectations. Specific functional measures for Corporate Center GEB members.
<b>Pillars</b>	Capital strength	Establishes and maintains capital. Generates efficiencies and deploys our capital more efficiently and effectively.
	Efficiency and effectiveness	Contributes to the development and execution of our strategy and success across all business lines, functions and regions. Considers market conditions, relative performance and other factors.
	Risk management	Reinforces risk management through an effective control framework. Captures the degree to which risks are self-identified and focuses on the individual's success to comply with all the various regulatory frameworks. Helps shape the firm's relationship with regulators through ongoing dialog.
<b>Principles</b>	Client focus	Increases client satisfaction and maintains high levels of satisfaction over the long term. This includes promoting collaboration across business divisions and fostering the delivery of the whole firm to our clients.
	Excellence	Human Capital Management – develops successors for the most senior positions, facilitates talent mobility within the firm and promotes a diverse and inclusive workforce. Product and Service Quality – strives for excellence in the products and services we offer to our clients.
	Sustainable performance	Brand and Reputation – protects the Group's reputation and reinforces full compliance with our standards and principles. Culture and Growth – takes a personal role in making Principles and Behaviors front and center of the business requirements, including a focus on sustainable growth. Furthermore, this measure evaluates the individual's ability to reinforce a culture of accountability and responsibility, demonstrating our commitment to be a responsible corporate citizen and reinforcing our collective behaviors.
<b>Behaviors</b>	Integrity	Is responsible and accountable for what they say and do; cares about clients, investors, and colleagues; acts as a role model.
	Collaboration	Places the interests of clients and the firm before their own and those of their business; works across the firm; respects and values diverse perspectives.
	Challenge	Encourages self and others to constructively challenge the status quo; learns from mistakes and experiences.

<sup>1</sup> Both regional and functional measures may include qualitative measures.

## Qualitative performance assessment scale

The table below presents the five-point scale used for the qualitative assessment of the performance against goals related to Pillars, Principles and Behaviors.

Below expectations	Met most expectations	Met expectations	Exceeded expectations	Signif. exceeded expectations
Performance failed to meet the standard expected, immediate improvement required	Reasonable performance, but not consistently up to the standard expected, some improvement required	Performance consistently met standard expected, may have exceeded a few goals	Performance exceeded most expectations on a regular basis	Consistently achieved truly exceptional results
Achievement score: 0–30%	Achievement score: 40%	Achievement score: 60%	Achievement score: 80%	Achievement score: 100%

## 2019 compensation for the Group Chief Executive Officer

The performance award for the Group CEO, Sergio P. Ermotti, is based on the achievement of financial performance targets and qualitative goal achievements relative to Pillars, Principles and Behaviors, as described earlier in this section. These targets and goals were set to reflect the strategic priorities determined by the Chairman and the BoD. To judge the quality and sustainability of the financial results, the Compensation Committee considers in the qualitative goal assessment a range of additional factors including relative performance and market conditions, as well as ESG-related aspects, such as client satisfaction, employee satisfaction, talent management, diversity and inclusion, sustainable business practice, sustainable finance, and philanthropy.

The table below illustrates the assessment criteria used to evaluate the achievements of Mr. Ermotti as Group CEO for 2019. We enhanced the presentation regarding these disclosures by outlining the annual target, the results, the achievement and the weighted assessment. With respect to the non-financial targets, we have also aligned 100% with "significantly exceeded expectations." As a result, a "met expectations" results in 60% versus 100% for "significantly exceeded expectations."

→ Refer to the "Compensation philosophy and framework" section of this report for more information

### Performance assessment for the Group CEO

The BoD recognized Mr. Ermotti's **successful leadership in preparing and positioning the Group for the future while effectively navigating it through another challenging year** marked by geopolitical and macro uncertainty as well as difficult external conditions including sustained negative interest rates and significant efforts to mitigate the impact of the French cross-border matter on the firm.

	Weight	Performance measures	2019 Annual target	2019 Results	Achievement	Weighted assessment	2019 Commentary
Financial performance	30%	Return on CET1 capital	15%	12.4%	83%	25%	– The Group achieved a reported <b>return on CET1 capital of 12.4% (versus 13.1% in 2018)</b> .
	20%	Adjusted Group profit before tax	USD 6.9 billion	USD 6.0 billion	88%	18%	– The Group achieved an <b>adjusted<sup>1</sup> profit before tax of USD 6 billion</b> , in line with 2018 results.
	10%	Adjusted cost / income ratio	77%	78.9%	81% <sup>2</sup>	8% <sup>2</sup>	– Despite additional regulatory cost pressure, costs were effectively managed down but did not completely offset revenue shortfalls, resulting in a <b>cost / income ratio of 78.9% (versus 79.5% in 2018)</b> .
	10%	Capital management CET1 capital ratio CET1 leverage ratio Post-stress CET1 capital ratio	13.0% 3.7% Above target	13.7% 3.9% Achieved	100% 100% 100%	10%	– The capital position was successfully managed, allowing for <b>increased capital distributions / buybacks</b> to shareholders while maintaining a <b>strong CET1 capital ratio of 13.7% and a CET1 leverage ratio of 3.9%</b> .

<sup>1</sup> Refer to "Group performance" in the "Financial and operating performance" section of our Annual Report 2019 for more information on adjusted results. <sup>2</sup> For the assessment of the cost / income ratio, each 1% difference between actual and target affects the score by 10%.

## Performance assessment for the Group CEO (continued)

	Weight	Performance measures	Achievement	Weighted assessment
Qualitative goals	15%	<b>Pillars and Principles</b>	Met expectations (60%)	9%
	15%	<b>Behaviors</b>	Exceeded expectations (80%)	12%
<b>Total weighted assessment (maximum 100%)</b>				<b>81%</b>

### 2019 Commentary

- Under Mr. Ermotti’s leadership, capital distribution targets were delivered upon while maintaining the firm’s balance sheet strength. While progress was achieved on a number of **growth and synergy initiatives across divisions, functions and regions**, the Group **did not fully deliver on growth and return targets**, in particular in the Global Wealth Management and Investment Bank divisions.
- Mr. Ermotti further increased the focus on **positioning UBS for the future** through various efforts including entering into strategic partnerships and executed on the defined technology strategy.
- Mr. Ermotti continued his **dedication to and personal engagement with clients** and ensured further progress was made throughout the firm in enhancing **client centricity, providing high-quality, state-of-the-art products and services, leveraging new technologies and strengthening the digital offering**.
- Mr. Ermotti led the organization in its continued focus on ESG topics, demonstrated by the Group’s recognition as **industry leader in the Dow Jones Sustainability Indices** for the fifth consecutive year, confirming the progress made toward achieving the ambitions in **sustainable finance, philanthropy, sustainable business practices and being an employer of choice**.
- Mr. Ermotti further enhanced the focus on improvements in the Group’s **risk profile and progressed initiatives to meet regulatory requirements**.
- In 2019, Mr. Ermotti integrated new GEB members into his leadership team and made changes through internal promotion as well as attracting external talent. He also continued to drive **talent development, succession planning and internal mobility** throughout the organization.
- Mr. Ermotti set a **clear and consistent tone from the top and role-modeled** the UBS behaviors. He continued to encourage constructive challenge, displaying his strong commitment for continuous improvement, and drove the organization toward stronger collaboration in the interest of clients.
- He remained the most important ambassador to the Group’s **culture and behavior program** and continued to personally champion the behavior principles across the organization.

In addition to Mr. Ermotti’s achievements in 2019 and underlying performance, the BoD also considered other factors, including the impact of the French cross-border matter on the firm and the resulting share price development.

The BoD approved the proposal by the Compensation Committee to grant Mr. Ermotti a performance award of **CHF 9.7 million (down 14% from CHF 11.3 million in 2018)**, resulting in a total compensation for the year of CHF 12.2 million (excluding benefits and contributions to his retirement benefit plan).

The performance award is subject to shareholder approval as part of the aggregate GEB 2019 variable compensation and will be delivered 20% (CHF 1.9 million) in cash and the remaining 80% (CHF 7.8 million) subject to deferral and forfeiture provisions, as well as meeting performance conditions over five years.

Furthermore, CHF 1.5 million of the 2019 LTIP award for Mr. Ermotti is entirely at risk and subject to forfeiture based on the final cost associated with the resolution of the French cross-border matter, as noted in other sections of this report.

## 2019 total compensation for the GEB members

The GEB performance awards are subject to approval by the BoD based on the assessment of financial targets, as well as goals related to Pillars, Principles and Behaviors and, in aggregate, subject to shareholder approval. The aggregate performance award pool for the GEB was CHF 70.3 million (USD 70.7 million) for 2019, a decrease of 14% compared with the prior year on a per capita basis. This decrease is in line with the decrease in the overall performance award pool of the firm. Group profit before tax decreased 7% to USD 5.6 billion while adjusted profit before tax decreased slightly to USD 6.0 billion.

The Compensation Committee has confirmed that performance conditions for all GEB members' awards due to vest in March 2020 have been satisfied, and thus the awards will vest in full.

At the 2020 AGM, shareholders will vote on the aggregate 2019 total variable compensation for the GEB in Swiss francs. Therefore, the tables below provide the awarded compensation for the Group CEO and the GEB members in Swiss francs and, for reference, the total amounts in US dollars for comparability with financial performance. The individual variable performance awards for each GEB member will only be confirmed upon shareholder approval at the AGM.

