

C0. Introduction

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C0.1

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**(C0.1) Give a general description and introduction to your organization.**

UBS provides financial advice and solutions to wealthy, institutional and corporate clients worldwide, as well as private clients in Switzerland. UBS's strategy is centered on our leading global wealth management business and our premier universal bank in Switzerland, enhanced by Asset Management and the Investment Bank. The bank focuses on businesses that have a strong competitive position in their targeted markets, are capital efficient, and have an attractive long-term structural growth or profitability outlook.

UBS is present in all major financial centers worldwide. It has offices in around 50 regions and locations, with about 30% of its employees working in the Americas, 30% in Switzerland, 19% in the rest of Europe, the Middle East and Africa and 21% in Asia Pacific. UBS Group AG employs over 71,000 people around the world. Its shares are listed on the SIX Swiss Exchange and the New York Stock Exchange (NYSE).

C0.2

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**(C0.2) State the start and end date of the year for which you are reporting data.**

|                | Start date     | End date         | Indicate if you are providing emissions data for past reporting years | Select the number of past reporting years you will be providing emissions data for |
|----------------|----------------|------------------|---|--|
| Reporting year | January 1 2020 | December 31 2020 | No  | <Not Applicable>   |

C0.3

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**(C0.3) Select the countries/areas for which you will be supplying data.**

Australia  
Austria  
Bahamas  
Bahrain  
Brazil  
Canada  
Cayman Islands  
Chile  
China  
China, Hong Kong Special Administrative Region  
Colombia  
Denmark  
France  
Germany  
India  
Indonesia  
Ireland  
Israel  
Italy  
Japan  
Jersey  
Kazakhstan  
Lebanon  
Luxembourg  
Malaysia  
Mexico  
Monaco  
Netherlands  
New Zealand  
Panama  
Philippines  
Poland  
Puerto Rico  
Qatar  
Republic of Korea  
Russian Federation  
Saudi Arabia  
Singapore  
South Africa  
Spain  
Sweden  
Switzerland  
Taiwan, Greater China  
Thailand  
Turkey  
United Arab Emirates  
United Kingdom of Great Britain and Northern Ireland  
United States of America  
Uruguay

**C0.4**

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**(C0.4) Select the currency used for all financial information disclosed throughout your response.**

USD

**C0.5**

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**(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.**

Operational control

**C-FS0.7**

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**(C-FS0.7) Which organizational activities does your organization undertake?**

Bank lending (Bank)  
Investing (Asset manager)

**C1. Governance**

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C1.1

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**(C1.1) Is there board-level oversight of climate-related issues within your organization?**

Yes

C1.1a

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**(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.**

| Position of individual(s) | Please explain  |
|---------------------------|---|
| Board Chair               | Our climate strategy is overseen by UBS Group AG's Corporate Culture and Responsibility Committee (CCRC), a Board of Directors committee chaired by the Chairman of UBS Group AG. Climate matters, notably climate risk, are considered jointly by the CCRC and the BoD's Risk Committee (RC). The CCRC is chaired by the Chairman of UBS Group AG and also consist of four additional BoD board members, including the Chair of the RC. The responsibility of the CCRC for the climate strategy is embedded in its mandate in the Organization Regulations of UBS. The Chair of the CCRC (i.e. the Chairman of UBS Group AG) brings the topics considered and decided by the CCRC, including climate, to the attention of the full Board of UBS Group AG. The CCRC (led by the Chairman of UBS Group AG) approves UBS's annual climate-related objectives (e.g. in 2020, the CCRC under the leadership of the Chairman of UBS Group AG approved our newly set commitment to achieving net zero for scope 1 and 2 greenhouse gas emissions by end of 2025) and oversees the progressive alignment of our climate disclosure with the TCFD recommendations. The CCRC (under the leadership of the Chairman of UBS Group AG) is the firm's highest governance body for the firm's sustainability and impact strategy and activities. The Group CEO, the Group Chief Risk Officer, the Group Executive Board sponsor for Sustainability and Impact and the Chief Sustainability Officer are permanent guests of the CCRC. The Sustainability and Impact organization coordinates activities in climate-related topics for UBS, including with the Group Chief Risk Officer function. |

C1.1b

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**(C1.1b) Provide further details on the board's oversight of climate-related issues.**

| Frequency with which climate related issues are a scheduled agenda item | Governance mechanisms into which climate related issues are integrated   | Scope of board level oversight  | Please explain   |
|---|--|---|--|
| Scheduled – all meetings  | Reviewing and guiding strategy<br>Reviewing and guiding major plans of action<br>Reviewing and guiding risk management policies<br>Setting performance objectives<br>Monitoring implementation and performance of objectives<br>Monitoring and overseeing progress against goals and targets for addressing climate-related issues | Climate-related risks and opportunities to our own operations<br>Climate-related risks and opportunities to our bank lending activities<br>Climate-related risks and opportunities to our investment activities<br>Climate-related risks and opportunities to our other products and services we provide to our clients<br>The impact of our own operations on the climate<br>The impact of our bank lending activities on the climate<br>The impact of our investing activities on the climate<br>The impact of other products and services on the climate | As embedded in the Organization Regulations of UBS Group AG, the Board of Directors' (BoD) Corporate Culture and Responsibility Committee (CCRC) oversees our climate strategy. Within the parameters set by the CCRC, the Group Executive Board ensures firm-wide execution of the climate strategy, including the firm's net zero commitment, and sets our firm's climate-related risk appetite. In joint meetings, the CCRC and the BoD's Risk Committee regularly and critically review the assessments and steps taken by these management bodies towards executing our climate strategy. The CCRC approves UBS's annual climate-related objectives and oversees the progressive alignment of our climate disclosure with the TCFD recommendations. These annual plans and objectives are managed as part of our ISO 14001-certified environmental management system (EMS) with defined management accountabilities across the firm. The EMS helps us to systematically reduce environmental risks, seize market opportunities and continuously improve our environmental and climate performance and resource efficiency. The CCRC supports the UBS Board of Directors in its duties to safeguard and advance the Group's reputation for responsible and sustainable conduct. This includes ensuring that the Board's oversight of climate-related issues is consistently implemented. The CCRC It approves and monitors UBS's overall sustainability and impact strategy and annual objectives, reviews that the pertinent constitutional document is relevant and up to date, and oversees the annual management review. |

**C1.2**

**(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.**

| Name of the position(s) and/or committee(s)   | Reporting line                              | Responsibility  | Coverage of responsibility   | Frequency of reporting to the board on climate related issues |
|---|---|---|--|---|
| Chief Executive Officer (CEO)   | Reports to the board directly               | Both assessing and managing climate-related risks and opportunities | Risks and opportunities related to our bank lending activities<br>Risks and opportunities related to our investing activities<br>Risks and opportunities related to our other products and services<br>Risks and opportunities related to our own operations | More frequently than quarterly                                |
| Chief Risks Officer (CRO)   | CEO reporting line                          | Both assessing and managing climate-related risks and opportunities | Risks and opportunities related to our bank lending activities<br>Risks and opportunities related to our investing activities<br>Risks and opportunities related to our other products and services<br>Risks and opportunities related to our own operations | Quarterly   |
| Other C-Suite Officer, please specify (Group Executive Board Sponsor for Sustainability and Impact) | CEO reporting line                          | Both assessing and managing climate-related risks and opportunities | Risks and opportunities related to our bank lending activities<br>Risks and opportunities related to our investing activities<br>Risks and opportunities related to our other products and services<br>Risks and opportunities related to our own operations | Quarterly   |
| Chief Sustainability Officer (CSO)  | Corporate Sustainability/CSR reporting line | Both assessing and managing climate-related risks and opportunities | Risks and opportunities related to our bank lending activities<br>Risks and opportunities related to our investing activities<br>Risks and opportunities related to our other products and services<br>Risks and opportunities related to our own operations | Quarterly   |

**C1.2a**

**(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).**

- Climate change is one of the most significant challenges of our time. The world’s key environmental and social challenges – such as population growth, energy security, loss of biodiversity and access to drinking water and food – are all closely intertwined with climate change. We believe the transition to a low-carbon economy is vital and we are focused on supporting our clients in preparing for success in an increasingly carbon-constrained world. We are determined to understand the risks that our clients’, and our own, assets are exposed to in the context of uncertain policy and technology developments. We support this transition through our comprehensive climate change strategy, including our commitment to Net Zero..
- Because UBS recognizes the significance of the challenges presented by climate change, below-board level responsibility for climate change issues are given to highest levels of leadership under the board: UBS Group CEO, supported by the Group Executive Board Sponsor of Sustainability and Impact, through leadership of the Sustainability and Impact organization and Group CRO through leadership for climate-related risks. The Group Executive Board Sponsor of Sustainability and Impact leads sustainability efforts across the firm in line with its net zero commitment .
- Sustainability and Impact, including in particular the Chief Sustainability Officer function, is the firm’s dedicated Group-wide organization, focused on maximizing the positive effects and minimizing any negative effects UBS has on society and the environment, including the climate. It covers topics such as sustainable and impact investing, client philanthropy, environmental and human rights policies governing client and supplier relationships, and our community investment. Through its sustainability and impact organization , UBS is driving change that matters by using our firm’s expertise to bring about sustainable impact. The Group CEO, supported by the Group Executive Board Sponsor of Sustainability and Impact and the Chief Sustainability Officer, proposes UBS’s sustainability and impact strategy and annual objectives to the Corporate Culture and Responsibility Committee (CCRC, Board of Directors level committee), supervises their execution, and informs the CCRC and Group Executive Board (GEB).
- The Chief Sustainability Officer (CSO) is UBS’s senior level representative for environmental and sustainability issues. He or she chairs pertinent operating bodies and is a permanent guest to the CCRC. On behalf of the Group CEO, he or she develops UBS’s sustainability and impact strategy, leads in its execution, and submits annual objectives to the CEO, as well as, a management review to the CCRC. He or she is supported by the CSO governance bodies in this effort.
- The CSO organization ensures execution of UBS’s sustainability strategy across divisions and regions. It is headed by the Chief Sustainability Officer and includes inter alia the Sustainable Finance Committee, which is composed of divisional, regional, and Group COO representatives. The CSO organization ensures plan and objective sign off by them.
- The Group Chief Risk Officer (CRO) defines an environmental and social risk (ESR) framework and independent controls. These are considered at Group Executive Board-level and include climate-change risks.
- The CRO is responsible for the development and implementation of principles and appropriate independent control frameworks for environmental and social risks within UBS. The GEB and the CCRC are updated on a regular basis.
- All corporate responsibility and sustainability developments at UBS are monitored and reviewed by the UBS Corporate Culture and Responsibility Committee, a Board of Director’s committee. The Committee supports the Board in its duties to safeguard and advance UBS’s reputation for responsible corporate conduct. In this capacity it reviews and monitors the implementation of UBS’s ESR framework.

**C1.3**

**(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?**

|       | Provide incentives for the management of climate related issues | Comment |
|-------|---|---------|
| Row 1 | Yes   |         |

## (C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

| Entitled to incentive              | Type of incentive | Activity incentivized   | Comment   |
|------------------------------------|-------------------|---|---|
| Board Chair                        | Monetary reward   | Emissions reduction target<br>Behavior change related indicator<br>Portfolio/fund alignment to climate-related objectives   | Of the Board of Directors committees, the Corporate Culture and Responsibility Committee (CCRC) shoulders the main undertaking for corporate responsibility & sustainability, including our firm's climate strategy and all its aspects. Discussions on the climate strategy, notably on climate risk, also include the Board's Risk Committee. The CCRC and its members as a group, are expected to: • commit such time to the role as may be necessary for the proper discharge of their duties (an indication of the time expected for this purpose is set out in each of the CCRC members' letter of appointment; and • have good knowledge of corporate responsibility and relevant political issues and such other experiences in order to perform their duties. The CCRC's chairman (=board chair) is expected to have good knowledge of the Committee's area of responsibility together with experiences that the Board considers desirable in the context of that committee's work. 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. The share component of the compensation (blocked for distribution for four years) ensures that the Chairman's pay is aligned with the longer-term performance of the firm. Additional information and compensation details of the Chairman of BoD is available in the 2020 compensation for the Board of Directors' section of UBS 2020 Annual Report. |
| Chief Executive Officer (CEO)      | Monetary reward   | Emissions reduction target<br>Company performance against a climate-related sustainability index<br>Portfolio/fund alignment to climate-related objectives  | ESG objectives are considered in the compensation determination process in objective setting, performance award pool funding, performance assessment and compensation decisions. 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. Our Group CEO and other Group Executive Board 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, as well as for progressing our philanthropic efforts. Therefore, achievements versus ESG-related goals are part of the qualitative performance assessments and affect final compensation decisions. In the performance award pool funding, ESG is reflected through the qualitative assessment of legal, compliance, reputational and operational risks, as well as regulatory compliance. Therefore, ESG is taken into consideration when the Compensation Committee assesses not only what results were achieved but also how they were achieved.  |
| Corporate executive team           | Monetary reward   | Emissions reduction target<br>Energy reduction target<br>Environmental criteria included in purchases<br>Company performance against a climate-related sustainability index<br>Portfolio/fund alignment to climate-related objectives | At the executive level, the GEB Sponsor for Sustainability and Impact and the Chief Sustainability Officer organization oversee the implementation of the pertinent Constitutional Document and the firm's sustainability and impact targets, which encompass Climate Change objectives. The Chief Sustainability Officer (CSO) organization is headed by the Chief Sustainability Officer (who reports to the GEB Sponsor for Sustainability and Impact). Within the CSO organization, the Sustainable Finance Committee consists of divisional and regional executive committee representatives, among others. The committee focuses on advancing and implementing the UBS sustainable finance agenda, including on climate, across the entire firm. Execution of these objectives is evaluated through annual performance appraisals that impact compensation. Targets and performance indicators include, e.g. progress vs. our net zero commitments or pushing closer towards sustainable finance objectives (e.g. adding USD 70 billion of invested assets classified as impact investing or with sustainability focus by end of 2025, which encompasses climate related sustainable and impact investments) and are factored into objectives and compensation.   |
| Energy manager                     | Monetary reward   | Emissions reduction target<br>Energy reduction target   | Energy saving is part of the overall CO2 emission reduction strategy (i.e. goal to achieve net zero for Scope 1 and 2 GHG emissions by 2025) and is factored into targets and compensation.   |
| Environment/Sustainability manager | Monetary reward   | Emissions reduction project<br>Energy reduction target  | Environmental managers contribute to the UBS climate change strategy to achieve net zero for Scope 1 and 2 GHG emissions by 2025. Meeting their individual annual targets within their area contributing to the overall target is factored into compensation/ bonus.  |
| Facilities manager                 | Monetary reward   | Emissions reduction project<br>Energy reduction target  | Facility managers directly contribute to the UBS CO2 emission reduction strategy. Meeting their individual annual reduction targets within their area is factored into their compensation/ bonus.   |
| Risk manager                       | Monetary reward   | Supply chain engagement<br>Portfolio/fund alignment to climate-related objectives   | Environmental and social risk managers to integrate and assess climate change risks for the bank which is part of their annual objectives and factored into compensation.   |
| Business unit manager              | Monetary reward   | Portfolio/fund alignment to climate-related objectives  | Performance indicators for business teams include sales / success of sustainable products (e.g. SI products, SI and climate change related research) which is factored into individual targets and compensation.  |

| Entitled to incentive  | Type of incentive | Activity incentivized  | Comment  |
|------------------------|-------------------|--|--|
| Public affairs manager | Monetary reward   | Company performance against a climate-related sustainability index<br>Portfolio/fund alignment to climate-related objectives | Communicating about climate change risks and opportunities for the bank is part of annual objectives and factored into compensation (e.g. disclosure according to GRI comprehensive standard). |