→ Refer to "Provisions of the Articles of Association related to compensation" in the "Supplemental Information" section of this report for more information

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### Total compensation for GEB members<sup>1</sup>

#### Group CEO Sergio P. Ermotti (highest paid)

CHF, except where indicated

For the year	Base salary	Contribution to retirement benefit plans <sup>3</sup>	Benefits <sup>4</sup>	Total fixed compensation	Cash <sup>5</sup>	Performance award under LTIP <sup>6</sup> /EOP <sup>7</sup>	Performance award under DCCP <sup>8</sup>	Total variable compensation	Total fixed and variable compensation <sup>9</sup>	USD (for reference) <sup>2</sup>		
										Total fixed compensation	Total variable compensation	Total fixed and variable compensation <sup>9</sup>
2019	2,500,000	244,353	65,048	2,809,401	1,940,000	4,850,000	2,910,000	9,700,000	12,509,401	2,826,303	9,758,356	12,584,659
2018	2,500,000	261,181	62,813	2,823,994	2,000,000	5,910,000	3,390,000	11,300,000	14,123,994			

#### Aggregate of all GEB members<sup>10,11,12,13</sup>

CHF, except where indicated

For the year	Base salary <sup>14</sup>	Contribution to retirement benefit plans <sup>3</sup>	Benefits <sup>4</sup>	Total fixed compensation	Cash <sup>5</sup>	Performance award under LTIP <sup>6</sup> /EOP <sup>7</sup>	Performance award under DCCP <sup>8</sup>	Total variable compensation	Total fixed and variable compensation <sup>9</sup>	USD (for reference) <sup>2</sup>		
										Total fixed compensation	Total variable compensation	Total fixed and variable compensation <sup>9</sup>
2019	28,169,646	2,333,935	1,350,439	31,854,020	14,050,000	35,125,000	21,075,000	70,250,000	102,104,020	32,045,656	70,672,629	102,718,285
2018	22,948,016	2,540,085	2,042,509	27,530,610	14,269,889	37,040,111	21,990,000	73,300,000	100,830,610			

<sup>1</sup> Local currencies have been translated into Swiss francs at the relevant year-end closing exchange rates, or at the performance award currency exchange rate. <sup>2</sup> Swiss franc amounts have been translated into US dollars for reference at the 2019 performance award currency exchange rate of CHF / USD 1.006. <sup>3</sup> Includes the portion related to the employer's contribution to the statutory pension scheme. <sup>4</sup> All benefits are valued at market price. <sup>5</sup> For GEB members who are also MRTs or SMFs, the cash portion includes blocked shares. <sup>6</sup> LTIP awards for performance year 2019 were awarded at a value of 62.25% of maximum which reflects our best estimate of the fair value of the award. The maximum number of shares is determined by dividing the awarded amount by the fair value of the award at the date of grant, divided by CHF 12.919 or USD 13.141, the average closing price of UBS shares over the last ten trading days leading up to and including the grant date. <sup>7</sup> For EOP awards for the performance year 2018, the number of shares was determined by dividing the amount by CHF 12.622 or USD 12.610, the average closing price of UBS shares over the last ten trading days leading up to and including the grant date. <sup>8</sup> The amounts reflect the amount of the notional additional tier 1 (AT1) capital instrument excluding future notional interest. For DCCP awards for the performance year 2019, the notional interest rate is set at 3.90% for awards denominated in US dollars and 1.50% for awards denominated in Swiss francs. For DCCP awards for the performance year 2018, the notional interest rate is set at 6.85% for awards denominated in US dollars and 3.40% for awards denominated in Swiss francs. <sup>9</sup> Excludes the portion related to the legally required employer's social security contributions for 2019 and 2018, which are estimated at grant at CHF 4,969,844 and CHF 5,175,418, respectively, of which CHF 797,938 and CHF 886,455, respectively, for the highest-paid GEB member. The legally required employees' social security contributions are included in the amounts shown in the table above, as appropriate. <sup>10</sup> Thirteen GEB members were in office on 31 December 2019 including three new GEB members, one appointed on 1 January 2019 and two on 1 October 2019; three GEB members stepped down, one on 31 December 2018 and two on 30 September 2019. Thirteen GEB members were in office on 31 December 2018 including two new GEB members appointed on 1 October 2018 and one on 1 November 2018; two GEB members stepped down on 31 December 2017 and 30 September 2018. <sup>11</sup> 2019 includes compensation for three months paid under the employment contract during the notice period for one GEB member who stepped down on 30 September 2018 as well as compensation for two GEB members who stepped down on 30 September 2019 for nine months in office as GEB members plus for three months paid under the employment contract during the notice period. 2018 includes compensation for six months paid under the employment contract during the notice period for one GEB member who stepped down on 31 December 2017, as well as compensation for one GEB member who stepped down on 30 September 2018 for nine months in office as a GEB member plus for three months paid under the employment contract during the notice period. <sup>12</sup> 2019 includes compensation for one newly appointed GEB member for 12 months in office as a GEB member and for two newly appointed GEB members for three months in office as GEB members. 2018 includes compensation for two newly appointed GEB members for three months in office as GEB members, and for one newly appointed GEB member for two months in office as a GEB member. <sup>13</sup> For 2019, Iqbal Khan received a one-time replacement award of CHF 8,053,022. This replacement award is not included in the above table; including this, the 2019 total aggregate compensation of all GEB members is CHF 110,157,042. <sup>14</sup> Includes role-based allowances in line with market practice in response to regulatory requirements.



## Total realized compensation for Sergio P. Ermotti

To further illustrate the effect of our lengthy deferral approach in place since 2012, we disclose the annual realized compensation of Sergio P. Ermotti, including a multi-year comparison with his total awarded compensation.

The realized compensation reflects the total amount paid out in the year. It includes the base salary, cash performance award

payments, and all deferred performance awards vested in the year. As such, realized pay is the natural culmination of awards granted and approved by shareholders in previous years.

The table below provides information on the total awarded and realized compensation paid out to Sergio P. Ermotti since his appointment (excluding 2011 salary earned).

### Total realized compensation vs awarded compensation for Sergio P. Ermotti<sup>1</sup>

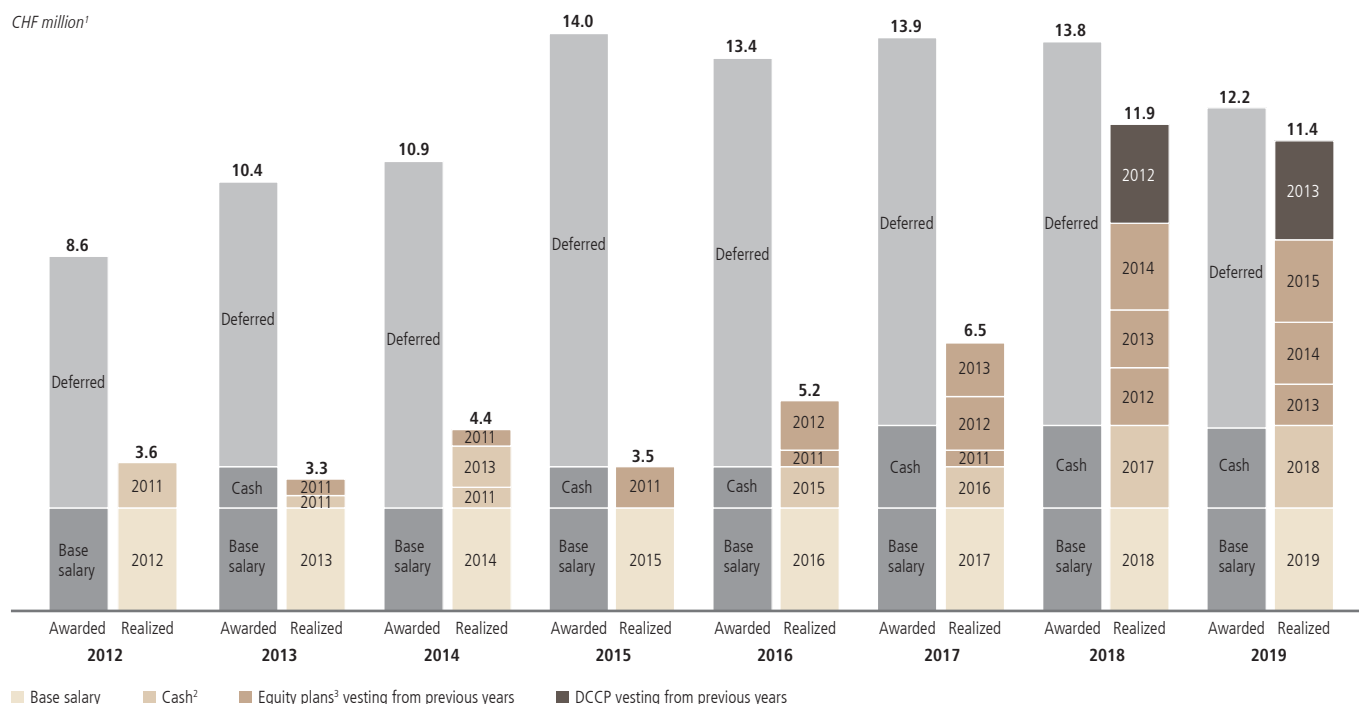
For the year	Base salary	Cash award <sup>2</sup>	Deferred cash award <sup>3,4</sup>	Performance award under equity plans <sup>4,5</sup>	Performance award under DCCP <sup>4</sup>	Realized	Awarded
						Total realized fixed and variable compensation <sup>6</sup>	Total awarded fixed and variable compensation <sup>6</sup>
2019	2,500,000	2,000,000	0	4,533,741	2,370,000	11,403,741	12,200,000
2018	2,500,000	2,000,000	0	4,986,563	2,440,000	11,926,563	13,800,000
2017	2,500,000	1,000,000	0	2,951,043	0	6,451,043	13,900,000
2016	2,500,000	1,000,000	0	1,667,128	0	5,167,128	13,400,000
2015	2,500,000	0	0	1,018,440	0	3,518,440	14,000,000
2014	2,500,000	1,000,000	373,441	537,217	0	4,410,658	10,900,000
2013	2,500,000	0	349,622	423,623	0	3,273,245	10,400,000
2012	2,500,000	553,200 <sup>3</sup>	553,200	0	0	3,606,400	8,600,000

<sup>1</sup> Appointed on 24 September 2011 as Group CEO ad interim and confirmed on 15 November 2011. <sup>2</sup> Paid out based on previous performance year. For 2012 this includes Cash Balance Plan installments (discontinued in 2012). <sup>3</sup> Cash Balance Plan installments. For 2012, due to applicable UK FSA regulations, deferred cash includes blocked shares. <sup>4</sup> Excludes dividend / interest payments. <sup>5</sup> Includes all installments paid out under the EOP, Senior Executive Equity Ownership Plan (SEEO, discontinued in 2012) and Performance Equity Plan (PEP, discontinued in 2012). <sup>6</sup> Excludes contributions to retirement benefit plans and benefits. Includes social security contributions paid by Sergio P. Ermotti but excludes the portion related to the legally required social security contributions paid by UBS.

The chart below further illustrates the effect of our deferral approach over time. The bars for realized pay show which components (base salary, cash, equity plans, DCCP) deliver the realized compensation in the year indicated and for which year the respective component was initially awarded.

The bars for awarded compensation show the split between fixed compensation (base salary) and variable compensation (cash component and deferred awards) and highlight that a significant portion of the variable compensation is deferred.

CHF million<sup>1</sup>



<sup>1</sup> Excludes contributions to retirement benefit plans and benefits. Includes social security contributions paid by Sergio P. Ermotti but excludes the portion related to the legally required social security contributions paid by UBS. <sup>2</sup> Paid out based on previous performance year. 2012, 2013 and 2014 include Cash Balance Plan installments. <sup>3</sup> Includes all installments paid out under respective EOP, SEEO and PEP plans, excludes dividend payments.

# Board of Directors compensation

## Chairman of the BoD

Under the leadership of the Chairman, Axel A. Weber, the Board of Directors (the BoD) determines, among other things, the strategy for the Group based on recommendations by the Group CEO, exercises ultimate supervision over management and appoints all GEB members.

The Chairman presides over all general meetings of shareholders and the BoD, and works with the committee chairpersons to coordinate the work of all BoD committees. Together with the Group CEO, the Chairman is responsible for effective communication with shareholders and other stakeholders, including clients, government officials, regulators and public organizations. This is in addition to establishing and maintaining a close working relationship with the Group CEO and other GEB members, and providing advice and support when appropriate, as well as continuing to strengthen and promote our culture through the three keys to success – our Pillars, Principles and Behaviors.

The Chairman's total compensation for the period from AGM to AGM is contractually fixed without any variable component. For the current period from the 2019 AGM to the 2020 AGM and in line with the reduction of the fees for independent Board members effective from the 2020 AGM, as explained later in this section, his total compensation has been reduced by 14% from CHF 5.7 million to CHF 4.9 million, excluding benefits and pension fund contributions. The Chairman's total compensation for the current period consisted of a cash payment of CHF 3.5 million and a share component of CHF 1.4 million consisting of 108,367 UBS shares at CHF 12.919 per share.

Accordingly, his total reward, including benefits and pension fund contributions for his service as Chairman for the current period, was CHF 5,235,143.

→ **Refer to "Board of Directors" in the "Corporate governance" section of our Annual Report 2019 for more information about the responsibilities of the Chairman**

The share component aligns the Chairman's pay with the Group's long-term performance. While the size of the share award continues to be contractually fixed, the vesting of a portion of the share award for the current period is linked to the final resolution of the French cross-border matter. This portion is entirely at risk and subject to forfeiture based on the final cost associated with the resolution of the matter. If the French cross-border matter is unresolved at the time the 2019 award is expected to vest, this portion continues to be at risk, contingent upon the final resolution of this matter. This vesting condition is identical with the new vesting condition introduced for the Group CEO and certain other GEB members on a portion of their 2019 LTIP award. This further demonstrates the Chairman's alignment with shareholders on this matter. The remaining share award is fully vested but blocked for four years.

## Contractually fixed total compensation of the Chairman

<b>Unvested share award</b> CHF 0.6 million	<ul style="list-style-type: none"> <li>Up to CHF 0.6 million: final vesting amount is linked to final resolution of the French cross-border matter</li> <li>Entire portion is fully at risk and subject to forfeiture based on the final cost associated with the resolution of the matter</li> </ul>
<b>Blocked share award</b> CHF 0.8 million	<ul style="list-style-type: none"> <li>Fully vested but blocked for 4 years</li> </ul>
<b>Cash payment</b> CHF 3.5 million	

The Chairman's employment agreement does not provide for severance terms or supplementary contributions to pension plans. Benefits for the Chairman are in line with local practices for UBS employees. The Chair of the Compensation Committee proposes and the Compensation Committee approves the Chairman's compensation annually for the upcoming AGM to AGM period, taking into consideration fee or compensation levels for comparable roles based on our core financial industry peers as well as other relevant leading Swiss companies as included in the Swiss Market Index.

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### Compensation details and additional information for non-independent BoD members

Name, function <sup>1</sup>	CHF, except where indicated					USD (for reference)	
	For the period AGM to AGM <sup>2</sup>	Base salary	Annual share award <sup>3</sup>	Benefits <sup>4</sup>	Contributions to retirement benefit plans <sup>5</sup>	Total <sup>6</sup>	Total <sup>6,7</sup>
Axel A. Weber, Chairman	2019/2020	3,500,000	1,400,000	90,790	244,353	5,235,143	5,266,638
	2018/2019	3,500,000	2,200,000	69,230	255,572	6,024,802	

<sup>1</sup> Axel A. Weber was the only non-independent member in office on 31 December 2019 and 31 December 2018. <sup>2</sup> The change in reporting period from "financial year" to "AGM to AGM" results in a different total compensation for the period from the 2018 AGM to the 2019 AGM than previously reported for "financial year 2018", which was CHF 6,033,422. The difference in the total compensation is due to varying benefits and contributions to retirement benefit plans. <sup>3</sup> These shares are blocked for four years. <sup>4</sup> Benefits are all valued at market price. For the period from the 2019 AGM to the 2020 AGM, benefits amount is an estimate. <sup>5</sup> Includes the portion related to UBS's contribution to the statutory pension scheme. For the period from the 2019 AGM to the 2020 AGM, contribution to retirement benefit plans amount is an estimate. <sup>6</sup> Excludes the portion related to the legally required social security contributions paid by UBS, which for the period from the 2019 AGM to the 2020 AGM is estimated at grant at CHF 323,677 and for the period from the 2018 AGM to the 2019 AGM at CHF 369,772. The legally required social security contributions paid by the non-independent BoD members are included in the amounts shown in this table, as appropriate. <sup>7</sup> Swiss franc amounts have been translated into US dollars for reference at the 2019 performance award currency exchange rate of CHF / USD 1.006.

## Independent BoD members

All BoD members except the Chairman are deemed independent directors and receive a fixed base fee and additional committee fees for their services on the firm's various board committees as outlined in the below table. For the current period from the 2019 AGM to the 2020 AGM the remuneration framework remains unchanged.

In the current period, the roles of Senior Independent Director and Vice Chairman are both held by one Board member, hence the additional payment for both roles is only paid once. Independent BoD members must use a minimum of 50% of their fees to purchase UBS shares, which are blocked for four years. They may elect to use up to 100% of their fees to purchase blocked UBS shares. In all cases, the number of shares is calculated at a discount of 15% on the average closing price of the 10 trading days leading up to and including the grant date. Independent BoD members do not receive performance awards, severance payments or benefits.

At each AGM, shareholders are invited to approve the aggregate amount of BoD remuneration in Swiss francs, including compensation of the Chairman, which applies until the next AGM. The tables on the following page provide details on the compensation for the independent BoD members in Swiss francs, and, for reference, the total amounts in US dollars.

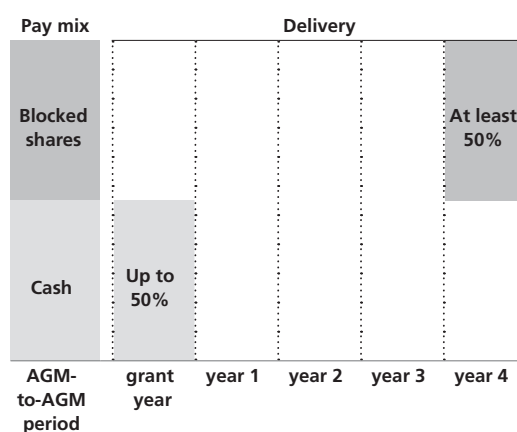
The remuneration framework for independent BoD members is subject to an annual review based on a proposal submitted by the Chairman of the BoD to the Compensation Committee, which in turn submits a recommendation to the BoD for approval.

In our 2019 review of all elements of our compensation framework we also reflected on our BoD remuneration framework. We concluded that our overall approach for independent Board member compensation remains appropriate. However, a number of adjustments have been made to simplify and rebalance the fee structure while maintaining it at a competitive level. These changes led to a total fee reduction of approximately 14% (depending on allocation of committee membership). The below summarizes the adjustments which become effective for the period from the 2020 AGM to the 2021 AGM.

- The fixed base fees, which had been broadly flat since 1998, have been reduced from CHF 325,000 to CHF 300,000.
- While the additional committee fees reflect the work required on these committees, the fees for the Chairs of the Risk and the Compensation Committees have been reduced by CHF 50,000 and CHF 100,000, respectively.
- We have substantially reduced the additional payment for the Senior Independent Director and Vice Chairman roles to CHF 150,000, a reduction of CHF 100,000. In case both roles are allocated to one Board member, the fee will only be paid once.
- Independent BoD members must still use a minimum of 50% of their fees to purchase UBS shares, which are blocked for four years, and they may continue to elect to use up to 100% of their fees to purchase blocked UBS shares. We have, however, eliminated the 15% discount at which independent Board members were previously entitled to purchase these shares.

## Remuneration framework for independent BoD members

CHF	2019 AGM to 2020 AGM <sup>1</sup>		2020 AGM to 2021 AGM <sup>2</sup>	
	Chair	Member	Chair	Member
Fixed base fee	325,000		300,000	
<b>Additional fees</b>				
Senior Independent Director/Vice Chairman	250,000		150,000	
<b>Additional committee fees</b>				
Audit Committee	300,000	200,000	300,000	200,000
Compensation Committee	300,000	100,000	200,000	100,000
Governance and Nominating Committee	100,000		100,000	
Corporate Culture and Responsibility Committee	50,000		50,000	
Risk Committee	400,000	200,000	350,000	200,000



<sup>1</sup> UBS shares (at least 50% of fees) are granted with a price discount of 15% and are blocked for four years. <sup>2</sup> The share price discount of 15% will be eliminated effective from the 2020 AGM onwards; the requirement to use at least 50% of the fees to purchase UBS shares blocked for four years remains unchanged.