## C-FS1.4

**(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG principles, including climate change?**

|       | We offer an employment based retirement scheme that incorporates ESG principles, including climate change. | Comment  |
|-------|--|--|
| Row 1 | Yes, as the default investment option for some plans offered   | The Swiss Pension Fund of UBS has long taken environmental, social and governance factors (ESG criteria) into account at various levels of its investment process. Among other things, it excluded investments in companies involved in coal-fired power production from its investment universe. Since 2019, it has also been active as a member of the Institutional Investors Group on Climate Change (IIGCC) and as a supporting investor of Climate Action 100+. In the UK, the Trustee of the UBS UK DC Pension Plan added a Sustainable Equity Fund as an investment option for members choosing their own funds in April 2019. In 2020 the Trustee took the further step of including an allocation to the Sustainable Equity Fund in the Growth Fund, which is the default investment option in the Plan. The Sustainable Equity Fund invests in the UBS Climate Aware Fund, a Global Equity fund managed by UBS Asset Management that aims to track the FTSE Developed Index. It tilts exposure away from carbon-intensive industries and those with large fossil fuel reserves and coal energy, while simultaneously tilting exposure towards renewable energy and companies most aligned to meet carbon reduction targets. |

## C2. Risks and opportunities

### C2.1

**(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?**

Yes

### C2.1a

**(C2.1a) How does your organization define short-, medium- and long-term time horizons?**

|             | From (years) | To (years) | Comment  |
|-------------|--------------|------------|--|
| Short-term  | 0            | 3          | To align with our Risks (2.3a) and Opportunities (2.4a) disclosure we included "Current" in the short-term definition.                   |
| Medium-term | 3            | 10         |  |
| Long-term   | 10           | 80         | Long-term time horizon is defined mainly by UBS scenario analysis assessments (until 2100, which is the Paris Agreement objective year). |

### C2.1b

## (C2.1b) How does your organization define substantive financial or strategic impact on your business?

**Definition of substantive financial/strategic impact** (please see p.99 of UBS Annual Report (AR) 2020 for quantitative risk appetite objectives): At UBS, Environmental and Social Risk (ESR) is a financial risk (please see p. 93 of UBS AR 2020 for risk categories) and defined as "The risk that can arise when UBS supports clients and transactions, or sources products or services from suppliers, that may cause or contribute to severe environmental damage, climate change, or human rights infringements. Physical and transition risks from a changing climate contribute to a structural change across economies and therefore affect banks and the financial sector as a whole. ESR (including human rights and climate-related risks) may manifest as increasing financial and reputational impacts for UBS." Furthermore, substantial financial or strategic impact can be defined as any impact from climate change (CC) on UBS that has to be of concern for our shareholders or clients or, in other words, whether CC is a "factor that would make an investment in [UBS] speculative or risky" (as described by the US Securities and Exchange Commission Guidance Regarding Disclosure Related to CC, p. 15). Through scenario assessments performed to date, we have so far not identified significant climate-related financial risk on our balance sheet. We explain this by UBS's relatively small lending book in climate-sensitive-sectors and availability of insurance where we have relevant exposures to such sectors (e.g., Swiss mortgage lending book). However, we will continue to further assess potential climate change related financial / strategic risks to UBS (see below and section C2.3a, where potential financial risk impact figures vary between \$500m and \$235bn).

**Measuring financial or strategic impact on company/asset level:** Cross-divisional teams, led by ESR Unit, identify where and if CC has a material impact on UBS AG as a global firm, by conducting scenario-based stress testing on UBS AG group-wide financial exposure (balance sheet) to estimate our firm's vulnerability to climate change risks. UBS has conducted such tests in various forms, since 2014. Since 2017, UBS participates in the UNEP FI TCFD Banking Pilot to collaboratively develop tools that help banks disclose their exposures to climate risks and opportunities as envisioned by the TCFD and further refine scenario-based stress-testing methodologies. UBS Board of Directors (BoD) monitors the execution of our firm's sustainability activities and ambitions and oversees the climate strategy while our firm's climate-related risk appetite and independent controls are set by the Group Executive Board. Since 2018, UBS climate strategy, in response to new banking climate regulation and emerging climate-related risk, were discussed by the BoD Risk Committee. UBS climate strategy is now a regular agenda item for the joint meeting of BoD Risk Committee and Corporate Culture and Responsibility Committee (CCRC).

### Quantitative examples of financial/strategic impact:

1. As a global financial services firm active in wealth management (WM), asset management (AM) and investment banking (IB), UBS can be affected indirectly by new carbon pricing regulation as they may impact business operations of our corporate clients. E.g., air pollution limits could present a risk for UBS clients in GHG intensive industries, e.g. utilities/energy generation, or basic materials. An estimated \$20 trillion in assets across a broad range of sectors are at-risk, for the financial sector, in the transition to a low-carbon economy (Sarah Breeden, PRA). Potential impacts in the future could be asset devaluation losses up to \$38.7bn, which represents UBS gross banking exposure to climate-sensitive sectors across Investment Bank and Personal & Corporate Banking (as disclosed in Our Climate Strategy 2020, following accounting standard IFRS 9). UBS is leading an effort, with UNEP FI and peer banks, to define an inventory of climate-sensitive activities based on TCFD, regulators' and rating agencies' climate risk definitions.

2. UBS can be affected by reputational risks arising from CC (negative reaction by sustainability oriented clients/ investors, negative effect on recruiting) In the long term, increased reputational risks could lead to loss of business and changes in regulation, which might impact UBS' business model. As of December 2020, UBS's market capitalization was USD 50 billion. Reputational risks can impact how the firm is viewed by rating & research agencies in general and whether UBS remains a credible investment for investors sensitive to sustainability/ESG topics in the long term. Hypothetically (based on average % impacts of historic risk events), a 1% decrease in the share price due to reputational risk would decrease the market capitalization by approximately USD 50 million. We do not expect direct financial implications associated with this risk driver in the short term.

## C2.2

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**(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.**

**Value chain stage(s) covered**

Direct operations  
Upstream  
Downstream

**Risk management process**

Integrated into multi-disciplinary company-wide risk management process

**Frequency of assessment**

More than once a year

**Time horizon(s) covered**

Short-term  
Medium-term  
Long-term

**Description of process**

Our commitment to managing climate-related risks and opportunities is implemented through a firm-wide management system steered by defined measurable objectives. As embedded in the Organization Regulations of UBS Group AG, our climate strategy is overseen by UBS Group AG's Corporate Culture and Responsibility Committee (CCRC), a Board of Directors committee chaired by the Chairman of UBS Group AG. The Chair of the CCRC (i.e. the Chairman of UBS Group AG) brings the topics considered and decided by the CCRC, including climate, to the attention of the full Board of UBS Group AG. The CCRC approves UBS's annual climate-related objectives (e.g. our commitment to achieving net zero for scope 1 and 2 greenhouse gas emissions by end of 2025 and our Net Zero commitment by 2050 covering scopes 1, 2 and 3) and oversees the progressive alignment of our climate disclosure with the TCFD recommendations. The CCRC (under the leadership of the Chairman of UBS Group AG) is the highest governance body for the firm's sustainability and impact strategy and activities. The annual objectives are managed as part of our ISO 14001-certified environmental management system (EMS), with defined management accountabilities across the firm. The EMS helps us to systematically reduce environmental risks, seize climate change / environment-related market opportunities and to continuously improve UBS's climate change / environmental performance and resource efficiencies and is established according to the ISO14001 standard and codified in the UBS ISO14001 manual. This certificate attests that UBS's EMS is an appropriate tool for evaluating compliance with the relevant environmental regulations, achieving self-defined environmental objectives, and maintaining continual improvement of environmental performance. The EMS, structured in an annual cycle consisting of planning, implementation, controlling and review including corrective actions, applies world-wide to all transactions, services and activities involving CC/environmental issues entered into by or on behalf of UBS, with regular monitoring and reporting to the relevant committees. All types of material risks and opportunities are in-scope (including regulatory, customer behavior changes, reputational and weather-related). In the context of the EMS, ESR unit regularly (bi-annual/quarterly) coordinates a systematic materiality assessment in accordance with the ISO14001 standard covering all business divisions and all products and services within the divisions, to assess if and where products/ services may have an impact on the climate (and/or environment) and/or pose a risk (financial, reputational, etc.) to UBS (rated on severity and frequency, where frequent and/or severe ESR is defined as having a substantive impact). We prioritize risks and opportunities by focusing on the impact of climate change and on our exposure to the risk, considering factors such as the product, service, client base, etc. Each business division assesses and rates the potential for risks/ opportunities arising in the products and services offered according to a step-by-step procedure of identification and ranking, review and approval, and documentation. Items rated as having a substantive impact are further referred for management. We manage climate risk in our own operations, balance sheet, client assets and value chain. In March 2020, UBS launched the Group Risk Control Climate Risk Program to further integrate climate risk into existing risk control framework and address emerging regulatory expectations on climate risk management. In this context, we are embedding climate risk into our risk appetite framework and operational risk appetite statement. In 2020, we further integrated climate risk in risk identification, management, stress testing methodology and reporting processes across the organization. Case studies on how UBS identifies and assesses climate-related risks: Transition risk: UBS, as a global financial services firm active in AM, WM and IB, can be affected by emerging carbon pricing regulation. Companies in carbon intensive sectors that are unprepared for regulatory changes could face increasing costs and/or significant decline in demand for their goods and services with a negative impact on revenues and financial stability. We are (indirectly) exposed to fossil fuel intensive businesses in investment/ loan portfolios which may affect our own and our clients' assets. This may have a devaluating effect on the assets that UBS holds in its portfolio (lending portfolio and securities). Applying UBS EMS for these risks: 1) identification and ranking of sectors exposed to climate transition risks 2) review and approval of risk "heatmap" 3) consolidation and reporting (disclosed on page 8 of Our Climate Strategy). In order to protect our clients' and our own assets, this potential risk is addressed by limiting our risk appetite for carbon-related assets and by estimating our firm's vulnerability to climate change risks using the aforementioned EMS and scenario-based stress testing approaches and other forward-looking portfolio analyses. UBS has taken strategic decisions (as an outcome of applying EMS/scenario assessments) such as 1) Lowering the threshold of financing of existing coal-fired operators (from 30% to 20% of coal reliance) unless they have a transition strategy that aligns with the goals of the Paris Agreement, or the transaction is related to renewable energy or clean technology. 2) Set a new threshold for financing of existing thermal coalmining companies (20% of revenues) unless they have a transition strategy that aligns with the goals of the Paris Agreement, or the transaction is related to renewable energy or clean technology. 3) Lowered the threshold of financing to companies with significant reserves or production in arctic oil and/or oil sands (from 30% to 20% of reserves or production) unless they have a transition strategy that aligns with the goals of the Paris Agreement, or the transaction is related to renewable energy or clean tech. Physical risk: UBS manages physical climate risks within its in-house operations (as part of the EMS described above). More frequent extreme weather conditions (Typhoons, Hurricanes) may have an adverse impact on vulnerable UBS locations). UBS plans for potential disruptions to its business, from adverse weather events, with its Business Continuity Management (BCM) unit. Critical locations get an annual Threat and Vulnerability Assessment (TVA) to identify such threats based on relative severity and likelihood. For example, due diligence processes on any new vendor would routinely include a Threat and Vulnerability Analysis. It is essential that vendors performing critical activities on behalf of UBS have appropriate BCM arrangements in place for addressing the risks associated with the locations in which they operate, and for internal UBS departments to understand these critical dependencies.