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## Total payments to BoD members

CHF, except where indicated

Aggregate of all BoD members	For the period AGM to AGM <sup>1</sup>		Total <sup>2</sup>	USD (for reference)
	2019/2020	2018/2019	12,510,143	Total <sup>2,3</sup>
			13,449,802	12,585,405

<sup>1</sup> The change in reporting period from "financial year" to "AGM to AGM" for the Chairman results in a different total compensation for the period from the 2018 AGM to the 2019 AGM than previously reported for "financial year 2018", which was CHF 13,458,422. The difference in the total compensation is due to varying benefits and contributions to retirement benefit plans for the Chairman. <sup>2</sup> Includes social security contributions paid by the BoD members but excludes the portion related to the legally required social security contributions paid by UBS, which for the period from the 2019 AGM to the 2020 AGM is estimated at CHF 662,357 and for the period from the 2018 AGM to the 2019 AGM at CHF 831,552. <sup>3</sup> Swiss franc amounts have been translated into US dollars for reference at the 2019 performance award currency exchange rate of CHF / USD 1.006.

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## Remuneration details and additional information for independent BoD members

CHF, except where indicated

Name, function <sup>1</sup>	Audit Committee	Compensation Committee	Corporate Culture and Responsibility Committee	Governance and Nominating Committee	Risk Committee	For the period	Base fee	Committee fee(s)	Additional payments <sup>2</sup>	Total <sup>3</sup>	Share percentage <sup>4</sup>	Number of shares <sup>5,6</sup>
						AGM to AGM						
Michel Demaré, former Vice Chairman	M	M		M		2019/2020	–	–	–	–	–	–
						2018/2019	325,000	400,000	250,000	975,000	100	86,010
David Sidwell, Vice Chairman and Senior Independent Director				M	C	2019/2020	325,000	500,000	250,000	1,075,000	50	48,948
						2018/2019	325,000	500,000	250,000	1,075,000	50	50,097
Jeremy Anderson, member	C		M	M		2019/2020	325,000	450,000	–	775,000	50	35,288
						2018/2019	325,000	350,000	–	675,000	50	31,456
William C. Dudley, member			M		M	2019/2020	325,000	250,000	–	575,000	50	26,181
						2018/2019	–	–	–	–	–	–
Reto Francioni, member		M			M	2019/2020	325,000	300,000	–	625,000	50	28,458
			M		M	2018/2019	325,000	250,000	–	575,000	50	26,796
Ann F. Godbehere, former member	M	C				2019/2020	–	–	–	–	–	–
						2018/2019	325,000	500,000	–	825,000	50	38,447
Fred Hu, member		M				2019/2020	325,000	100,000	–	425,000	100	27,283
						2018/2019	325,000	–	–	325,000	50	15,145
Julie G. Richardson, member		C		M	M	2019/2020	325,000	600,000	–	925,000	50	42,118
						2018/2019	325,000	300,000	–	625,000	50	29,126
Isabelle Romy, member	M			M		2019/2020	325,000	300,000	–	625,000	50	28,458
						2018/2019	325,000	300,000	–	625,000	50	29,126
Robert W. Scully, member					M	2019/2020	325,000	200,000	–	525,000	50	23,904
						2018/2019	325,000	200,000	–	525,000	50	24,466
Beatrice Weder di Mauro, member	M		M			2019/2020	325,000	250,000	–	575,000	50	26,181
						2018/2019	325,000	250,000	–	575,000	50	26,796
Dieter Wemmer, member	M	M				2019/2020	325,000	300,000	–	625,000	50	28,458
						2018/2019	325,000	300,000	–	625,000	50	29,126
Jeanette Wong, member	M					2019/2020	325,000	200,000	–	525,000	100	33,722
						2018/2019	–	–	–	–	–	–
<b>Total 2019/2020</b>										<b>7,275,000</b>		
Total 2019/2020 in USD (for reference) <sup>7</sup>										7,318,766		
<b>Total 2018/2019</b>										<b>7,425,000</b>		

Legend: C = Chairperson of the respective Committee, M = Member of the respective Committee

<sup>1</sup> Eleven independent BoD members were in office on 31 December 2019. At the 2019 AGM, William C. Dudley and Jeanette Wong were newly elected and Michel Demaré and Ann F. Godbehere did not stand for re-election. Eleven independent BoD members were in office on 31 December 2018. <sup>2</sup> These payments are associated with the Vice Chairman and/or the Senior Independent Director function. <sup>3</sup> Excludes UBS's portion related to the legally required social security contributions, which for the period from the 2019 AGM to the 2020 AGM is estimated at CHF 338,680 and which for the period from the 2018 AGM to the 2019 AGM was estimated at CHF 461,780. The legally required social security contributions paid by the independent BoD members are included in the amounts shown in this table, as appropriate. <sup>4</sup> Fees are paid 50% in cash and 50% in blocked UBS shares. However, independent BoD members may elect to have 100% of their remuneration paid in blocked UBS shares. <sup>5</sup> For 2019, UBS shares, valued at CHF 12.919 (average closing price of UBS shares over the last 10 trading days leading up to and including the grant date), were granted with a price discount of 15%. These shares are blocked for four years. For 2018, UBS shares, valued at CHF 12.622 (average closing price of UBS shares at the SIX Swiss Exchange over the last 10 trading days leading up to and including the grant date), were granted with a price discount of 15%. These shares are blocked for four years. <sup>6</sup> Number of shares is reduced in case of the 100% election to deduct legally required contributions. All remuneration payments are, where applicable, subject to social security contributions and/or withholding tax. <sup>7</sup> Swiss franc amounts have been translated into US dollars for reference at the 2019 performance award currency exchange rate of CHF / USD 1.006.

# Supplemental information

## Fixed and variable compensation for GEB members

### Fixed and variable compensation for GEB members<sup>1,2,3</sup>

<i>CHF million, except where indicated</i>	Total for 2019		Not deferred		Deferred <sup>4</sup>		Total for 2018
	Amount	%	Amount	%	Amount	%	Amount
<b>Total compensation</b>							
Amount <sup>5</sup>	98	100	42	43	56	57	96
Number of beneficiaries	16						15
<b>Fixed compensation<sup>5,6</sup></b>	28	29	28	100	0	0	23
Cash-based	24	25	24		0		21
Equity-based	4	4	4		0		2
<b>Variable compensation</b>	70	71	14	20	56	80	73
Cash <sup>7</sup>	14	14	14		0		14
Long-Term Incentive Plan (LTIP) / Equity Ownership Plan (EOP) <sup>8</sup>	35	36	0		35		37
Deferred Contingent Capital Plan (DCCP) <sup>8</sup>	21	21	0		21		22

<sup>1</sup> The figures relate to all GEB members in office during 2019. Thirteen GEB members were in office on 31 December 2019 including three new GEB members, one appointed on 1 January 2019 and two on 1 October 2019; three GEB members stepped down, one on 31 December 2018 and two on 30 September 2019. Thirteen GEB members were in office on 31 December 2018 including two new GEB members appointed on 1 October 2018 and one on 1 November 2018; two GEB members stepped down on 31 December 2017 and 30 September 2018. <sup>2</sup> 2019 includes compensation for three months paid under the employment contract during the notice period for one GEB member who stepped down on 30 September 2018 as well as compensation for two GEB members who stepped down on 30 September 2019 for nine months in office as GEB member plus for three months paid under the employment contract during the notice period. 2018 includes compensation for six months paid under the employment contract during the notice period to one GEB member who stepped down on 31 December 2017, as well as compensation for one GEB member who stepped down on 30 September 2018 for nine months in office as a GEB member plus for three months paid under the employment contract during the notice period. <sup>3</sup> 2019 includes compensation for one newly appointed GEB member for 12 months in office as a GEB member and for two newly appointed GEB members for three months in office as GEB members. 2018 includes compensation for two newly appointed GEB members for three months in office as GEB members, and for one newly appointed GEB member for two months in office as a GEB member. <sup>4</sup> Based on the specific plan vesting and reflecting the total award value at grant, which may differ from the accounting expenses. <sup>5</sup> Excludes benefits and employer's contributions to retirement benefit plans. Includes social security contributions paid by GEB members but excludes the portion related to the legally required social security contributions paid by UBS. For 2019, Iqbal Khan received a one-time replacement award of CHF 8 million. This replacement payment is not included in the above table; including this, the 2019 total compensation of GEB members is CHF 106 million. <sup>6</sup> Includes base salary and role-based allowances, rounded to the nearest million. <sup>7</sup> Includes allocation of vested but blocked shares, in line with the remuneration section of the UK Prudential Regulation Authority Rulebook. <sup>8</sup> For the GEB members who are also MRTs (or SMFs), the awards starting with performance year 2017 are no longer permitted to include dividend and interest payments. Accordingly, the amounts reflect for the LTIP / EOP the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards.

## Regulated staff

### Key Risk Takers

Key Risk Takers (KRTs) are defined as those employees who, by the nature of their roles, have been determined to materially set, commit or control significant amounts of the firm's resources and/or exert significant influence over its risk profile. This includes employees who work in front-office roles, logistics and control functions. Identifying KRTs globally is part of our risk control framework and an important element in ensuring we incentivize only appropriate risk-taking. For 2019, in addition to GEB members, 661 employees were classified as KRTs throughout the UBS Group globally, including all GMDs and all employees with a total compensation exceeding USD / CHF 2.5 million (Highly Paid Employees) who may not have been identified as KRTs during the performance year.

In line with regulatory requirements, the performance of employees identified as KRTs during the performance year is evaluated by the control functions. In addition, KRTs' performance awards are subject to a mandatory deferral rate of at least 50%, regardless of whether the deferral threshold has been met. A KRT's deferred compensation award will only vest if the relevant Group and/or business division performance conditions are met. Consistent with all other employees, the deferred portion of a KRT's compensation is also subject to forfeiture or reduction if the KRT commits harmful acts.

### Fixed and variable compensation for Key Risk Takers<sup>1</sup>

USD million, except where indicated	Total for 2019		Not deferred		Deferred <sup>2</sup>		Total for 2018
	Amount	%	Amount	%	Amount	%	Amount
<b>Total compensation</b>							
Amount	1,056	100	670	64	385	36	1,250
Number of beneficiaries	661						675
<b>Fixed compensation<sup>3,4</sup></b>	<b>388</b>	<b>37</b>	<b>388</b>	<b>100</b>	<b>0</b>	<b>0</b>	417
Cash-based	383	36	383		0		395
Equity-based	6	1	6		0		22
<b>Variable compensation</b>	<b>667</b>	<b>63</b>	<b>282</b>	<b>42</b>	<b>385</b>	<b>58</b>	833
Cash <sup>5</sup>	282	27	282		0		341
Long-Term Incentive Plan (LTIP) / Equity Ownership Plan (EOP) <sup>6</sup>	230	22	0		230		305
Deferred Contingent Capital Plan (DCCP) <sup>6</sup>	155	15	0		155		186

<sup>1</sup> Includes employees with a total compensation exceeding USD / CHF 2.5 million (Highly Paid Employees), excluding GEB members who were in office during the performance year 2019, except the new GEB member appointed during 2019, who is included for compensation received in their role as a KRT prior to being appointed to the GEB. <sup>2</sup> Based on the specific plan vesting and reflecting the total value at grant, which may differ from the accounting expenses. <sup>3</sup> Excludes benefits and employer's contributions to retirement benefits plan. Includes social security contributions paid by KRTs but excludes the portion related to the legally required social security contributions paid by UBS. <sup>4</sup> Includes base salary and role-based allowances. <sup>5</sup> Includes allocation of vested but blocked shares, in line with regulatory requirements where applicable. <sup>6</sup> Starting with performance year 2017, KRTs who are also MRTs are no longer permitted to receive dividend and interest payments. Accordingly, the amounts for the EOP/LTIP reflect the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards.

## Material Risk Takers

For relevant EU-regulated entities, we identify individuals who are deemed to be Material Risk Takers (MRTs) based on local regulatory requirements, the respective EU Commission Delegated Regulation and the EU Capital Requirements Directive of 2013 (CRD IV). This group consists of senior management, risk takers, selected staff in control or support functions and certain employees whose total compensation is above a specified threshold. For 2019, UBS identified 755 MRTs across its EU entities.

Variable compensation awarded to MRTs is subject to specific requirements from local regulators, such as a maximum variable to fixed compensation ratio, which is set at 100% unless approved to be increased to 200% by the shareholders of the respective legal entity. UBS has obtained approval as appropriate through relevant shareholder votes to increase the variable to fixed compensation ratio to 200%. Other applicable regulatory requirements for this population include a minimum deferral rate of 40–60% on performance awards and the delivery of at least 50% of any upfront performance award in UBS shares that vest immediately but are blocked for 12 months.

Any notional shares granted to MRTs under the LTIP, EOP and notional DCCP awards for their performance in 2019 are subject to a six- or 12-month blocking period post vesting and do not pay out dividends or interest during the deferral period.

Performance awards granted to MRTs are also subject to clawback provisions which allow the firm to claim repayment of both the immediate and the vested deferred element of any performance award if an individual is found to have contributed substantially to significant financial losses for the Group or corporate structure in scope, a material downward restatement of disclosed results, or engaged in misconduct and/or failed to take expected actions that contributed to significant reputational harm.

Due to UK regulatory requirements, LTIP awards granted to UK MRTs and SMFs will be subject to an additional non-financial conduct-related metric.

## UK Senior Managers and Certification Regime

The Senior Managers and Certification Regime (the SMCR) of the UK Prudential Regulation Authority and Financial Conduct Authority requires that individuals with specified responsibilities, performing certain significant functions and/or those in certain other identified categories be designated as Senior Management Functions (SMFs).

SMFs are subject to specific compensation requirements, including longer deferral, blocking and clawback periods. The deferral period for SMFs is seven years, with the deferred performance awards vesting no faster than pro rata from years 3 to 7. Additionally, these awards are subject to a 12-month blocking period post vesting. The clawback policy for SMFs permits clawback for up to 10 years from the date of performance award grants (applicable if an individual is subject to an investigation at the end of the initial UK seven-year clawback period). All SMFs are also identified as MRTs and as such subject to the same prohibitions on dividend and interest payments.

## Control functions and Group Internal Audit

Our control functions must be independent in order to monitor risk effectively. Therefore their compensation is determined separately from the revenue producers that they oversee, supervise or monitor. Their performance award pool is based not on the performance of these businesses, but on the performance of the Group as a whole. In addition, we consider other factors, such as how effectively the function has performed, and our market position. Decisions on individual compensation for the senior managers of the control functions are made by the function heads and approved by the Group CEO. Decisions on individual compensation for the members of Group Internal Audit (GIA) are made by the Head GIA and approved by the Chairman of the BoD. Upon proposal by the Chairman, total compensation for the Head GIA is approved by the Compensation Committee in consultation with the Audit Committee.

## 2019 performance award pool and expenses

### Performance awards granted for the 2019 performance year

The “Variable compensation” table below shows the amount of variable compensation awarded to employees for the performance year 2019, together with the number of

beneficiaries for each type of award granted. In the case of deferred awards, the final amount paid to an employee depends on performance conditions and consideration of relevant forfeiture provisions. The deferred share award amount is based on the market value of these awards on the date of grant.

### Variable compensation<sup>1</sup>

USD million, except where indicated	Expenses recognized in the IFRS income statement		Expenses deferred to future periods <sup>4</sup>		Adjustments <sup>4</sup>		Total		Number of beneficiaries	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Non-deferred cash	1,894	2,089	0	0	0	0	1,894	2,089	54,179	51,809
Deferred compensation awards	299	373	429	585	51	71	779	1,029	3,572	3,967
of which: Equity Ownership Plan	122	217	205	325	35 <sup>5</sup>	71 <sup>5</sup>	362	613	3,228	3,768
of which: Deferred Contingent Capital Plan	113	131	173	238	0	0	286	369	3,552	3,934
of which: Long-Term Incentive Plan	39	0	25	0	16 <sup>5</sup>	0	80	0	119	0
of which: Asset Management EOP	25	25	26	22	0	0	51	47	307	284
<b>Total variable compensation – performance award pool</b>	<b>2,193</b>	<b>2,461</b>	<b>429</b>	<b>585</b>	<b>51</b>	<b>71</b>	<b>2,673</b>	<b>3,118</b>	<b>54,210</b>	<b>51,819</b>
Variable compensation – other <sup>2</sup>	159	162	117	180	(50) <sup>6</sup>	(96) <sup>6</sup>	226	246		
Financial advisor (FA) variable compensation <sup>3</sup>	3,265	3,266	548	484	0	0	3,813	3,750	6,549	6,850
<b>Total variable compensation including FA variable compensation</b>	<b>5,617</b>	<b>5,889</b>	<b>1,093</b>	<b>1,250</b>	<b>2</b>	<b>(25)</b>	<b>6,711</b>	<b>7,114</b>		

<sup>1</sup> Expenses under “Variable compensation – other” and “Financial advisor variable compensation” are not part of UBS’s performance award pool. <sup>2</sup> Comprised of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. <sup>3</sup> Financial advisor compensation consists of formulaic compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated based on financial advisor productivity, firm tenure, new assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. <sup>4</sup> Estimates as of 31 December 2019 and 2018. Actual amounts to be expensed in future periods may vary, e.g., due to forfeiture of awards. <sup>5</sup> Represents estimated post-vesting transfer restriction and permanent forfeiture discounts. <sup>6</sup> Included in expenses deferred to future periods is an amount of USD 50 million (2018: USD 96 million) in interest expense related to the Deferred Contingent Capital Plan. As the amount recognized as performance award represents the present value of the award at the date it is granted to the employee, this amount is excluded.

### 2019 performance award pool and expenses

The performance award pool, which includes performance-based variable awards for 2019, was USD 2.7 billion, reflecting a decrease of 14% compared with 2018.

Performance award expenses for 2019 decreased 8% to USD 2.8 billion, reflecting the reduction of the performance award pool for 2019. The “Performance award pool and expenses” table below compares the performance award pool with performance award expenses.

### Performance award pool and expenses

USD million, except where indicated	2019	2018	% change
Performance award pool <sup>1</sup>	2,673	3,118	(14)
of which: expenses deferred to future periods and accounting adjustments <sup>2,3</sup>	480	657	(27)
Performance award expenses accrued in the performance year	2,193	2,461	(11)
Performance award expenses related to prior performance years	562	534	5
<b>Total performance award expenses recognized for the year<sup>4</sup></b>	<b>2,755</b>	<b>2,995</b>	<b>(8)</b>

<sup>1</sup> Excluding employer-paid taxes and social security. <sup>2</sup> Estimate as of the end of the performance year. Actual amounts expensed in future periods may vary, e.g., due to forfeiture of awards. <sup>3</sup> Accounting adjustments represent estimated post-vesting transfer restriction and permanent forfeiture discounts. <sup>4</sup> Refer to “Note 30 Employee benefits: variable compensation” in the “Consolidated financial statements” section of our Annual Report 2019 for more information.



## GEB and KRTs deferred compensation

The "GEB and KRTs deferred compensation" table below shows the current economic value of unvested outstanding deferred variable compensation awards subject to ex-post adjustments. For share-based plans, the economic value is determined based

on the closing share price on 31 December 2019. For notional funds, it is determined using the latest available market price for the underlying funds at year-end 2019, and for deferred cash plans, it is determined based on the outstanding amount of cash owed to award recipients.