**C2.2a**

**(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?**

|                    | Relevance & inclusion     | Please explain   |
|--------------------|---------------------------|--|
| Current regulation | Relevant, always included | As a public bank, with corporate clients who rely on the bank to finance their activities in a range of sectors, UBS is both directly and indirectly exposed to climate change regulation both designed to constrain the impacts of climate change and promote adaptive response to climate change impacts. UBS routinely assesses impact of current regulation directly on UBS operations and indirectly through regulation in sectors where UBS has clients and therefore is exposed. Assessments are conducted annually through UBS environmental management system (EMS). Additionally, regulatory developments are assessed for impacts through quarterly monitoring. As part of the multi-year Group Risk Control Climate Risk Program, we have set up a comprehensive monitoring process specifically for sustainability and climate-related regulatory developments: Step 1: Sustainability Regulatory Strategy together with Governmental Affairs monitor and identify emerging sustainability and climate related regulation relevant to UBS legal entities and maintain a regulatory tracker. Step 2: Sustainability/ Climate Risk senior management review and confirm the regulatory tracking overview. Step 3: Gap analysis: With the support of the GRC Climate Risk Program team, the relevant functions and divisions run a gap analysis comparing UBS's current status and the identified regulation, together with a potential plan to address gaps. The gap analysis is reviewed by senior management and the GRC Climate Risk Program Steering Committee provides a final approval. Step 4: The plan to address the identified gaps is executed with the relevant business divisions under the supervision of the GRC Climate Risk Program, in coordination with the Sustainability Regulatory Strategy team and Governmental Affairs. Step 5: At the end of the Sustainability and Climate Risk Regulatory Monitoring Process responsible functions provide sign off on gap closure. The multi-year Group Risk Control Climate Risk Program has been established to further integrate climate risk into existing risk control framework and address emerging regulatory expectations on climate risk management. For real estate properties, a third party firm has been engaged to review the ongoing risk of our existing assets on an annual basis. |

|                     | Relevance & inclusion        | Please explain  |
|---------------------|------------------------------|---|
| Emerging regulation | Relevant, always included    | UBS is directly impacted by the growing number of sustainable finance related regulations globally. This includes the broad EU Sustainable Finance Action Plan where UBS will need to comply with the suitability, product disclosure, and Taxonomy regulations that impact wealth and asset management activities from 2021 onwards. Additionally, there are emerging regulations that focus on prudential risk management including the already in force PRA Supervisory Statement on Climate Change and the proposed ECB guide to climate and environmental risk management which will apply as of 2021 and 2022. UBS will also comply with relevant local standards such as the HKMA Greenness Assessment Framework and regulations under development in Singapore. More broadly, UBS is indirectly impacted by emerging climate change regulations that impact the real economy. As countries adopt net zero by 2050 targets and associated transition pathways for the real economy (e.g. the EU Green Deal and sector specific strategies) this will impact the corporate clients for which UBS provides financing and advice. As part of the multi-year Group Risk Control Climate Risk Program, we have set up a comprehensive monitoring process specifically for sustainability/climate-related regulatory developments: Step 1: Sustainability Regulatory Strategy together with Governmental Affairs monitor and identify emerging sustainability and climate related regulation relevant to UBS legal entities and maintain a regulatory tracker. Step 2: Sustainability/ Climate Risk senior management review and confirm the regulatory tracking overview. Step 3: Gap analysis: With the support of the GRC Climate Risk Program team, the relevant functions and divisions run a gap analysis comparing UBS's current status and the identified regulation, together with a potential plan to address gaps. The gap analysis is reviewed by senior management and the GRC Climate Risk Program SteerCo provides a final approval. Step 4: The plan to address the identified gaps is executed with the relevant business divisions under the supervision of the GRC Climate Risk Program, in coordination with the Sustainability Regulatory Strategy team and Governmental Affairs. Step 5: At the end of the Sustainability and Climate Risk Regulatory Monitoring Process responsible functions provide sign off on gap closure.  |
| Technology          | Relevant, sometimes included | As a bank exposed to corporate clients in various sectors, which may be exposed to technology risks which alter the competitive landscape of the sector, UBS is directly and indirectly exposed to technology risks. Technology risks, such as the rise of electric vehicle/battery technologies in the automotive sector or energy storage technology advancement impacts on the power utility sectors, are analyzed by UBS through scenario analysis approaches. UBS has partnered with 35+ banks and the greater scientific community in the context of the UNEP FI TCFD banking pilot since 2018 to translate 1.5 and 2 degree climate scenarios, which contain technology risk factors, into impacts in specific sectors and subsequently impacts on bank balance sheets (loan books in such sectors). As part of the pilot program, UBS tested a methodology on its power utilities portfolio which combines quantitative bottom-up borrower-level analysis with top-down portfolio segmentation, to analyze for credit-rating impacts under a 2 degree climate scenario. The main results showed minimal impacts to UBS, primarily due to the financial strength of our borrowers and the ability for them to adapt to climate-related policy and technology risks. Counterparties in UBS's portfolio were quantitatively analyzed based on the narrative that a high carbon price under the climate scenarios would result in reduced revenue from high carbon-based assets (e.g., coal-fired power plants). Meanwhile, low-carbon capital expenditure would increase as these companies invest in renewable technologies to maintain production capacity. Capital would be raised based on a mixture of debt and equity, based on the companies' capital structure today. Increased revenues from the renewable capacity would offset lost revenues. UBS is one of the pilot banks that tested the Paris Agreement Capital Transition Assessment (PACTA). In the context of the PACTA pilot, we studied the alignment of select climate-sensitive sectors in our corporate credit portfolio with Paris Agreement benchmarks. The methodology provides an assessment of a bank's credit-financed activities in relation to the global shift to a low-carbon economy. The Real Estate and Private Markets (REPM) Management Committee Global Sustainability working group is managing initiatives related to power, battery storage, electric vehicle charging stations, climate change measurement, social value measurement, resilience, health and smart building technologies. |
| Legal               | Relevant, sometimes included | As a bank exposed to clients in various sectors, some of which (like energy) carry higher exposure to carbon-related assets and therefore transition risks, UBS has a legal fiduciary responsibility in its role as an underwriter of public debt and equity, to ensure that all material risks are disclosed in offering documents of the financial instruments. These issuances are required to contain disclosures of all material risks, like transition risks. UBS assesses this risk when conducting transactional due diligence. If such risks are identified in the course reviewing a new public debt or equity issuance, a recommendation is made to the client to include disclosures of the risk and any related mitigants in the offering prospectus of the financial instrument. For example, when underwriting new stock or bond equity issuances for companies with a high reliance on coal-fired power generation, UBS can face legal risk if we do not fulfill our fiduciary duties as an advisor and underwriter by failing to advise our clients to disclose the risk of coal reliance in e.g. countries that are seeking to completely phase out coal-fired power generation (e.g. the UK target of 2025 to phase-out coal power plants completely) and related mitigants (like a forward-looking strategy of the company with respect to coal reliance). When underwriting new property acquisitions, third party firms are utilized to evaluate the environmental and climate-related risks. Existing portfolios are reviewed annually for such risks by a third party firm. As an Asset Manager, UBS has a fiduciary duty to act in the interests of its clients at all times, including protecting clients from risks to their investments, including climate-related risks. This duty in AM extends to engaging with clients and investee companies on the transition to a low carbon economy. UBS has developed the "Climate Aware" framework which uses a unique methodology to identify investees aligned with global warming objectives, minimizing allocations to companies most negatively affected by climate change to mitigate the downside risk, while increasing exposure to companies with climate-smart business models and offerings to maximize the upside opportunity. The goal of the Climate Aware approach is to meet current investment goals while taking into account climate change objectives such as lower-carbon footprint, reduced exposure to fossil fuel reserves, and greater exposure to renewable energy opportunities.         |
| Market              | Relevant, sometimes included | As a bank exposed to corporate clients in many sectors, including raw materials, clients may be exposed to market risks related to commodities, products and services. Where clients have exposure to such shifts, UBS is also indirectly exposed to these market risks through our clients' strategy. UBS conducts ongoing monitoring of developments in key markets (e.g. energy or palm oil production), with quarterly assessments of materiality and/or reporting to the BoD Risk Committee. We assess client exposure and revenue in such sectors and attempt to benchmark the portfolio quality against regional and/or sector averages. Such portfolio reviews give us an accurate aggregated exposure profile and an enhanced insight into our transaction and client onboarding processes. Based on the outcome of these reviews, we can explore ways to improve the future portfolio profile along a range of risk parameters. For example, in the palm oil sector, UBS review of market developments in the sector revealed a heightened demand for products developed in accordance with the 'No Deforestation, No Peat and No Exploitation', which is increasingly being adopted in the palm oil sector. As a result, the BoD Risk Committee took action, and UBS has adopted the standard in its banking practices with clients in the sector. As an asset manager with client investments exposed to market risks, AM has developed a proprietary tool to identify sustainability risks, broadly categorized as Environmental, Social and Governance ("ESG") risks. The UBS ESG Risk Dashboard is an ESG monitoring tool and serves as the starting point for ESG integration. It allows equity and credit analysts to quickly identify companies with significant ESG risks via the "UBS ESG Risk Signal". This clear, actionable signal serves as the starting point for more in-depth analysis of the underlying sources of these risks and the links to their investment cases. The ESG Risk Signal combines data points from a number of reputable external research sources based on a proprietary methodology. It provides investment teams with a structured, holistic view of ESG risks across four different dimensions, allowing for industry relative comparisons (expressed via the UBS ESG Consensus Score) as well as the identification of outliers. If one or more pillars fail thresholds set, the issuer is flagged for severe ESG risks and will be subject to assessment of material impacts of the highlighted risks.                               |
| Reputation          | Relevant, always included    | Reputation is one of UBS' most valuable assets, key to the success of a global financial firm and to its brand. The firm's Code of Conduct & Ethics underscores the vital importance of protecting and advancing UBS' reputation (with explicit reference to UBS' "constantly looking for better ways to do business in an environmentally sound and socially responsible manner"). CC can imply reputational risks if not properly addressed, notably through negative stakeholder perceptions of UBS. More concretely, UBS' approach to CC directly affects whether or not, respectively at which level, UBS is listed in indices and ratings related to Environmental, Social and Governance (ESG) topics, how the firm is viewed by rating & research agencies in general, and whether UBS remains a credible investment for those investors sensitive to sustainability issues. We regularly engage with a wide range of stakeholders and many significant external organizations via a range of means of exchange, (incl. meetings such as UBS' AGM at which topics like CC are regularly addressed). The Corporate Culture and Responsibility Committee regularly reviews stakeholder expectations and concerns about these areas, including CC. In 2020 UBS continued to face reputational risks, in the context of Climate Change, specifically around stakeholders criticizing banks, incl. UBS, for providing finance to companies active in the production and burning of fossil fuels such as coal. At the same time, UBS AM shareholder advocacy within climate action can also create positive reputational impact, as demonstrated by the firm being awarded by an A+ leadership band for engagement and voting on climate by InfluenceMap. Asset Management's ESG integration efforts have been recognized by other external parties, including the Principles for Responsible Investment ("PRI") with A+ or A across all modules (including A+ in Stewardship, A+ for Strategy and Governance, 'A' in both Listed Equity and Fixed Income and, for the 4th year running, A+ for Property and Infrastructure. We submitted 21 funds for the 2020 GRESB Assessments Global Real Estate Sustainability Benchmark (GRESB) survey, with 18 real estate funds achieving either 4-star or 5-star status, reflecting first or second quintile results compared to other funds in its peer group.  |
| Acute physical      | Relevant, sometimes included | More frequent extreme weather conditions and weather-related disasters (typhoons, hurricanes, wildfires) may have an adverse impact on UBS locations. This may increase the need for higher insurance coverage and lead to increased costs for UBS. Additionally, the combination of such factors are exacerbated by climate change (severity and intensity) continue to be an increasing threat to UBS production and continuity of business. Business Continuity Management, within UBS, established to manage these risks and is particularly important in key areas where concentration of knowledge, revenues, product delivery, premises, systems and infrastructure creates a high level of risk to the organization. Critical locations get an annual Threat and Vulnerability Assessment (TVA) to identify such threats based on relative severity and likelihood. The output of the key risks and their mitigation status is reviewed annually and documented in the "Location Risk Profile" to ensure that we address specific risk such as extreme weather events for all global critical locations. We have business continuity (BC) plans in place covering people, processes and technology. These are tested on a regular basis for survival and business critical activities.  |
| Chronic physical    | Relevant, sometimes included | As a global bank exposed to corporate clients around the world, UBS is both directly and indirectly exposed to the impacts incremental climate change. Incremental changes in climate (such as rising temperatures and changes in precipitation patterns) can affect economic output and productivity, and exacerbate other weather events that can lead to damage, operational downtime and lost production for fixed assets, and potential changes to property value. Incremental changes have the potential to gradually erode the financial performance of entire borrower segments. Insofar as we are exposed to these businesses in investment or loan portfolios this may affect our assets. This may have a devaluating effect on the assets we hold in our portfolio (lending portfolio and securities we hold). In order to manage our own (direct to UBS), and our clients', risk (indirect to UBS) derived from physical risks associated with incremental climate change, we have previously performed top-down stress tests (modeled on increased frequency of extreme weather events, affected by incremental climate change), and in 2018, we jointly (with UNEP-FI and other banks) developed a methodology for a physical climate risk assessment. The methodology examines risks from incremental (e.g. increasing temperatures) climate change on our loan portfolio. We piloted the effort on our utilities portfolio and published a subsequent case study in a joint report in 2018 and expanded on the methodology in another collaborative project in 2019. In its second phase, the UNEP FI TCFD working group for banks grew to 35 banks and expanded the development of analytical tools to include a range of possible scenarios, further advanced on scenario-based stress testing methodologies, and standardization between institutions on what defines climate-sensitive activities. In the third phase of the pilot project our objective is to develop analytical tools to help banks define and disclose climate-related risks and opportunities, as recommended by the TCFD. This includes developing and standardizing how we quantify climate-related risks, addressing data gaps in the process, including Paris-aligned scenarios, and further refining scenario-based stress-testing methodologies. These advancements aim for banks to more robustly identify and disclose exposure to climate-related risks and opportunities.   |