### GEB and KRTs deferred compensation<sup>1,2,3</sup>

<i>USD million, except where indicated</i>	Relating to awards for 2019 <sup>4</sup>	Relating to awards for prior years <sup>5</sup>	Total	<i>of which: exposed to ex-post explicit and / or implicit adjustments</i>	Total deferred compensation year-end 2018	Total amount of deferred compensation paid out in 2019 <sup>6</sup>
<b>GEB</b>						
Deferred Contingent Capital Plan	21	99	120	100%	119	11
Equity Ownership Plan (including notional funds)	0	129	129	100%	145	25
Long-Term Incentive Plan	35	0	35	100%	0	0
<b>KRTs</b>						
Deferred Contingent Capital Plan	155	834	989	100%	1,051	133
Equity Ownership Plan (including notional funds)	182	698	880	100%	979	274
Long-Term Incentive Plan	48	0	48	100%	0	0
<b>Total GEB and KRTs</b>	<b>442</b>	<b>1,760</b>	<b>2,202</b>		<b>2,294</b>	<b>442</b>

<sup>1</sup> Based on the specific plan vesting and reflecting the economic value of the outstanding awards, which may differ from the accounting expenses. Year-to-year reconciliations would also need to consider the impacts of additional items including off-cycle awards, FX movements, population changes, and dividend equivalent reinvestments. <sup>2</sup> Refer to "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of the Annual Report 2019 for more information. <sup>3</sup> Starting with performance year 2017, GEB members and KRTs who are also MRTs are no longer permitted to receive dividend and interest payments. Accordingly, the amounts for the EOP/LTIP reflect the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards. <sup>4</sup> Where applicable, amounts are translated into US dollars at the performance award currency exchange rate. For GEB members who were appointed to the GEB during 2019, awards have been pro-rated between KRT and GEB entries accordingly. <sup>5</sup> Takes into account the ex-post implicit adjustments, given the share price movements since grant. For GEB members who were appointed to the GEB part way through 2019, awards have been fully reflected in the GEB entries. Where applicable, amounts are translated from award currency into US dollars using FX rates as at 31 December 2019. <sup>6</sup> Valued at distribution price and FX rate for all awards distributed in 2019. For GEB members who were appointed to the GEB during 2019, value of the awards paid out according to their role at the time of distribution.

The "GEB and KRTs ex-post explicit and implicit adjustments to deferred compensation" table below shows the value of actual ex-post explicit and implicit adjustments to outstanding deferred compensation in the financial year 2019 for GEB members and KRTs.

Ex-post adjustments occur after an award has been granted. Explicit adjustments occur when we adjust compensation by

forfeiting deferred awards. Implicit adjustments are unrelated to any action taken by the firm and occur as a result of price movements that affect the value of an award.

The total value of ex-post explicit adjustments made to UBS share awards in 2019, based on the approximately 7.0 million shares forfeited during 2019, is a reduction of USD 88.4 million.

### GEB and KRTs ex-post explicit and implicit adjustments to deferred compensation

<i>USD million</i>	Ex-post explicit adjustments to unvested awards <sup>1</sup>	31.12.18	Ex-post implicit adjustments to unvested awards <sup>2</sup>	31.12.18
<b>GEB</b>				
Deferred Contingent Capital Plan	0	0	0	0
Equity Ownership Plan (including notional funds, if applicable)	0	0	(11)	(28)
<b>KRTs</b>				
Deferred Contingent Capital Plan	(3)	(17)	0	0
Equity Ownership Plan (including notional funds)	(3)	(13)	(44)	(166)
<b>Total GEB and KRTs</b>	<b>(6)</b>	<b>(30)</b>	<b>(55)</b>	<b>(194)</b>

<sup>1</sup> Ex-post explicit adjustments are calculated as units forfeited during the year, valued at the share price on 31 December 2019 (USD 12.58) for 2019. The 2018 data is valued using the share price on 31 December 2018 (USD 12.38). For the notional funds awarded to Asset Management employees under the EOP, this represents the forfeiture credits recognized in 2019 and 2018. For the DCCP, the fair value at grant of the forfeited awards during the year is reflected. For GEB members who were appointed to the GEB during 2019, awards have been fully reflected in the GEB entries. <sup>2</sup> Ex-post implicit adjustments for UBS shares are calculated based on the difference between the weighted average grant date fair value and the share price at year-end. The amount for notional funds is calculated using the mark-to-market change during 2019 and 2018. For GEB members who were appointed to the GEB during 2019, awards have been fully reflected in the GEB entries.

## Total personnel expenses for 2019

We employed 68,601 personnel (full-time equivalents) as of 31 December 2019. The net increase of 1,713 compared with 31 December 2018 was largely driven by a 2,583 FTE increase in Corporate Center, mainly as a result of the ongoing insourcing of certain activities from third-party vendors to our Business Solutions Centers, resulting in a decrease of approximately 2,200 outsourced staff. This was partly offset by a 944 FTE decrease in Global Wealth Management, reflecting the effect of cost management initiatives and a review of advisor portfolios.

The "Personnel expenses" table below shows our total personnel expenses for 2019. It includes salaries, pension expenses, social security contributions, variable compensation and other personnel costs. Variable compensation includes cash performance awards paid in 2020 for the 2019 performance year, the amortization of unvested deferred awards granted in previous years and the cost of deferred awards granted to employees who are eligible for retirement in the context of the compensation framework at the date of grant.

The performance award pool reflects the value of performance awards granted relating to the 2019 performance

year, including awards that are paid out immediately and those that are deferred. To determine our variable compensation expenses, the following adjustments are required in order to reconcile the performance award pool to the expenses recognized in the Group's financial statements prepared in accordance with International Financial Reporting Standards (IFRS):

- reduction for expenses deferred to future periods (amortization of unvested awards granted in 2020 for the performance year 2019) and accounting adjustments; and
- addition for the 2019 amortization of unvested deferred awards granted in prior years.

As a large part of compensation consists of deferred awards, the amortization of unvested deferred awards granted in prior years forms a significant part of the IFRS expenses in both 2018 and 2019.

→ Refer to "Note 6 Personnel expenses" and "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2019 for more information

## Personnel expenses

USD million	Expenses recognized in the IFRS income statement				
	Related to the performance year 2019	Related to prior performance years	Total expenses recognized in 2019	Total expenses recognized in 2018	Total expenses recognized in 2017
<b>Salaries<sup>1</sup></b>	<b>6,518</b>	<b>0</b>	<b>6,518</b>	6,448	6,154
Non-deferred cash	1,894	(26)	1,868	2,057	2,062
Deferred compensation awards	299	588	887	938	1,088
of which: Equity Ownership Plan	122	300	422	526	583
of which: Deferred Contingent Capital Plan	113	262	375	357	444
of which: Long-Term Incentive Plan	39	0	39	0	0
of which: Asset Management EOP	25	26	51	53	57
of which: Other performance awards	0	0	0	2	4
<b>Total variable compensation – performance awards<sup>2</sup></b>	<b>2,193</b>	<b>562</b>	<b>2,755</b>	2,995	3,151
of which: guarantees for new hires	15	14	29	43	36
Replacement payments <sup>3</sup>	5	51	56	72	72
Forfeiture credits	0	(86)	(86)	(136)	(107)
Severance payments <sup>4</sup>	125	0	125	123	113
Retention plan and other payments	28	28	56	66	63
Deferred Contingent Capital Plan: interest expense	0	94	94	119	111
<b>Total variable compensation – other<sup>2</sup></b>	<b>159</b>	<b>88</b>	<b>246</b>	243	252
<b>Contractors</b>	<b>381</b>	<b>0</b>	<b>381</b>	489	460
<b>Social security</b>	<b>783</b>	<b>15</b>	<b>799</b>	791	814
<b>Pension and other post-employment benefit plans<sup>5</sup></b>	<b>787</b>	<b>0</b>	<b>787</b>	457	723
<b>Financial advisor variable compensation<sup>2,6</sup></b>	<b>3,265</b>	<b>778</b>	<b>4,043</b>	4,054	4,064
<b>Other personnel expenses</b>	<b>528</b>	<b>27</b>	<b>555</b>	654	581
<b>Total personnel expenses</b>	<b>14,614</b>	<b>1,470</b>	<b>16,084</b>	16,132	16,199

<sup>1</sup> Includes role-based allowances. <sup>2</sup> Refer to "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2019 for more information. <sup>3</sup> Payments made to compensate employees for deferred awards forfeited as a result of joining UBS. <sup>4</sup> Includes legally obligated and standard severance payments. <sup>5</sup> Refer to "Note 29 Pension and other post-employment benefit plans" in the "Consolidated financial statements" section of our Annual Report 2019 for more information. <sup>6</sup> Consists of formulaic compensation based directly on compensable revenues generated by financial advisors and supplemental compensation calculated based on financial advisor productivity, firm tenure, new assets and other variables. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements.

## Vesting of outstanding awards granted in prior years subject to performance conditions

The tables below show the extent to which the performance conditions for awards granted in prior years have been met and the percentage of the awards that vest in 2020.

Equity Ownership Plan (EOP) 2014 / 2015, EOP 2015 / 2016, EOP 2016 / 2017 and EOP 2017 / 2018		
Performance conditions	Performance achieved	% of installment vesting
Adjusted return on tangible equity <sup>1</sup> and divisional return on attributed equity	The Group and divisional performance conditions have been satisfied. For EOP 2014 / 2015, the third and final installment for the Group Executive Board (GEB) members vests in full. For EOP 2015 / 2016, the second installment for the GEB members vests in full. For EOP 2016 / 2017, the first installment for the GEB members and the second installment for all other employees covered under the plan vest in full. For EOP 2017 / 2018, the first installment for all other employees covered under the plan vests in full.	100%

<sup>1</sup> The assessment for vesting purposes excludes the effect of deferred tax assets (DTAs). Furthermore, DTAs, when positive, have never had an impact on the performance award vesting.

Deferred Contingent Capital Plan (DCCP) 2014 / 2015		
Performance conditions	Performance achieved	% of installment vesting
Common equity tier 1 (CET1) capital ratio, viability event and, additionally for GEB, Group adjusted profit before tax	The performance conditions have been satisfied. DCCP 2014 / 2015 vests in full.	100%

## Discontinued deferred compensation plans

As of 31 December 2019, there were no discontinued compensation plans with outstanding balances. The firm has not granted any options since 2009.

→ Refer to "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2019 for more information

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## Audited I

Share and option ownership / entitlements of GEB members<sup>1</sup>

Name, function	on 31 December	Number of unvested shares / at risk <sup>2</sup>	Number of vested shares	Total number of shares	Potentially conferred voting rights in %
Sergio P. Ermotti, Group Chief Executive Officer	2019	1,862,480	2,150,003	4,012,483	0.227
	2018	1,715,430	1,757,766	3,473,196	0.191
Martin Blessing, former Co-President Global Wealth Management	2019	–	–	–	–
	2018	256,356	0	256,356	0.014
Christian Bluhm, Group Chief Risk Officer	2019	440,953	0	440,953	0.025
	2018	259,745	0	259,745	0.014
Markus U. Diethelm, Group General Counsel	2019	698,402	458,426	1,156,828	0.065
	2018	614,222	317,516	931,738	0.051
Kirt Gardner, Group Chief Financial Officer	2019	532,643	129,807	662,450	0.037
	2018	343,120	107,472	450,592	0.025
Suni Harford, President Asset Management	2019	63,211	0	63,211	0.004
	2018	–	–	–	–
Robert Karofsky, Co-President Investment Bank	2019	577,606	492,476	1,070,082	0.061
	2018	500,902	254,119	755,021	0.042
Sabine Keller-Busse, Group Chief Operating Officer and President UBS EMEA	2019	423,778	315,922	739,700	0.042
	2018	259,762	263,362	523,124	0.029
Iqbal Khan, Co-President Global Wealth Management	2019	712,342	0	712,342	0.040
	2018	–	–	–	–
Edmund Koh, President Asia Pacific	2019	380,340	183,104	563,444	0.032
	2018	–	–	–	–
Ulrich Körner, former President Asset Management and President UBS EMEA	2019	–	–	–	–
	2018	910,951	95,597	1,006,548	0.055
Axel P. Lehmann, President Personal & Corporate Banking and President UBS Switzerland	2019	522,202	277,978	800,180	0.045
	2018	307,090	277,978	585,068	0.032
Tom Naratil, Co-President Global Wealth Management and President UBS Americas	2019	1,307,554	609,477	1,917,031	0.108
	2018	1,132,938	484,075	1,617,013	0.089
Piero Novelli, Co-President Investment Bank	2019	599,156	429,652	1,028,808	0.058
	2018	471,049	256,367	727,416	0.040
Markus Ronner, Group Chief Compliance and Governance Officer	2019	214,850	68,097	282,947	0.016
	2018	161,152	173	161,325	0.009
<b>Total</b>	2019	8,335,517	5,114,942	13,450,459	0.761
	2018	6,932,717	3,814,425	10,747,142	0.591

<sup>1</sup> Includes all vested and unvested shares of GEB members, including those held by related parties. No options were held in 2019 and 2018 by any GEB member or any of its related parties. Refer to "Note 30 Employee benefits: variable compensation" in the "Consolidated financial statements" section of the Annual Report 2019 for more information. <sup>2</sup> Includes shares granted under variable compensation plans with forfeiture provisions. The actual number of shares vesting in the future will be calculated under the terms of the plans. Refer to the "Compensation philosophy and framework" section of this report for more information about the plans.

## Audited I

Total of all vested and unvested shares of GEB members<sup>1,2</sup>

	Total	of which: vested	of which: vesting				
			2020	2021	2022	2023	2024
Shares on 31 December 2019	13,450,459	5,114,942	1,798,389	1,811,721	2,199,926	1,517,110	1,008,371
			2019	2020	2021	2022	2023
Shares on 31 December 2018	10,747,142	3,814,425	1,745,323	1,761,048	1,738,595	1,146,636	541,112

<sup>1</sup> Includes shares held by related parties. <sup>2</sup> Includes shares granted under variable compensation plans with forfeiture provisions. The actual number of shares vesting in the future will be calculated under the terms of the plans. Refer to the "Compensation philosophy and framework" section of this report for more information.

## Audited I

Number of shares of BoD members<sup>1</sup>

Name, function	on 31 December	Number of shares held	Voting rights in %
Axel A. Weber, Chairman	2019	938,627	0.053
	2018	764,329	0.042
Michel Demaré, former Vice Chairman <sup>2</sup>	2019	–	–
	2018	322,558	0.018
David Sidwell, Vice Chairman and Senior Independent Director	2019	167,595	0.009
	2018	189,805	0.010
Jeremy Anderson, member	2019	31,456	0.002
	2018	0	0.000
William C. Dudley, member <sup>2</sup>	2019	0	0.000
	2018	–	–
Reto Francioni, member	2019	125,628	0.007
	2018	98,832	0.005
Ann F. Godbehere, former member <sup>2</sup>	2019	–	–
	2018	259,225	0.014
Fred Hu, member	2019	15,145	0.001
	2018	0	0.000
Julie G. Richardson, member	2019	46,283	0.003
	2018	17,157	0.001
Isabelle Romy, member	2019	143,928	0.008
	2018	114,802	0.006
Robert W. Scully, member	2019	71,540	0.004
	2018	47,074	0.003
Beatrice Weder di Mauro, member	2019	172,397	0.010
	2018	145,601	0.008
Dieter Wemmer, member	2019	60,285	0.003
	2018	31,159	0.002
Jeanette Wong, member <sup>2</sup>	2019	0	0.000
	2018	–	–
<b>Total</b>	2019	1,772,884	0.100
	2018	1,990,542	0.109

<sup>1</sup> Includes blocked and unblocked shares held by BoD members, including those held by related parties. No options were granted in 2019 and 2018. <sup>2</sup> At the 2019 AGM, William C. Dudley and Jeanette Wong were newly elected and Michel Demaré and Ann F. Godbehere did not stand for re-election.

## Audited I

Total of all blocked and unblocked shares of BoD members<sup>1</sup>

	Total	of which: unblocked	of which: blocked until			
			2020	2021	2022	2023
Shares on 31 December 2019	1,772,884	502,095	264,889	299,357	270,111	436,432
Shares on 31 December 2018	1,990,542	636,397	323,051	335,587	366,570	328,937

<sup>1</sup> Includes shares held by related parties.

Audited I

## Loans granted to GEB members<sup>1</sup>

In line with article 38 of the Articles of Association of UBS Group AG, Group Executive Board (GEB) members may be granted loans. Such loans are made in the ordinary course of business on substantially the same terms as those granted to other employees, including interest rates and collateral, and neither

involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. The total amount of such loans must not exceed CHF 20 million per GEB member.

Name, function	CHF, except where indicated <sup>2</sup>		USD (for reference)
	on 31 December	Loans <sup>3</sup>	Loans <sup>3</sup>
Axel P. Lehmann, President Personal & Corporate Banking and President UBS Switzerland (highest loan in 2019)	2019	9,140,000	9,440,889
Ulrich Körner, former President Asset Management and President UBS EMEA (highest loan in 2018)	2018	8,240,000	
Aggregate of all GEB members <sup>4</sup>	2019	30,700,354	31,711,010
	2018	33,204,000	

<sup>1</sup> No loans have been granted to related parties of the GEB members at conditions not customary in the market. <sup>2</sup> Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. <sup>3</sup> All loans granted are secured loans. <sup>4</sup> No unused uncommitted credit facilities in 2019. Excludes unused uncommitted credit facilities of CHF 2,949,690 in 2018 that had been granted to one GEB member.

Audited I

## Loans granted to BoD members<sup>1</sup>

In line with article 33 of the Articles of Association of UBS Group AG, loans to independent Board of Directors (BoD) members are made in the ordinary course of business at general market conditions. The Chairman, as a non-independent member, may be granted loans in the ordinary course of business on

substantially the same terms as those granted to employees, including interest rates and collateral, neither involving more than the normal risk of collectability nor containing any other unfavorable features for the firm. The total amount of such loans must not exceed CHF 20 million per BoD member.

CHF, except where indicated <sup>2</sup>	CHF		USD (for reference)
	on 31 December	Loans <sup>3,4</sup>	Loans <sup>3,4</sup>
Aggregate of all BoD members	2019	890,439	919,752
	2018	600,000	

<sup>1</sup> No loans have been granted to related parties of the BoD members at conditions not customary in the market. <sup>2</sup> Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. <sup>3</sup> All loans granted are secured loans. <sup>4</sup> CHF 600,000 for Reto Francioni and CHF 290,439 for Dieter Wemmer in 2019 and CHF 600,000 for Reto Francioni in 2018.

Audited I

## Compensation paid to former BoD and GEB members<sup>1</sup>

CHF, except where indicated <sup>2</sup>	CHF			USD (for reference)
	For the year	Compensation	Benefits	Total
Former BoD members	2019	0	0	0
	2018	0	0	
Aggregate of all former GEB members <sup>3</sup>	2019	0	51,912	53,621
	2018	0	45,556	
Aggregate of all former BoD and GEB members	2019	0	51,912	53,621
	2018	0	45,556	

<sup>1</sup> Compensation or remuneration that is related to the former members' activity on the BoD or GEB or that is not at market conditions. <sup>2</sup> Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. <sup>3</sup> Includes a payment in 2019 and 2018 to one former GEB member.

## Provisions of the Articles of Association related to compensation

Under the say-on-pay provisions in Switzerland, shareholders of companies listed in Switzerland have significant influence over board and management compensation. At UBS, this is achieved by means of an annual binding say-on-pay vote in accordance with the following provisions of the Articles of Association related to compensation.

### *Say on pay*

In line with article 43 of the Articles of Association of UBS Group AG, the General Meeting shall approve the proposals of the Board of Directors in relation to:

- a) the maximum aggregate amount of compensation of the Board of Directors for the period until the next Annual General Meeting;
- b) the maximum aggregate amount of fixed compensation of the Group Executive Board for the following financial year; and
- c) the aggregate amount of variable compensation of the Group Executive Board for the preceding financial year.

The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods. In the event the General Meeting does not approve a proposal from the Board of Directors, the Board of Directors shall determine, taking into account all relevant factors, the respective (maximum) aggregate amount or (maximum) partial amounts and submit the amount(s) so determined for approval by the General Meeting. UBS Group AG or companies

controlled by it may pay or grant compensation prior to approval by the General Meeting, subject to subsequent approval.