(C-FS2.2b) Do you assess your portfolio's exposure to climate-related risks and opportunities?

|   | We assess the portfolio's exposure | Please explain   |
|---|------------------------------------|--|
| Bank lending (Bank)                         | Yes                                | UBS manages climate risks in our own operations, balance sheet, client assets and supply chain. We are embedding climate risk into the UBS risk appetite framework and operational risk appetite statement. In 2020, we further integrated climate risk in risk identification, management stress testing methodology and reporting processes across the organization. In 2020, we also refined our ability to estimate the firm's vulnerability to climate-related risks using forward-looking scenario-based approaches, and developed a climate transition risk heatmap. We have been using scenario-based approaches since 2014 to assess our exposure to physical and transition risks associated with climate change. We have performed both top-down balance sheet stress testing (across the firm), as well as targeted, bottom-up analysis of specific sector exposures in short-, mid-, and long-term horizons. From both top-down and bottom-up approaches, our internal stress tests suggested no immediate threat to UBS's balance sheet. UBS has partnered with 35+ banks and the greater scientific community in the context of the UNEP FI TCFD banking pilot since 2018 to translate 1.5 and 2 degree climate scenarios, which contain technology risk factors, into impacts in specific sectors and subsequently impacts on bank balance sheets (loan books in such sectors). In its second phase, the UNEP FI TCFD banking pilot expanded the development of analytical tools to include a range of possible scenarios, further advanced on scenario-based stress testing methodologies, and standardization between institutions on what defines climate-sensitive activities. In the third phase of the pilot project our objective is to develop analytical tools to help banks define and disclose climate-related risks and opportunities, as recommended by the TCFD. This includes developing and standardizing how we quantify climate-related risks, addressing data gaps in the process, including Paris-aligned scenarios, and further refining scenario-based stress-testing methodologies. As part of the PACTA pilot, we studied the alignment of select climate-sensitive sectors in our corporate credit portfolio with Paris Agreement benchmarks. The methodology provides an assessment of a bank's credit-financed activities in relation to the global shift to a low-carbon economy.  |
| Investing (Asset manager)                   | Yes                                | We believe that Sustainable and Impact Investing can protect and enhance the value of our clients' investments by adding value to portfolios within the same risk /return profile. Sustainable investing is grounded in the broader use of material ESG information in the investment analysis process and the belief that such information will lead to better informed investment decisions. By identifying long-term investment opportunities, anticipating and managing financially material risks, engaging with corporate management, and creating products and services that take into account ESG factors, we believe companies will be more successful and our investments will positively impact society and the environment. Our Sustainable and Impact Investing strategy is overseen by an Executive Management Committee comprised of senior leaders across the business. The committee addresses a range of topics including our response to climate change. Our Sustainable Investment Research Analysts work with our portfolio managers (specifically across our equity platform) to assess and manage climate-related risks. The team has developed the capability for equity portfolio managers to examine the carbon footprint of their portfolios and comparing the relative carbon footprints of their company holdings to that of the benchmark. Carbon emissions data is also made available to all equity portfolio managers through the Portfolio Optimization Platform, which allows portfolio managers and analysts to download carbon and carbon intensity data on over 6,000 companies. Moreover, the Sustainable Investment Research analysts and investment analyst work together to engage with companies on behalf of clients to discuss approaches to mitigating climate change risk, as well as actively voting on shareholder resolutions to improve transparency and disclosure around climate-related reporting. This includes participation in the global Climate Action 100+ collaboration. Solar power, battery storage, electric vehicle charging stations, climate change measurement, social value measurement, resilience, health and smart building technologies are all initiatives of the Real Estate and Private Markets (REPM) Management Committee Global Sustainability Workgroup that have been incorporated into our investment process. As a result, REPM has reduced its carbon footprint by 19.4% over the past five years. |
| Investing (Asset owner)                     | <Not Applicable >                  | <Not Applicable>   |
| Insurance underwriting (Insurance company)  | <Not Applicable >                  | <Not Applicable>   |
| Other products and services, please specify | Not applicable                     | Not applicable as UBS business divisions are covered in in the above "Bank lending" and "Investing" sections.  |

**(C-FS2.2c) Describe how you assess your portfolio's exposure to climate-related risks and opportunities.**

|   | Portfolio coverage        | Assessment type              | Description   |
|---|---------------------------|------------------------------|---|
| Bank lending (Bank)                         | All of the portfolio      | Qualitative and quantitative | UBS manages climate risks in our own operations, balance sheet, client assets and supply chain. We are embedding climate risk into the UBS risk appetite framework and operational risk appetite statement. In 2020, we further integrated climate risk in risk identification, management stress testing methodology and reporting processes across the organization. We have consistently reduced our exposure to carbon-related assets and continued our multi-year efforts to develop methodologies that enable more robust and transparent disclosure of climate metrics. In 2020, we also refined our ability to estimate the firm's vulnerability to climate-related risks using forward-looking scenario-based approaches, and developed a climate transition risk heatmap. We identify where and if climate change (CC) has a material impact on UBS as a whole by estimating our firm's vulnerability to climate change risks using scenario-based stress testing approaches and other forward-looking analyses. UBS has piloted a transition risk heatmap, developed in collaboration with the UNEP FI TCFD working group. The heatmap enables UBS to take a materiality-driven approach to further inform its climate risk management strategy by: – helping to identify concentrations of exposure with high climate risk vulnerability, which, in turn, enables resource prioritization for detailed bottom-up risk analysis; – supporting a client-centric strategy that prioritizes clients who may benefit from UBS products and services in support of their transition strategies; and by – providing decision-useful information in internal reports to executive and board leadership and external disclosure to stakeholders. The heatmap rates cross-sectoral credit risk exposure to climate sensitivity, from high to low, through a risk segmentation process. These ratings are based upon climate risk ratings determined by ratings agencies, regulators and expert consultants. The working group discussed how to group companies with similar risk characteristics into risk segments and rate those segments according to their vulnerability to climate policy, low-carbon technology risks, and revenue / demand shifts under an aggressive approach to meeting the well below 2°C Paris goal. The next steps for UBS are to pilot the physical risk heatmap methodology, also developed with the UNEP FI TCFD working group, and to examine the applicability of We further engage in international efforts and collaborate to develop better methodologies for transition and physical risk assessments. UBS has committed to align our climate strategy with the TCFD recommendations within the five-year pathway by 2022 (as defined by TCFD). We will continue to better understand how CC may impact UBS as a whole. On an asset level (eg products and services): We seek to protect our clients', and our own, assets from climate change risks, within our sphere of influence. We are determined to understand the risks that our clients', and our own, assets are exposed to in the context of uncertain policy and technology developments addressing climate change. On an ongoing basis, Internal environmental experts identify new and emerging climate-related risks and UBS exposure to these risks through systematic monitoring of news, stakeholder expectations, climate change science, and other climate-related societal challenges. Reviews are also presented the Global Environmental and Social Risks Committee for assessment and potential decision on mitigating action(s). On an annual basis the ESR unit coordinates a systematic materiality assessment in accordance with the ISO14001 standard (assured) covering all business divisions and all products and services within the divisions, to assess if and where products/ services may have an impact on the climate (and/or environment) and/or pose a risk (financial, reputational, etc.) to UBS (rated on severity and frequency, where frequent and/or severe environmental risks are defined as having a substantive impact). We prioritize risks and opportunities by focusing on the impact of climate change and on our exposure to the risk, considering factors such as the product, service, client base, etc. Each business division assesses and rates the potential for risks/ opportunities arising in the products and services offered according to a step-by-step procedure of evaluation and ranking, review and approval, and documentation. Items rated as having a substantive impact are further referred for management.  |
| Investing (Asset manager)                   | Majority of the portfolio | Qualitative and quantitative | We help our clients assess, manage and protect their assets from climate-related risks by offering innovative products and services in investment, financing and research. Asset Management has developed a suite of products allowing clients to identify the carbon intensity of their investments and/or to align them with the Paris Agreement. We have developed a Climate Aware strategy that enables investors to reduce a portfolio's carbon footprint, invest in new technologies, and align portfolios to a chosen climate "glidepath" or timeline to reach a specific climate scenario target. A glidepath could be a 2°C world, or a 1.5°C world, for example. Minimizing allocations to companies most negatively affected by climate change should help to mitigate the downside risk, while increasing exposure to companies with climate-smart business models and offerings may maximize the upside opportunity. Building on the principles underpinning this strategy we have developed a broader Climate Aware framework which contains three key elements: -Portfolio mitigation: Lowering investment exposure to carbon risks; -Portfolio adaptation: Increasing investment exposure to climate-related innovation and solutions; and - Portfolio transition: Aligning portfolios to an investor's chosen climate glidepath. A program of active engagement underpins the "portfolio transition" component of the framework. It looks to provide deeper insights to the actions and progress for forward-looking assessments. UBS Asset Management continues to market its Climate Aware rules-based strategy to new clients, and make it available to more markets. AM uses ESG integration to embed our understanding of climate change into our investment decision. The systematic and explicit inclusion of ESG factors into financial analysis not only better aligns investment decisions with climate change considerations; it also helps investors deal with the broad nature of the climate transition more effectively. Assessing climate risks like this has two key advantages: improved investment selection and a focus on lower-carbon intensive companies. AM has identified climate change transition issues in a range of sectors. We have also identified sectors where there is a particular exposure to climate change physical risks either immediately or increasing over time. Areas we assess (at individual investment or issuer level) include: 1) Transition risks: regulation risks; market or commercial risks; technology risks 2) Physical risks: principally acute risks but also recognising the nature of chronic risks These lead to a specific set of climate related risks and opportunities which will unfold depending, in part, on the preparedness of companies and the decisions of their management teams. For listed securities, we have developed a stewardship strategy focused on climate change based on the recommendations of the TCFD. The stewardship strategy supports the assessment of our investments exposures to climate-related risks and opportunities, providing a feedback loop. We encourage companies to demonstrate: • Governance ensuring climate change considerations are overseen by the Board. • Risk management addressing the uncertainties arising from climate change. • Strategy considerations taking into account the outcomes of scenario analysis, the understanding of the climate resilience of the business, and the specific actions that the company commits to in aligning with a low carbon economy. • Targets and metrics providing meaningful and ambitious measures of performance. • Responsible advocacy on climate change policy. Real Estate and Private Markets (REPM) Management Committee has developed an acquisition checklist that incorporates sustainability factors that are required to be reviewed during acquisition due diligence. Our due diligence checklist includes multiple sustainability line items including climate change and the results are a required section in the acquisition brief and discussed during investment committee. A third party firm has been engaged to review the ongoing risk or our existing assets on an annual basis. When investing in infrastructure companies, we engage third party advisors to assist in the climate-related due diligence of the opportunity. The due diligence of brownfield assets generally includes an assessment of the asset's environmental performance, compliance with environmental regulations and permits, systems and processes used to monitor and manage environmental performance as well as the appropriateness of resources and responsibilities for these issues. The findings of the due diligence are reflected in an action plan for the post-acquisition phase. Occasionally, this includes the engagement of an independent engineer who is qualified to conduct an environmental review, an environmental site assessment (ESA) or an environmental impact study (EIS) of the investment. |
| Investing (Asset owner)                     | <Not Applicable>          | <Not Applicable>             | <Not Applicable>  |
| Insurance underwriting (Insurance company)  | <Not Applicable>          | <Not Applicable>             | <Not Applicable>  |
| Other products and services, please specify | <Not Applicable>          | <Not Applicable>             | <Not Applicable>  |

C-FS2.2d

**(C-FS2.2d) Do you assess your portfolio's exposure to water-related risks and opportunities?**

|   | We assess the portfolio's exposure | Portfolio coverage        | Please explain  |
|---|------------------------------------|---------------------------|---|
| Bank lending (Bank)                         | Yes                                | Majority of the portfolio | Our climate strategy underpins our activities designed to support our clients and our firm in preparing for an increasingly carbon constrained world. It underlines our commitment to the Sustainable Development Goals (SDGs) as well as the Paris Agreement. These key UBS commitments are embedded in the Principles for Responsible Banking (PRB). This global framework specifies the role of banks in supporting a sustainable future and scaling up their contribution to the achievement of both the SDGs and the Paris Agreement. Procedures and tools for the identification, assessment and monitoring of environmental and social risks (ESR; including climate risks) are applied and integrated into standard risk, compliance and operations processes. All prospects and clients are assessed for ESR associated with their business activities as part of UBS's onboarding and Know Your Client (KYC) compliance processes. This type of engagement applies to all our customers and portfolios in order to fully identify, assess, and monitor ESR to UBS's downstream value chain. Where required during the onboarding and KYC due diligence processes, the ESR unit directly engages with the prospect or client on ESR related aspects (incl. climate related) by requesting first-hand information or setting conditions that are monitored thereafter by the ESR unit. We also engage with clients as part of our transaction due diligence process.  |
| Investing (Asset manager)                   | Yes                                | Majority of the portfolio | UBS Asset Management's Global Sustainable Impact Equity strategy aims to invest in companies that provide solutions to significant global challenges, honing in on climate change, air pollution, clean water and water scarcity, treatment of disease, alleviation of poverty and food security through the impact of their products and services. The UBS AM REPM team's quantitative and qualitative goals benefit our investors, our tenants and UBS and its shareholders. Our quantitative goals include reducing residual waste, increasing the recycling rate by 50% and reducing the water consumption of our properties by monitoring consumption and developing specific water saving measures in different properties. We measure the sustainability performance of our properties and funds with external (GRESB Key Performance Indicator) benchmarks and certifications (BREEAM, LEED, Energy Star, DGMB, Minergie). Based on these results we are able to define specific measures for each property. A holistic approach on sustainability also includes strategic and qualitative objectives. We improve the sustainability performance of our business by implementing action plans and best practice measures. In 2020, we submitted 21 funds to the GRESB Assessments Global Real Estate Sustainability Benchmark (GRESB), comprising all of our flagship vehicles and representing approximately 96% of our direct pooled real estate and infrastructure vehicles globally. All of our previously rated real estate funds showed sustained strong performance, with all 18 real estate funds achieving either 4-star or 5-star status, reflecting first or second quintile results compared to other funds in its peer group. Since 2012, REPM's funds have secured a total of 113 Green Star ratings <sup>2</sup> and 50 five-star ratings <sup>3</sup> . These impressive GRESB scores this year represent continued outstanding results at the individual fund level. Third party consultants have been engaged to measure climate change related risks (primarily flood and sea level rise) on an annual basis and the results are used as part of placing adequate insurance coverage on properties and portfolios. |
| Investing (Asset owner)                     | <Not Applicable>                   | <Not Applicable>          | <Not Applicable>  |
| Insurance underwriting (Insurance company)  | <Not Applicable>                   | <Not Applicable>          | <Not Applicable>  |
| Other products and services, please specify | Not applicable                     | <Not Applicable>          | Not applicable as UBS business divisions are covered in in the above "Bank lending" and "Investing" sections.   |

**C-FS2.2e**

**(C-FS2.2e) Do you assess your portfolio's exposure to forests-related risks and opportunities?**

|   | We assess the portfolio's exposure | Portfolio coverage        | Please explain  |
|---|------------------------------------|---------------------------|---|
| Bank lending (Bank)                         | Yes                                | All of the portfolio      | Procedures and tools for the identification, assessment and monitoring of environmental and social risks (ESR; incl. climate risks) are applied and integrated into standard risk, compliance and operations processes. All prospects and clients are assessed for ESR associated with their business activities as part of UBS's onboarding and Know Your Client (KYC) compliance processes. This type of engagement applies to all our customers and portfolios in order to fully identify, assess, and monitor ESR to UBS's downstream value chain. Where required in the onboarding and KYC due diligence processes, the ESR directly engages with the prospect or client on ESR related aspects (incl. climate related) by requesting first-hand information or setting conditions that are monitored thereafter by the ESR unit. We also engage with clients as part of our transaction due diligence process. Deforestation is, in fact, second only to the energy sector as a source of global greenhouse gas emissions and accounts for up to 20% of emissions, more than the entire global transport sector. In human terms, millions of people rely directly on forests (small-scale agriculture, hunting, gathering, and harvesting forest products) Recognizing these risks we: – Became member of the Roundtable on Sustainable Palm Oil (RSPO) in 2012 – Endorsed the Banking Environment Initiative's and Consumer Goods Forum's "Soft Commodities" Compact. In doing so, we aim to support the transformation of soft commodity supply chains by expecting producers to be committed to achieving full certification according to applicable sustainability certification schemes, such as the RSPO. We acknowledge that acquiring land without adequate consultation, compensation and consideration of customary land rights (known as land grabbing) can significantly impact local communities, often smallholders who primarily rely on subsistence farming to sustain their livelihood – We have identified and will not engage in certain activities that contribute to deforestation and its related impacts. We require that companies producing timber in markets at high risk of tropical deforestation must seek to achieve full certification of their production according to the Forest Stewardship Council (FSC) or a national scheme endorsed against the 2010 Programme for the Endorsement of Forest Certification (PEFC) meta standard for timber products |
| Investing (Asset manager)                   | Yes                                | Majority of the portfolio | UBS Asset Management's investment teams drive ESG integration, including assessment of climate-related factors, within their investment processes and engagement activities linked to value drivers.  |
| Investing (Asset owner)                     | <Not Applicable>                   | <Not Applicable>          | <Not Applicable>  |
| Insurance underwriting (Insurance company)  | <Not Applicable>                   | <Not Applicable>          | <Not Applicable>  |
| Other products and services, please specify | Yes                                | Minority of the portfolio | The UBS Optimus Foundation connects clients with inspiring entrepreneurs, new technologies and proven models that seek to make a measurable, long-term difference to the most serious and enduring social and environmental problems. The Foundation has a 20-year track record and is recognized globally as both a philanthropic thought leader and a pioneer in the social finance space, through which we leverage solutions to mobilize private capital in new and more efficient ways. Since its establishment, the UBS Optimus Foundation has focused on children's health, education and protection. In 2020, to ring in the Foundation's 20-year anniversary and in light of the growing threat of climate change, we expanded our offering. To make sure clients maximize their environmental impact with their philanthropy, we, together with experts, conducted an extensive landscape analysis. The outcome is a systematic approach for clients to assess where to invest philanthropically, and how to best contribute to accelerate environmental and climate action. Clients interested in this space can now get involved in: – sustainable land use, by contributing to land restoration, conservation, climate-resilient agriculture, and agroforestry; as well as – coastal and marine ecosystems, by contributing to wetland restoration and conservation, sustainable fisheries, as well as reduction of ocean waste and pollution.   |

**(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?**

|   | We request climate related information | Please explain  |
|---|--|---|
| Bank lending (Bank)                         | Yes                                    | The physical and transition risks of climate change contribute to a structural change affecting banks and the financial sector at large. In order to protect our own and our clients' assets from climate-related risks, we continue to drive the integration of climate-related risk into our standard risk management framework. The UBS Environmental and Social Risk Management Framework involves procedures and tools for identifying, assessing and monitoring environmental and social risks in our standard risk, compliance and operations processes. These include client onboarding, transaction due diligence, product development and investment decision processes, own operations, supply chain management and portfolio reviews. These processes are geared toward identifying clients, transactions or suppliers potentially in breach of our standards or otherwise subject to significant environmental and human rights controversies, including climate change. – Client onboarding: Potential clients are assessed for environmental and social risks associated with their business activities as part of UBS's Know Your Client compliance processes. – Portfolio review: At portfolio level, we regularly review sensitive sectors and activities prone to bearing climate, environmental, and social risks. We assess client exposure and revenue in such sectors and attempt to benchmark the portfolio quality against the Paris Agreement, and/or regional and/or sectoral averages. Such portfolio reviews give us an accurate aggregated exposure profile and an enhanced insight into our transaction and client onboarding processes. Based on the outcome of these reviews, we can explore ways to improve the future portfolio profile along a range of risk parameters. We have added climate reporting as one element of our mandate reporting, creating insights for our clients on their current climate profile and leading into conversations on how to improve this. A clear and robust framework defines the way we implement sustainability across our investment strategies. We evaluate client strategies on a forward looking basis, to understand if they align with the goals of the Paris Agreement. As a concrete example, we do not provide project-level finance for new coal-fired power plants globally and only support financing transactions of existing coal-fired operators (in 2021, we changed threshold from >30% to >20% coal reliance) unless they have a transition strategy that aligns with the goals of the Paris Agreement, or the transaction is related to renewable energy or clean technology. |
| Investing (Asset manager)                   | Yes, for some                          | Climate factors have already for years been integrated in our active investment decisions. With the more pronounced attention for this topic, its relevance and influence on investment decisions has further risen: • We have developed very robust stewardship services around climate change. Our stewardship efforts have been recognized as demonstrated by the firm being awarded by an A+ leadership band for engagement and voting on climate by InfluenceMap. • We are an active participant in the Climate Action 100+ collective engagement group, leading the engagements with some of the most prominent and key targets of this group in terms of changing their view on climate risk for their business model. • We have added climate reporting as one element of our mandate reporting, creating insights for our clients on their current climate profile and leading into conversations how to improve this. We have identified reporting as another area for differentiation. Asset Management's investment teams drive ESG integration, including assessment of climate-related factors, within their investment processes. Real Estate and Private Markets (REPM) Management Committee has developed an acquisition checklist that incorporates sustainability factors that are required to be reviewed during acquisition due diligence. Our due diligence checklist includes multiple sustainability line items including climate change and the results are a required section in the acquisition brief and discussed during investment committee. A third party firm has been engaged to review the ongoing risk or our existing assets on an annual basis. For listed securities, we have developed a stewardship strategy focused on climate change based on the recommendations of the TCFD. The stewardship strategy supports the assessment of our investments exposures to climate-related risks and opportunities, providing a feedback loop. We encourage companies to demonstrate: • Governance ensuring climate change considerations are overseen by the Board. • Risk management addressing the uncertainties arising from climate change. • Strategy considerations taking into account the outcomes of scenario analysis, the understanding of the climate resilience of the business, and the specific actions that the company commits to in aligning with a low carbon economy. • Targets and metrics providing meaningful and ambitious measures of performance. • Responsible advocacy on climate change policy.   |
| Investing (Asset owner)                     | <Not Applicable>                       | <Not Applicable>  |
| Insurance underwriting (Insurance company)  | <Not Applicable>                       | <Not Applicable>  |
| Other products and services, please specify | Not applicable                         | Not applicable as UBS business divisions are covered in in the above "Bank lending" and "Investing" sections.   |

**C2.3**

**(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?**

Yes

**C2.3a**

**(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.**

**Identifier**

Risk 1

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type & Primary climate-related risk driver**

|                    |                           |
|--------------------|---------------------------|
| Current regulation | Carbon pricing mechanisms |
|--------------------|---------------------------|

**Primary potential financial impact**

Increased direct costs

**Climate risk type mapped to traditional financial services industry risk classification**

Operational risk

**Company-specific description**

As UBS operates (and occupies) buildings in many countries, we are directly affected by regulatory developments that aim at improving energy efficiency or reducing CO2 emissions. Such regulation may include, fuel or energy taxes and regulation, mandatory carbon tax schemes and regulation of buildings in terms of energy efficiency, affecting our costs for energy incurred by our buildings (i.e. heating, cooling, lighting, IT, etc.). These types of regulation directly affects our operational costs as it relates to energy use. In Switzerland, where approximately 31% of UBS employees are based, UBS is mandated to pay its share of the Swiss CO2 levy. In 2020, UBS was subject to



increased operational costs as a result of the Swiss CO2 levy. However, as a result of reducing carbon emissions by 79% by 2020 (compared with 2004 levels), and achieving the target of using 100% renewable energy in 2020, the magnitude of impact from this risk is low.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

1920423

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

Taxes applied to energy use and CO2 emissions from commercial buildings may present increasing operational costs. For example, the government of Switzerland has implemented a CO2-levy to incentivize the usage of low carbon energy as well as the development of renewable energy sources. The levy is requested for all fossil fuels, like heating oil, natural gas or diesel, and has to be paid based on volume. The levy has a legal range wherein the amount is adjusted dependent on targeted emission and fossil fuel usage. The fee itself is paid with the commodity and has a defined steering goal. One third of the fiscal revenue is thereby redistributed as publicly available grant money for building projects. Two thirds of the fiscal revenue is redistributed equally to the people via health insurance cost reduction and to companies via the AHV (Swiss governmental retirement plan). CO2 levy in Switzerland is a topic with high political attention. There is high pressure to increase the levy to it's currently maximally legally allowed value of 210 CHF/t CO2 as well as to increase the legal threshold. Assuming that anyone who purchases fossil thermal fuels automatically pays the CO2 levy, UBS will be the subject of this cost increase. To assess the hypothetical cost risk, we prepared calculation based on the audited and externally verified CO2-Emissions [tCO2eq] for Switzerland in the Reporting Period 1.7.2019-30.06.2020 (FY20). To derive an estimate of the cost risk, the levy rate of 210 CHF/tCO2 was applied to each category. The numbers stated below show the full expected cost. The considered emission categories are listed below in the calculation details: GHG from Natural Gas [t GHG [metric] for FY 20] 5763,942 \* Levy [CHF/tCO2eq] 210 = 1,210,428 GHG from Heating Oil [t GHG [metric]] for FY 20] 1,044 \* Levy [CHF/tCO2eq] 210 = 219,295 GHG from Fuels [t GHG [metric] for FY 20] 133 \* Levy [CHF/tCO2eq] 210 = 27,900 GHG from Fuels (Own cars) [t GHG [metric] for FY 20] 210 \* Levy [CHF/tCO2eq] 210 = 44,023 GHG - Upstream leased assets [t GHG [metric] for FY 20] 1,994 \* Levy [CHF/tCO2eq] 210 = 418,777 Total: 1,210,428 + 219,295 + 27,900 + 44,023 + 418,777 = 1,920,423

**Cost of response to risk**

255000000

**Description of response and explanation of cost calculation**

UBS seizes the opportunity to save energy through its energy efficiency initiatives prioritized through UBS' ISO 14001 certified environmental management system (EMS). (1) Building control: steering groups sanction changes in building operations, incl. operational run times for central building plant & equipment/ data center facilities. Energy consumption for our buildings is the largest contributor to our CO2 emissions which we reduced by 79% between 2004 and 2020, exceeding the original target of 75% reduction by 2020. In 2020 we achieved the target of using 100% renewable electricity. (2) Improvements in building design/ investment in infrastructure: we seek opportunities to invest in infrastructure with the purpose of reducing operating cost. As part of our efforts to meet our RE100 objectives, in 2020 100% of UBS' worldwide electricity consumption was sourced from renewable energy. (3) UBS applies a Responsible Supply Chain Management (RSCM) framework: for the procurement of goods and services. done by Chain IQ, who performs supplier due diligence and establishes remediation measures, supported by experts within UBS. Evaluation of energy efficiency and carbon emissions are in RSCM background checks. In 2020 remediation measures were requested for 32 vendors with potentially high impacts. Evaluation of energy efficiency and carbon emissions are included in the RSCM background checks. Cost of response to risk includes investments in energy efficiency measures and potentially higher costs for new (sustainable) buildings and equipment. This is estimated to be \$255m per year (further breakdown of costs: IT hardware and communication equipment: \$192m, leasehold improvements \$37m and owned properties \$26m = total of \$255m). Calculation of cost of response to risk: \$192m + \$37m + \$26m = \$255m