### *Principles of compensation*

In line with articles 45 and 46 of the Articles of Association of UBS Group AG, compensation of the members of the Board of Directors shall comprise a base remuneration and may comprise other compensation elements and benefits. Compensation of the members of the Board of Directors is intended to recognize the responsibility and governance nature of their role, to attract and retain qualified individuals and to ensure alignment with shareholders' interests.

Compensation of the members of the Group Executive Board shall comprise fixed and variable compensation elements. Fixed compensation shall comprise the base salary and may comprise other compensation elements and benefits. Variable compensation elements shall be governed by financial and non-financial performance measures that take into account the performance of UBS Group AG and/or parts thereof, targets in relation to the market, other companies or comparable benchmarks, short- and long-term strategic objectives and/or individual targets. The Board of Directors or, where delegated to it, the Compensation Committee determines the respective performance measures, the overall and individual performance targets, and their achievements. The Board of Directors or, where delegated to

it, the Compensation Committee aims to ensure alignment with sustainable performance and appropriate risk-taking through adequate deferrals, forfeiture conditions, caps on compensation, harmful acts provisions and similar means with regard to parts of or all of the compensation. Parts of variable compensation shall be subject to a multi-year vesting period.

### *Additional amount for GEB members appointed after the vote on the aggregate amount of compensation by the AGM*

In line with article 46 of the Articles of Association of UBS Group AG, if the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover the compensation of a person who becomes a member of or is being promoted within the Group Executive Board after the General Meeting has approved the compensation, UBS Group AG or companies controlled by it shall be authorized to pay or grant each such Group Executive Board member a supplementary amount during the compensation period(s) already approved. The aggregate pool for such supplementary amounts per compensation period shall not exceed 40% of the average of total annual compensation paid or granted to the Group Executive Board during the previous three years.

→ Refer to [www.ubs.com/governance](http://www.ubs.com/governance) for more information





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To the General Meeting of  
UBS Group AG, Zurich

Basel, 27 February 2020

## Report of the statutory auditor on the compensation report

We have audited the compensation report dated 27 February 2020 of UBS Group AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the following tables labeled "audited" of the compensation report: *Approved fixed compensation, Total compensation for GEB members, Compensation details and additional information for non-independent BoD members, Total payments to BoD members, Remuneration details and additional information for independent BoD members, Loans granted to GEB members, Loans granted to BoD members and Compensation paid to former BoD and GEB members.*

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

### Auditor's responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the compensation report for the year ended 31 December 2019 of UBS Group AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Marie-Laure Delarue  
Licensed audit expert  
(Auditor in charge)

Bruno Patusi  
Licensed audit expert

# Information sources

## Reporting publications

**Annual publications:** *Annual Report (SAP no. 80531)*: Published in English, this single-volume report provides descriptions of: our Group strategy and performance; the strategy and performance of the business divisions and Corporate Center; risk, treasury and capital management; corporate governance, corporate responsibility and our compensation framework, including information about compensation for the Board of Directors and the Group Executive Board members; and financial information, including the financial statements. *Geschäftsbericht (SAP no. 80531)*: This publication provides the translation into German of our Annual Report. *Annual Review (SAP no. 80530)*: This booklet contains key information about our strategy and performance, with a focus on corporate responsibility at UBS. It is published in English, German, French and Italian. *Compensation Report (SAP no. 82307)*: This report discusses our compensation framework and provides information about compensation for the Board of Directors and the Group Executive Board members. It is available in English and German.

**Quarterly publications:** The quarterly financial report provides an update on our strategy and performance for the respective quarter. It is available in English.

**How to order publications:** The annual and quarterly publications are available in .pdf format at [www.ubs.com/investors](http://www.ubs.com/investors), in the "UBS Group AG and UBS AG financial information" section, and printed copies can be requested from UBS free of charge. For annual publications, refer to the "Investor services" section at [www.ubs.com/investors](http://www.ubs.com/investors). Alternatively, they can be ordered by quoting the SAP number and the language preference, where applicable, from UBS AG, F4UK-AUL, P.O. Box, CH-8098 Zurich, Switzerland.

## Other information

**Website:** The "Investor Relations" website at [www.ubs.com/investors](http://www.ubs.com/investors) provides the following information about UBS: news releases; financial information, including results-related filings with the US Securities and Exchange Commission; information for shareholders, including UBS share price charts as well as data and dividend information, and for bondholders; the UBS corporate calendar; and presentations by management for investors and financial analysts. Information on the internet is available in English, with some information also available in German.

**Results presentations:** Our quarterly results presentations are webcast live. A playback of most presentations is downloadable at [www.ubs.com/presentations](http://www.ubs.com/presentations).

**Messaging service:** Email alerts to news about UBS can be subscribed for under "UBS news alert" at [www.ubs.com/global/en/investor-relations/contact/investor-services.html](http://www.ubs.com/global/en/investor-relations/contact/investor-services.html). Messages are sent in English, German, French or Italian, with an option to select theme preferences for such alerts.

**Form 20-F and other submissions to the US Securities and Exchange Commission:** We file periodic reports and submit other information about UBS to the US Securities and Exchange Commission (SEC). Principal among these filings is the annual report on Form 20-F, filed pursuant to the US Securities Exchange Act of 1934. The filing of Form 20-F is structured as a wrap-around document. Most sections of the filing can be satisfied by referring to the combined UBS Group AG and UBS AG annual report. However, there is a small amount of additional information in Form 20-F that is not presented elsewhere and is particularly targeted at readers in the US. Readers are encouraged to refer to this additional disclosure. Any document that we file with the SEC is available on the SEC's website [www.sec.gov](http://www.sec.gov). Refer to [www.ubs.com/investors](http://www.ubs.com/investors) for more information.

## WEAR. SHARE. TAG.

**#TOGETHERBAND** champions the 17 United Nations Sustainable Development Goals for a sustainable future. UBS is proud to join forces with sustainable fashion brand BOTTLETOP on the mission to raise awareness of and support for the 17 UN Sustainable Development Goals.

### Find out more and buy a band

[ubs.com/togetherband](https://ubs.com/togetherband)  
[@togetherbandofficial](https://twitter.com/togetherbandofficial)



## Corporate information

**UBS Group AG** is incorporated and domiciled in Switzerland and operates under Art. 620ff. of the Swiss Code of Obligations as an Aktiengesellschaft, a corporation limited by shares. Its registered office is at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41-44-234 11 11, and its corporate identification number is CHE-395.345.924. UBS Group AG was incorporated on 10 June 2014 and was established in 2014 as the holding company of the UBS Group. UBS Group AG shares are listed on the SIX Swiss Exchange and on the New York Stock Exchange (ISIN: CH0244767585; CUSIP: H42097107). UBS Group AG owns 100% of the outstanding shares of UBS AG.

## Contacts

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### Investor Relations

UBS's Investor Relations team supports institutional, professional and retail investors from our offices in Zurich, London, New York and Krakow.

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### Media Relations

UBS's Media Relations team supports global media and journalists from our offices in Zurich, London, New York and Hong Kong.

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### Office of the Group Company Secretary

The Group Company Secretary receives inquiries on compensation and related issues addressed to members of the Board of Directors.

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UBS's Shareholder Services team, a unit of the Group Company Secretary office, is responsible for the registration of UBS Group AG registered shares.

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For global registered share-related inquiries in the US.

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## Corporate calendar UBS Group AG

Publication of the first quarter 2020 report:	Tuesday, 28 April 2020
Annual General Meeting 2020:	Wednesday, 29 April 2020
Publication of the second quarter 2020 report:	Tuesday, 21 July 2020
Publication of the third quarter 2020 report:	Tuesday, 20 October 2020

## Imprint

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**Cautionary Statement Regarding Forward-Looking Statements** | This report contains statements that constitute “forward-looking statements,” including but not limited to management’s outlook for UBS’s financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS’s business and future development. While these forward-looking statements represent UBS’s judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS’s expectations. These factors include, but are not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), including to counteract regulatory-driven increases, liquidity coverage ratio and other financial resources, and the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (ii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions, developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, geopolitical tensions, and changes to national trade policies on the financial position or creditworthiness of UBS’s clients and counterparties as well as on client sentiment and levels of activity; (iii) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (iv) changes in or the implementation of financial legislation, including Interest Rate Benchmark Reform, and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, net stable funding ratio, liquidity and funding requirements, heightened operational resilience requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS’s business activities; (v) the degree to which UBS is successful in implementing further changes to its legal structure to improve its resolvability and meet related regulatory requirements and the potential need to make further changes to the legal structure or booking model of the UBS Group in response to legal and regulatory requirements, proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions or to other external developments, and the extent to which such changes will have the intended effects; (vi) UBS’s ability to maintain and improve its systems and controls for the detection and prevention of money laundering and compliance with sanctions to meet evolving regulatory requirements and expectations, in particular in the US; (vii) the uncertainty arising from the UK’s exit from the EU; (viii) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS’s ability to compete in certain lines of business; (ix) changes in the standards of conduct applicable to our businesses that may result from new regulations or new enforcement of existing standards, including recently enacted and proposed measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (x) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA as well as the amount of capital available for return to shareholders; (xi) the effects on UBS’s cross-border banking business of tax or regulatory developments and of possible changes in UBS’s policies and practices relating to this business; (xii) UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xiii) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xiv) UBS’s ability to implement new technologies and business methods, including digital services and technologies, and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xv) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xvi) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks or other cybersecurity disruptions, and systems failures; (xvii) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS’s operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xviii) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS’s ability to maintain its stated capital return objective; and (xix) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS’s Annual Report on Form 20-F for the year ended 31 December 2019. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

**Rounding** | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages, percent changes, and adjusted results are calculated on the basis of unrounded figures. Information about absolute changes between reporting periods, which is provided in text and which can be derived from figures displayed in the tables, is calculated on a rounded basis.

**Tables** | Within tables, blank fields generally indicate that the field is not applicable or not meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis. Percentage changes are presented as a mathematical calculation of the change between periods.

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