**Comment**

**Identifier**

Risk 2

**Where in the value chain does the risk driver occur?**

Downstream

**Risk type & Primary climate-related risk driver**

|                     |                           |
|---------------------|---------------------------|
| Emerging regulation | Carbon pricing mechanisms |
|---------------------|---------------------------|

**Primary potential financial impact**

Increased credit risk

**Climate risk type mapped to traditional financial services industry risk classification**

Credit risk

**Company-specific description**

UBS, as a global financial services firm active in wealth management (WM), asset management (AM) and investment banking (IB), UBS can be affected by emerging carbon pricing regulation. For example, increased pricing of GHG emissions designed to limit emissions, in particular CO2, in order to meet country GHG reduction commitments. The EU is a good example, they have committed to limiting emissions with a legally-binding resolution to at least a 40% reduction of CO2 emissions by 2030 against 1990-levels (NDC). Companies in carbon intensive sectors that are unprepared for regulatory changes could face increasing costs and/or significant decline in demand for their goods and services with a negative impact on revenues and financial stability. Insofar as we are (indirectly) exposed to fossil fuel intensive businesses in investment or loan portfolios this may affect our own and our clients' assets. This may have a devaluating effect on the assets that UBS holds in our portfolio (lending portfolio and securities). An estimated \$20 trillion in assets across a broad range of sectors are at-risk, for the financial sector, in the transition to a low-carbon economy (Sarah Breeden, PRA). UBS seeks to better understand this indirect risk by actively participating in further developing scenario analysis methodologies (which examine 2 degree and lower global warming trajectories). UBS is working with peers and the research community (e.g. IEA, Potsdam Institute for Climate Impact Research, and the International Institute for Applied Systems Analysis as a few examples) on advancing scenario analysis methodologies, which can provide outputs that help assess the economic impact of CC on different sectors (one key output are estimates of carbon pricing that reflect how carbon emissions could be constrained in the future, to meet

global warming targets). UBS is part of the UNEP FI TCFD working group for banks which has grown to 35+ banks and has expanded the development of these analytical tools to include a range of possible scenarios, further advancement on scenario-based stress testing methodologies, and standardization between institutions on what defines climate-sensitive activities. These advancements aim for banks to more robustly identify and disclose exposure to climate-related risks and opportunities.

**Time horizon**

Medium-term

**Likelihood**

Likely

**Magnitude of impact**

Medium-low

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

<Not Applicable>

**Potential financial impact figure – minimum (currency)**

0

**Potential financial impact figure – maximum (currency)**

3870000000

**Explanation of financial impact figure**

Potential impacts in the future could be asset devaluation losses up to \$38.7bn, which represents the amount of UBS own balance sheet exposed to climate sensitive sectors (UBS gross banking exposure to climate-sensitive sectors across Investment Bank and Personal & Corporate Banking). Climate-sensitive sectors are defined as inventory of activities with higher vulnerability to climate risks. \$38.7bn is comprised of an inventory of UBS exposure to these sectors, some key exposures within this inventory include oil and gas: \$4.9bn, mining: \$3.3bn, construction and materials: \$4bn (for a detailed, sector by sector breakdown of figures please see Our Climate Strategy 2020, table on page 13, following accounting standard IFRS 9). Detailed explanation of potential financial impact figure (based on Our Climate Strategy 2020, table on page 13): Aerospace and defense \$962m + Automotive \$966m + Chemicals \$2,021m + Constructions and materials \$3,905m + Food and beverage \$1,754 0.6m + Industrial materials \$151m + Machinery and equipment \$2,778m + Mining \$3,276m + Oil and gas \$4,951m +Plastics and rubber \$373m + Primary materials \$249m + Textile products and apparel \$1,128m + Real estate \$13,357m +Transportation \$2,337m +Utilities \$493m = \$38,700 bn Potential financial impacts would be a fraction of this amount as a result of not managing regulatory risks in our investment or lending decisions. Driven by reduced financial performance of carbon-related assets, as a result of increased costs from carbon pricing (direct or indirect). Direct financial impacts on those borrowers, could result in credit events (e.g. credit downgrades).

**Cost of response to risk**

6258798

**Description of response and explanation of cost calculation**

UBS already has a restricted risk appetite for those carbon-related assets\* that are deemed to be misaligned with the objectives of the Paris Agreement, and continuously reviews and adapts these restrictions. UBS again reduced carbon-related assets on its balance sheet to \$5.4 billion or 1.9% at the end of 2020. We have taken the following strategic decisions in 2021: - UBS became a founding member of the Net Zero Banking Alliance and will define a detailed road map for achieving net zero greenhouse gas emissions across all of our operations (Scopes 1, 2 and 3) by 2050. - We set a new threshold for financing of existing thermal coal mining companies (20% of revenues) unless they have a transition strategy that aligns with the goals of the Paris Agreement, or the transaction is related to RE or clean technology. - We lowered the threshold of financing of existing coal-fired operators (from 30% to 20% of coal reliance) unless they have a transition strategy that aligns with the goals of the Paris Agreement, or the transaction is related to RE or clean technology - We lowered the threshold financing to companies with significant reserves or production in arctic oil and/or oil sands (from 30% to 20% of reserves or production) unless they have a transition strategy that aligns with the goals of the Paris Agreement, or the transaction is related to RE or clean technology. We have performed both top-down balance sheet stress testing, as well as targeted, bottom-up analysis of specific sector exposures. We have so far not identified significant climate-related financial risk on our balance sheet. We explain this by UBS's relatively small lending book in climate-sensitive-sectors (see "UBS corporate lending to climate-sensitive sectors 2020", page 13 of UBS Climate Strategy) and availability of insurance where we have relevant exposures to such sectors (e.g., Swiss mortgage lending book). The cost of response to risk consist of the full time personnel responsible for managing climate risks. In 2020-2021, there has been an increase in the amount of FTEs dedicated to climate risk management and we anticipate an increase in resources and FTEs allocated to climate risk management in the next 2 years. Overall cost of response to risk is calculated by combining the personnel expenses (26 FTE dedicated to climate risk management), in total : \$240 723 (cost per employee) X 26 (number of FTE dedicated to climate risk management) = \$6,258,798.

**Comment**

\*UBS follows TCFD recommendation to measure and disclose exposure to "carbon-related" assets in order to foster an early assessment of climate-related risks and facilitate market discipline amongst other systemic rationale identified by the FSB. The TCFD suggests banks define carbon-related assets as those assets tied to the energy and utilities sectors under the Global Industry Classification Standard, excluding water utilities and independent power and renewable electricity producer industries

**Identifier**

Risk 3

**Where in the value chain does the risk driver occur?**

Downstream

**Risk type & Primary climate-related risk driver**

|        |   |
|--------|---|
| Market | Loss of clients due to a fund's poor environmental performance outcomes (e.g. if a fund has suffered climate-related write-downs) |
|--------|---|

**Primary potential financial impact**

Decreased revenues due to reduced demand for products and services

**Climate risk type mapped to traditional financial services industry risk classification**

Strategic risk

**Company-specific description**

With the more pronounced relevance and influence of climate change on investment decisions, UBS clients increasingly ask for products and services which protect them from climate-related risks. UBS has noted a strong momentum in core sustainable investments, which include climate investments. In 2019 UBS Asset Management (AM) surveyed over 600 institutional investors worldwide, representing more than EUR 19 trillion in combined AuM. We found that most asset owners believe that environmental factors will matter more to their investments than traditional financial criteria over the next 5 years. A similar picture emerges in the private wealth space where a survey of our ultra-high net worth clients showed that the majority think sustainable investing will become the norm in the next decade. A key performance indicator is the development of the share of Asset Management's core Sustainable Investing (SI) assets, which grew to \$97.1 billion at the end of 2020 and ESG integrated assets, which



grew to \$440.5 billion. We are committed to working with our clients to achieve a low carbon future through our investment offerings across asset classes. By end of 2020, assets across our Climate Aware strategies exceeded \$15 billion. UBS believes the transition to a low carbon economy is vital, and therefore we are focused on supporting our clients in preparing for success in an increasingly carbon constrained world. As a leading global financial services provider, UBS does this in several ways. One way is by protecting UBS clients' assets from climate-related risks. UBS supports our client's efforts to assess, manage and protect them from climate-related risks by offering innovative products and services in investment, financing and research. UBS AM developed the Climate Aware methodology of mitigation, adaptation and transition to offer a range of new investment solutions designed to meet clients' climate expectations. The Climate Aware framework includes a stewardship program where we also actively engage on climate topics with companies that we invest in to further drive improvements at the investee level.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium-low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

16080000000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

Potential financial impacts could be the loss of up to USD 160.8 bn in climate-related investments (Assets under Management, AuM). These are the investments allocated to products and services innovated by UBS, and upon which UBS derives revenues in the form of management fees, which protect asset owners from climate-related transition risks (risk-aware investments). Calculation method: Climate-related investments were \$160.8bn at the end of 2020 (this represents 3.8% of total invested assets, and the number grew 48.88% in 2020 from \$108bn in 2019). The financial risk to UBS is losing these AuM (and related revenues) if UBS did not innovate products and services to meet this client demand, and develop the approach, methodology, and tools in order for clients to continue to mitigate climate-related risks in their investments. Additionally, there is an intangible component, loss competitive positioning and failure to qualify for RFPs for new business, associated with not managing the risk. Calculation method: Climate-related investments were \$160.8bn at the end of 2020 (this represents 3.8% of total invested assets, and the number grew 48.88% in 2020 from \$108bn in 2019). Potential financial impact figure: UBS Climate-related investments in 2020: \$160.8 bn (this metric can be found on page 41 of UBS Sustainability Report 2020)

**Cost of response to risk**

40900000

**Description of response and explanation of cost calculation**

UBS recognized the importance of climate already early on and we are systematically analyzing our climate offering and developing new product ideas to fill in gaps we identify. We have set up working groups with senior representatives from sales, product, investments and sustainable and impact investing to set priorities and create a robust pipeline of new products and services around climate change. Therefore, we support our client's efforts to assess, manage and protect them from climate-related risks by offering innovative products and services in investment, financing and research. For example: • In 2020, AM expanded its proprietary Climate Aware framework of mitigation, adaptation and transition to offer a range of new investment solutions designed to meet clients' climate expectations. The framework is oriented towards companies that are better prepared for a low-carbon future while reducing exposure to, rather than excluding, companies with higher carbon risk, in order to pursue strategic engagement with these companies. The framework involves an innovative approach to aligning the portfolio with the two degree carbon reduction scenario in the future. During 2020 we launched several Climate Aware investment solutions within fixed income and active equities and expect this roll out of additional Climate Aware investment solutions to continue over the coming months to help meet the growing demand from our clients globally. In total, by the the end of 2020, assets across all Climate Aware strategies exceeded USD 15 billion. • We recognize that energy efficiency regulations and standards may impact UBS indirectly through our real estate investment portfolio. The Real Estate (RE) team follows developments of CC regulation as it may create additional costs (for example: contractual penalties through emissions trading or tax incentives, increased obsolescence of older buildings = CAPEX, higher vacancy in less efficient buildings) and potentially have an impact on the valuation of Real Estate funds offered by UBS to its clients. RE assesses current and/or future financial effects by including such risks in standard calculations and in the complete deal value chain. Cost of response to risk is an estimated \$40.9m per year consisting of the employee costs of the UBS in Society organization (170 full-time specialists) who manage this risk by innovating new products and services. The average cost of an employee is \$240 723 (\$240 723 x 170= \$40.9m).

**Comment**

**Identifier**

Risk 4

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type & Primary climate-related risk driver**

|                |  |
|----------------|--|
| Acute physical | Increased severity and frequency of extreme weather events such as cyclones and floods |
|----------------|--|

**Primary potential financial impact**

Increased indirect (operating) costs

**Climate risk type mapped to traditional financial services industry risk classification**

Operational risk

**Company-specific description**

UBS has experienced extreme weather events, (such as heavy rain and storms) which may impact the continuity of business, but also increase the need for higher insurance coverage to cover impacts to UBS locations and buildings. More frequent extreme weather events (typhoons, cyclones, hurricanes) may have an adverse impact on vulnerable UBS locations (buildings).

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

250000

**Potential financial impact figure – minimum (currency)**

&lt;Not Applicable&gt;

**Potential financial impact figure – maximum (currency)**

&lt;Not Applicable&gt;

**Explanation of financial impact figure**

The cost of insurance cover is likely to increase as acute physical risk events become more frequent. UBS could face an approximately \$250k higher premium as a result from a storm harder than a 1/100 years event (e.g. Hurricane Katrina). The modelled financial risk of a 1/100 years event can be up to USD 12.5m, based on an assessment conducted by an independent expert, as mandated by GIM.

**Cost of response to risk**

240000

**Description of response and explanation of cost calculation**

UBS responds to these risks by ensuring that our infrastructure is not only efficient but also highly resilient in order to cope with current and future demands likely to be placed upon it. For example, UBS due diligence processes on any new property acquisition would routinely include a Threat and Vulnerability Analysis. In order to minimize insurance related costs from natural catastrophes, UBS Group Insurance Management (GIM) identifies potential risks by collecting data on all insurable physical assets (e.g. buildings, IT, content, securities, banknotes, precious metals etc.). Together with external natural catastrophe experts and actuaries, GIM conducts specific risk assessments every 3 to 5 years based on the risk from natural catastrophes. Risks linked to CC that are currently taken into account under this framework include European windstorms, US east coast hurricanes and typhoons in the Asia Pacific region. As an example: precipitation events in southeast Asia, specifically heavy rains in Hyderabad, India and Typhoon Nangka in Hong Kong; and a wide-area power outage caused by Tropical Storm Isaias in the US tri-state (NY/NJ/CT) area resulted in no residual business impact as the implementation of BCM plans proved successful. Cost of response to risk is calculated to be approximately \$100k every 3 to 5 years as a result of GIM conducting conducting the adequate risk assessments and related employee resource cost of \$120k (0.5 FTE: \$240k (average cost of employee) /2).

**Comment****Identifier**

Risk 5

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type & Primary climate-related risk driver**

|                  |   |
|------------------|---|
| Chronic physical | Changes in precipitation patterns and extreme variability in weather patterns |
|------------------|---|

**Primary potential financial impact**

Decreased revenues due to reduced production capacity

**Climate risk type mapped to traditional financial services industry risk classification**

Operational risk

**Company-specific description**

UBS experiences a growing threat from a combination of various physical climate-risk factors, i.e. heavy storms and flooding (extreme weather events), exacerbated by incremental climate change (e.g. sea level rise), at UBS locations like New York City, Weehawken and Jersey City, and for some locations in the Asia Pacific region, such as Philippines, Indonesia, India, Thailand and certain parts of Australia. UBS office facilities located in these vulnerable areas therefore pose an increasing threat to UBS production capacity (office impacts). UBS employs its Business Continuity Management (BCM) team, which manages processes and tools in order to mitigate the risks from such events.

**Time horizon**

Long-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

15000000

**Potential financial impact figure – minimum (currency)**

&lt;Not Applicable&gt;

**Potential financial impact figure – maximum (currency)**

&lt;Not Applicable&gt;

**Explanation of financial impact figure**

The increased financial risk of a 1 in 250 years flood risk event (that can be related to chronic physical risks such as sea level rise) is estimated at CHF15m for United States locations based on assessment conducted by an independent expert, as mandated by GIM.

**Cost of response to risk**

50000000

**Description of response and explanation of cost calculation**

UBS Business Continuity Management (BCM) manages these risks in key areas where concentration of knowledge, revenues, product delivery, premises, systems and infrastructure create a high level of risk to UBS. Critical locations get an annual Threat and Vulnerability Assessment (TVA) to identify such threats based on relative severity and likelihood. The output of the key risks and their mitigation status is reviewed annually and documented in the "Location Risk Profile" to ensure that we address specific risk such as extreme weather events for all global critical locations. We have business continuity (BC) plans in place covering people, processes and technology. These are tested on a regular basis for survival and business critical activities. We have business continuity (BC) plans in place covering people, processes and technology. These are tested on a regular basis for survival and business critical activities. Crisis Management Plans are exercised with extreme weather scenarios for locations with a history of extreme weather events. Specific extreme weather scripts have been developed in the APAC and the Americas regions to allow for efficient preparation of such events, also for the smaller locations where no BC team is available. Additionally, contingency plans are being developed for weather related events if it is felt that these events cannot be addressed by the standard BC plans. Examples would be typhoon contingency plans for East Asian countries and hurricane and tornado preparation plans for the USA. Cost of response to risk is calculated by summing the annual spend on BCM staff resources, BCM system and tools and recovery sites: Approx total cost: \$50m comprising of: o Staff resources: \$6.5m o BCM System and tooling (incl support): \$1m o Recovery sites (including real estate costs and equipment): \$42.5m TOTAL: \$6.5m + \$1m + \$42.5m = \$50m

**Comment**

---

**Identifier**

Risk 6

**Where in the value chain does the risk driver occur?**

Upstream

**Risk type & Primary climate-related risk driver**

|                |  |
|----------------|--|
| Acute physical | Increased severity and frequency of extreme weather events such as cyclones and floods |
|----------------|--|

**Primary potential financial impact**

Decreased revenues due to reduced production capacity

**Climate risk type mapped to traditional financial services industry risk classification**

Operational risk

**Company-specific description**

Extreme weather events may affect UBS, as UBS relies on a network of business vendors in regions impacted by heavy rains (e.g. Monsoons). Recently, UBS has seen an increase in the risk that heavy rains and/or typhoons, for example, may reduce production capacity of UBS critical vendors, as a result of both a changing climate (increased severity and frequency) and as a result of an increase of UBS's dependence on Vendors operating in vulnerable regions, notably southeast Asia and India. If left unmanaged, these climate-related risks may pose a business continuity risk to UBS.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

10000000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

UBS estimates a 1/100 years event US wind storm to generate a potential of \$10m (expected to increase) in revenue losses, from disruption of business, personnel not being able to work, loss of clients and/or loss of not being able to conduct business affected the entire industry in an affected location.

**Cost of response to risk**

50000000

**Description of response and explanation of cost calculation**

It is essential that vendors performing critical activities on behalf of UBS have appropriate Business Continuity Management (BCM) arrangements in place with UBS for addressing the risks associated with the locations in which they operate, and for internal UBS departments to understand these critical dependencies. As an example: precipitation events in southeast Asia, specifically heavy rains in Hyderabad, India which affected our service delivery centers and vendors, resulted in no residual business impact as the implementation of BCM plans proved successful. The BCM Third Part Framework identifies key touch points in the sourcing lifecycle impacting BCM, and outlines relevant roles and responsibilities, focusing specifically on critical third parties. Cost of response to risk is calculated by summing the annual spend on BCM staff resources, BCM system and tools and recovery sites: Approx total cost: \$50m comprising of: o Staff resources: \$6.5m o BCM System and tooling (incl support): \$1m o Recovery sites (including real estate costs and equipment): \$42.5m TOTAL: \$6.5m + \$1m + \$42.5m = \$50m

**Comment**

---

**Identifier**

Risk 7

**Where in the value chain does the risk driver occur?**

Downstream

**Risk type & Primary climate-related risk driver**

|                  |   |
|------------------|---|
| Chronic physical | Changes in precipitation patterns and extreme variability in weather patterns |
|------------------|---|

**Primary potential financial impact**

Increased credit risk

**Climate risk type mapped to traditional financial services industry risk classification**

Credit risk

**Company-specific description**

UBS is exposed to businesses through our investment or loan portfolios, where physical climate risks may affect those businesses and their assets and therefore the balance sheet of UBS. More specifically, impacts from incremental climate change (gradual erosion of financial performance of our borrowers) and extreme weather events (direct impacts on production at our clients) may have a devaluating effect on the assets UBS holds in our portfolio (lending portfolio and securities we hold). Incremental changes in climate (such as rising temperatures and changes in precipitation patterns) can affect economic output and productivity, while extreme events can lead to damage, operational downtime and lost production for fixed assets, and potential changes to property value. Extreme events, which are increasing in both frequency and intensity, often attract more attention as their impacts are more apparent. However, the risks from incremental changes, which are already underway, should not be overlooked. Extreme events may only occur in specific locations (such as floodplains or tropical cyclone regions) and require banks to have the ability to assess the probability of their borrowers being impacted by these events. In contrast, incremental changes have the potential to gradually erode the financial performance of entire borrower segments.

**Time horizon**

Short-term

**Likelihood**

Likely

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

23500000000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

Potential financial impacts would be asset valuation losses of a fraction of UBS exposure to areas with high vulnerability to physical climate risks, which is estimated to be up to a max of \$235 billion. This includes UBS exposure to climate sensitive sectors and residential mortgage portfolio (calculation method: UBS exposure to climate sensitive sectors \$38.7 bn + residential mortgage portfolio \$196.3 bn = \$235 bn (please see Our Climate Strategy 2020, table on page 13, for further quantitative details). This amount represents the total value of all UBS assets (loans) to vulnerable sectors and thus actual impacts would be a fraction of the total potential impact (as not all assets would be totally eliminated from physical climate impacts). High risk sectors mentioned here are defined through UBS collaboration within the UNEP FI banking pilot.

**Cost of response to risk**

6258798

**Description of response and explanation of cost calculation**

In order to manage our own, and our clients', risk derived from both the physical and transition risks associated with climate change, we have performed both top-down balance sheet stress testing, as well as targeted, bottom-up analysis of specific sector exposures. We performed a top-down scenario-based stress test on UBS's balance sheet vulnerability where a series of extreme weather events prompted a regulatory response. Financial impacts were moderate, while the biggest risk from severe weather events was damage to properties in Zurich due to concentration of assets. The operational income impact was minimal. We assessed potential impacts of increasing climate change regulations and extreme weather events scenarios on our energy and real-estate loan portfolios. Potential financial impact on UBS was moderate, due to short-term maturity profile and availability of insurance coverage for real estate. UBS conducted a bottom-up stress test of its energy lending in North America against impacts of climate-change related drought. We jointly developed a methodology that examines risks from both incremental and extreme weather on our loan portfolio. The aim was to estimate the financial impact of physical climate risk, which required translating climate risk data into change in probability of default (PD). The cost of response to risk consist of the personnel costs of the team responsible for managing climate risks. In 2020-2021, has been an increase in the amount of FTEs dedicated to climate risk management and we anticipate an increase in resources and FTEs allocated to climate risk management in the next 2 years. Overall cost of response to risk is calculated by combining the full-time personnel expenses (26 FTE dedicated to climate risk management), In total \$240 723 (average cost per employee) x 26 = \$6,258,798.

**Comment**

**Identifier**

Risk 8

**Where in the value chain does the risk driver occur?**

Downstream

**Risk type & Primary climate-related risk driver**

|            |   |
|------------|---|
| Reputation | Negative press coverage related to support of projects or activities with negative impacts on the climate (e.g. GHG emissions, deforestation, water stress) |
|------------|---|

**Primary potential financial impact**

Decreased revenues due to reduced demand for products and services

**Climate risk type mapped to traditional financial services industry risk classification**

Reputational risk

**Company-specific description**

Reputation is one of UBS' most valuable assets, key to the success of a global financial firm and to its brand. The firm's Code of Conduct & Ethics underscores the vital importance of protecting and advancing UBS' reputation (and also makes explicit reference to UBS' "constantly looking for better ways to do business in an environmentally sound and socially responsible manner"), this includes how UBS addresses climate change in its business activities. Climate change (CC) involves certain reputational risks

if not properly addressed, notably through negative stakeholder perceptions of UBS. More concretely, UBS' approach to CC directly affects whether or not, respectively at which level, UBS is listed in indices and ratings related to Environmental, Social and Governance (ESG) topics, how the firm is viewed by rating & research agencies in general, and whether UBS remains a credible investment for those investors sensitive to sustainability/ESG issues. In 2020 UBS continued to face reputational risks, in the context of Climate Change, specifically around stakeholders criticizing banks, incl. UBS, for providing finance to companies active in the production and burning of fossil fuels such as coal. At the same time, UBS' climate action can also create positive reputational impact, as demonstrated by Asset Management being rated A+ or "leadership band" for engagement and voting on climate by InfluenceMap.

**Time horizon**

Short-term

**Likelihood**

More likely than not

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

50000000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

Implications are indirect (e.g. negative reaction of sustainability oriented clients/ investors, negative effect on recruiting). In the long term increased reputational risks could lead to loss of business and changes in regulation, which might impact UBS' business model. As of December 2020, UBS' market capitalization was USD 50 billion. Reputational risks can impact how the firm is viewed by rating & research agencies in general and whether UBS remains a credible investment for investors sensitive to sustainability/ESG issues in the long term. Hypothetically, a 1% decrease in the share price due to reputational risk would decrease the market capitalization by approximately USD 50 million. We do not expect direct financial implications associated with this risk driver in the short term.

**Cost of response to risk**

40900000

**Description of response and explanation of cost calculation**

Our approach to sustainability is guided by our understanding of expectations and concerns of our diverse stakeholders. This requires regular and multi-faceted interactions with stakeholders via a range of means of exchange, (incl. our AGM). We Communicate: We maintain detailed information on our website about our CC commitment. We also actively engaged in internal and external education and awareness-raising on sustainability. Input on UBS in Society strategy (incl. CC) are regularly sought from employees, including a UBS in Society Forum of employees from all business regions and divisions. We train employees on UBS in Society. We Engage: We communicate with investors, financial analysts and rating agencies who are focused on sustainability to discuss topics that are relevant to our long-term performance, such as climate change - AM signed the 2018 Global Investor Statement to Governments on Climate Change calling for urgent action. As part of this group representing \$32 trillion in assets, AM indicates support for the Paris Agreement, in line with the goals of our climate change stewardship strategy. - We regularly interact with NGOs as it helps us formalize our approach. In 2020 this focused on climate change and human rights. Cost of response to risk is an estimated USD 40.9m per year consisting of the employee costs of the UBS in Society organization (170 full-time specialists) who manage this risk by innovating new products and services. The average cost of an employee is \$240 723 Cost of response to risk: \$240 723 x 170= \$40.9m

**Comment**

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C2.4

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**(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes

C2.4a

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**(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.**

**Identifier**

Opp1

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Resource efficiency

**Primary climate-related opportunity driver**

Move to more efficient buildings

**Primary potential financial impact**

Reduced indirect (operating) costs

**Company-specific description**

UBS is incentivized to reduce the carbon intensity of its energy supply and improve the energy efficiency of its own operations. Climate change-related regulatory developments such as renewable energy regulation, fuel and general energy regulation, our commitment to Net Zero, and tax incentives are many factors that encourage UBS to seek energy efficiencies, which lead to cost savings for UBS' in-house operations and reduced emissions. For example: In Switzerland, we are member of the Zurich Energy Model and committed to improve energy efficiency by 1-2% p.a. for all our 325 buildings consuming 141 GWh electricity and 39 GWh heat. In addition, a local utility provider in Zurich grants a so called "energy efficiency bonus" (a reduction of CHF 13 per MWh on the grid fees) if companies are on track to achieve energy

efficiency targets. In the UK, our third biggest market after Switzerland and the US, UBS faces costs related to the UK Carbon Reduction Commitment based on the amount of emissions UBS generates in the region. Overall UBS operates more than 810 buildings globally, with major buildings in Hong Kong, Singapore, Mumbai, Zurich, London, New York. Each building represents an opportunity linked to energy cost savings. In 2020, we reduced our energy consumption, largely through seeking energy efficiencies, by more than 18% compared with 2016, thus outperforming our target of a 5% reduction by 2020. Energy efficiency investments resulted in estimated annual energy cost savings of approx. \$2.5 million in 2019/2020.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

2300000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

Energy efficiency gains result in reduced operating costs in two ways: First we estimate that energy efficiency will be increased by 1 to 2% p.a. across the global UBS real estate and data center portfolio. With annual energy costs of ca USD 72 mio, This translates into energy costs saving of USD 1 - 1.5 million. Second, if we complete the energy efficiency stated above, our utility provider in Zurich provides us an "energy efficiency bonus" (as described in the section above "company specific description"). This equals to ca. USD 0.8 million in utility bill reduction. In total we estimate that we can save up to USD 2.3 mio p.a. (1.5+0.8).

**Cost to realize opportunity**

255000000

**Strategy to realize opportunity and explanation of cost calculation**

UBS ISO 14001 certified environmental management system prioritizes energy efficiency and helps us seize the opportunity to save energy. (1) Building control: steering groups sanction changes in building operations, incl. operational run times for central building plant & equipment/ data center facilities. For example, in the UK (where UBS reports Carbon Reduction Commitment (CRC) Energy Efficiency Scheme), UBS is working with its landlord to provide 70,000 sqm of new office space delivered against LEED and BREEAM standards with the aim to reduce CO2 emissions (and associated costs) from real estate portfolio. The new building (5 Broadgate, London) has been designed to consume 54% less energy than the buildings it replaces. (2) Improvements in building design/ investment in infrastructure: we seek opportunities to invest in infrastructure with the purpose of reducing operating cost. As of Q3 2020, we achieved our RE100 commitment with 100% of our electricity globally now sourced from renewable sources. (3) UBS applies a Responsible Supply Chain Management (RSCM) framework: incl. environmental criteria for the procurement of goods and services. In 2020, remediation measures were established with 56 vendors with potentially high impacts. Evaluation of energy efficiency and carbon emissions are included in the RSCM background checks. Cost to realize opportunity : Costs of investments in energy efficiency measures and higher costs for new (sustainable) buildings and equipment. In 2020, we invested a total of USD 255m in own properties (26m), leasehold improvements (37m) and IT hardware and communication equipment (192m). Investments are made with a multi-year time horizon.

**Comment**

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**Identifier**

Opp3

**Where in the value chain does the opportunity occur?**

Downstream

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development of new products or services through R&D and innovation

**Primary potential financial impact**

Increased revenues resulting from increased demand for products and services

**Company-specific description**

An estimated USD 85 trillion will be needed for low-carbon climate-resilient infrastructure investments by 2030 to meet the Paris agreement's goal to keep global average temperature increases well below 2 degrees C. (Brookings Institution, 2018). UBS sees a clear investor appetite for directing capital toward a low-carbon future and assists private and institutional clients in their desire to invest accordingly (as stated in UBS climate strategy). In 2019 UBS Asset Management (AM) surveyed 600 institutional investors worldwide, representing more than EUR 19 trillion in combined AuM. We found that most asset owners believe environmental factors will matter more to their investments than traditional financial criteria over the next 5 years. A similar picture emerged in the private wealth space where a survey of our ultra-high net worth clients showed that the majority think sustainable investing will become the norm over the next decade. Overall, global sustainable equity fund flows accelerated in 2020. Our climate-related sustainable investments increased to USD 160.8 billion in 2020 from USD 108 billion in 2019. Overall, the share of our core Sustainable Investing (SI) assets, grew 62.4% YoY from USD 488.5 to 793.2 billion. Meanwhile, the EU has adopted a Sustainable Finance Disclosure Regulation which came into effect in March 2021. EU member states are developing local initiatives, in particular in France and Germany. The Swiss Fund and Asset Management Association and Swiss Sustainable Finance issued "Sustainable Asset Management: Key Messages and Recommendations". UBS was one of the firms involved in this initiative. In June, the Singapore regulator issued the Environmental Risk Management Guidelines. Finally, signatories to the UN PRI are required to comply with the TCFD. As approaches to sustainability are increasingly adopted by regulators around the world, affecting pension funds and other institutional investors, UBS AM clients are increasingly asking for innovative investment products and services.

**Time horizon**

Short-term

**Likelihood**

Virtually certain

**Magnitude of impact**

Medium-low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

402000000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

UBS collects fees as a fraction of the clients invested assets. Climate-related sustainable investment assets represent 3.8% of total invested assets, or USD 161bn. This has grown 49%, up from USD 108bn in 2019. To elaborate, invested assets specifically in award-winning Climate Aware methodology increased almost five-fold since 2019 to 15.3 USD billion. We assume an average of 25 bps across the portfolio to estimate the financial impact as 2020 revenue (USD 161bn x 25bps = 402mio).

**Cost to realize opportunity**

40922910

**Strategy to realize opportunity and explanation of cost calculation**

UBS AM creates and markets funds that actively reduce exposure to, rather than exclude, companies with higher carbon risk, in order to pursue strategic engagement with these companies. The strategy involves a reduction of the portfolio CO2 footprint and an innovative approach to aligning it with the 2 degree carbon reduction scenario. Engagement is key in this strategy. AM engages with companies to discuss approaches to mitigating climate-related risk, and votes on shareholder resolutions to improve transparency and disclosure around climate-related reporting. AM has implemented an engagement program with 49 oil and gas and utilities companies, all underweighted in the fund. AM continues to (i) market its Climate Aware rules-based strategy to new clients, and (ii) make it available to more markets: (i) In January 2020, in the white paper published at the World Economic Forum annual meeting "Becoming climate aware: Mobilizing capital to help meet climate change goals", UBS outlined a framework to help investors align their portfolios towards a climate-smart future. The framework is built on the methodology which underlies UBS Asset Management (AM) Climate Aware strategy. (ii) In addition, AM followed up on the its successful UK Climate Aware rules-based strategy by launching a fund for international investors outside of the UK. In 2020, we also launched a suite of new strategies to build on the existing passive equity Climate Aware strategy including equity and fixed income, and both active and passive approaches. In 2020, Climate Aware assets have reached USD 15.3 Billion. UBS also offers other funds that support climate investment opportunities. For example, Clean Energy Infrastructure Switzerland (CEIS) launched two tranches (latest CEIS 2 closing in September 2019). This Investment solution focuses on the Swiss infrastructure sector. Finally, our retirement savings funds were made sustainable in 2020 and require no minimum investment amount. The funds of the UBS Vitainvest suite covering pillar 2 (occupational pension) and pillar 3 (private retirement savings) have undergone development to follow ESG criteria defined by UBS and thereby offer diversified opportunities to place higher weight on ESG scores and lower CO2 profiles. Costs for seizing these opportunities are employee salaries. This is estimated to be USD 40.9 Mio per year based on the average salary of ~USD 240,723 for 170 specialists involved (170 x 240,723 = 40.9 mio).

**Comment**

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**Identifier**

Opp4

**Where in the value chain does the opportunity occur?**

Downstream

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Primary potential financial impact**

Increased revenues resulting from increased demand for products and services

**Company-specific description**

To reach the Paris Agreement ambitions, the United Nations estimate that appropriate financial flows, new technology frameworks and enhanced capacity building frameworks will be put in place. Countries are increasingly defining strategies in this direction for example setting Net Zero targets and Paris-aligned Nationally Determined Commitments. Switzerland, a major market for UBS, specifically undertook a commitment to halve its greenhouse gas emissions versus 1990 by 2030. In 2019, the country further resolved to reduce carbon emissions to zero by 2050, as part of its Energy Strategy 2050. More regulations requiring lower emissions are required ahead of COP 26. Our clients consequently move towards increasing resource efficiency, while seeking to mitigate their own climate-regulatory risks. We see this trend translating into greater demand for green bonds and green financing. Global Sustainable bond issuance hit record highs in 2020 with total issuance at USD 416.4bn, significantly surpassing supply the year prior (up by 62% vs. 2019). There were several drivers to the growth in the Green, Social and Sustainability (GSS) Bond space in 2020 including accelerated pressure from investors in the face of regulatory developments, disclosure requirements, as well as a significant focus and resulting growth of the Social bond market in response to the COVID-19 pandemic. UBS takes a holistic approach to sustainability in terms of the products and services we provide (see section below for a high level overview on UBS Investment Bank and Research). As part of our broader offering, UBS sees a strong business rationale for catering to the growing importance of and demand for sustainability financing in the transition to a low-carbon economy. UBS provides capital-raising and strategic advisory services globally to companies that make a positive contribution to climate change mitigation and adaptation, and/or within its lending capacity to address this need. 2020 saw the creation of the cross-firm Sustainable Finance Committee which aimed to address commercial aspects of sustainable finance and placing additional emphasis on sustainable finance client solutions across the group. In May of 2021, UBS AG strengthened its resources toward sustainability efforts by establishing the Group Sustainability and Impact organization. This dedicated group expands our resources and expertise in the area of sustainable finance.

**Time horizon**

Short-term

**Likelihood**

Very likely

**Magnitude of impact**

Medium-low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

850000



**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**

We plan to continue supporting the issuance of Green, Social and Sustainability (GSS) bonds. We expect to see further growth going forward, but conservatively estimate the potential financial impact figure based on 2019 revenues. In 2020 UBS Investment Bank supported the issuance of 33 Green Social and Sustainability bond transactions, generating in excess of USD 8.5m.

**Cost to realize opportunity**

5000000

**Strategy to realize opportunity and explanation of cost calculation**

Investment Bank: - Provide capital raising and strategic advisory services to companies that contribute positively to climate change mitigation and adaptation, incl those in the solar, wind, hydro, energy efficiency, waste, biofuel, and transport sectors - Involved since 2017 in high profile issuances in the GSS bond market, incl first-ever green bond offering from a Swiss public sector entity, first green bond for a listed company in Switzerland (active in energy and infrastructure), and first Green Tier 2 bonds from a European bank. Supported issuance of 24 Green Social Sustainability and Sustainability-linked (GSSS) transactions in Q1 2021 incl New World Development, etc. - Conduct sustainable finance discussions with majority of clients globally with ambition of increasing share of sustainable finance transactions - Heads of Sustainable Finance appointed in 2020 to drive the agenda for each of the main business areas of the Investment Bank - Client conferences with ESG experts, academics and industry leaders with integrated ESG content (eg Greater China Conference in Jan. (3,000 attendees), ESG virtual conference 2020 (700 attendees); 3 key conferences planned in 2021: EMEA June, APAC July, Americas Oct. - Since 2004, independent UBS ESG research team has been working in conjunction with over 250 macro, sector and company analysts. ESG icon introduced in 2019 to flag ESG relevant content across reports published by UBS Research (incl climate-related issues) was used to flag 133 of our research reports with ESG content (up from 32 in 2019). In Switzerland: We strive to be the preferred strategic financial partner for Switzerland's Energy Strategy 2050 by supporting energy utilities in raising capital to progress their quest for renewable energy. We offer SMEs an energy check-up to assess their energy efficiency. Leasing bonuses as financial contributions toward enhancing environmental performance are offered to companies seeking to finance production machines. In Real Estate Financing, UBS offers green mortgages at preferential rate. "UBS Atrium" – an income-producing real estate mortgage platform launched in 2021 – connects lenders with borrowers seeking to finance eco-certified properties Cost for seizing this opp.: Within Global Banking and Global Markets, over 50 employees have sustainability and climate-related finance as part of their focus (5 - 100% of their time). Based on a pro rata of their time, estimated to cost less than \$5m a year.

**Comment****Identifier**

Opp5

**Where in the value chain does the opportunity occur?**

Downstream

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Primary potential financial impact**

Increased revenues resulting from increased demand for products and services

**Company-specific description**

In Europe, to boost buildings energy performance, the EU established a legislative framework that includes the Energy Performance of Buildings Directive 2010/31/EU and the Energy Efficiency Directive 2012/27/EU. Together, the directives promote policies at the country level that will help "achieve a highly energy efficient and carbonized building stock by 2050, create a stable environment for investment decisions and enable consumers and businesses to make more informed choices to save energy and money". In Switzerland an updated energy law promotes more energy efficient buildings and renewable energies since January 2018. These developments create an increasing demand for UBS Real Estate investment funds (REPM), which we manage based on our Responsible Property Investment Strategy. In Europe, REPM holds 1,300 properties in 15 countries covering retail, office, industrial and multi-family housing spaces. In Switzerland, REPM manages some CHF 23bn and is a market leader in the RE fund sector, where statutory requirements are becoming more stringent; social, economic and environmental criteria need to be considered for RE investments decisions. These include: CO2 emissions reduction, renewable energies development, energy efficiency promotion, tenant satisfaction, optimization of properties' life cycle costs. In Switzerland, examples of properties owned by UBS funds include photovoltaic projects targeting to supply 4,000 homes. In Barcelona, Cornerstone Business Park was the first office development to achieve LEED Gold Status thanks to features like lighting control, smart onsite renewable energy generation and reflective roofing to reduce heat. In Graz, Austria, Saubermacher, a recycling plant, ranked #1 in environmental services (GRESB). Outside Europe, investments include Spining Spur II Wind Farm in Texas or 455 Market Street in San Francisco, Platinum certified under LEED- ARC. REPM, one of the largest RE asset owner, is a member of GRESB, an independent organization assessing ESG performance of real estate, infrastructure and debt portfolios. 21 funds representing 96% of UBS Asset Management's direct pooled real estate and infrastructure vehicles globally<sup>1</sup> were rated in 2020. These funds showed sustained strong performance, with all 18 real estate funds achieving either 4-star or 5-star status and 100% submitted infrastructure funds achieving 5 stars, reflecting upper quintile performance.

**Time horizon**

Short-term

**Likelihood**

Very likely

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

300000000

**Potential financial impact figure – minimum (currency)**

<Not Applicable>

**Potential financial impact figure – maximum (currency)**

<Not Applicable>

**Explanation of financial impact figure**



The potential annual financial impact in the short term is associated with the revenues generated by the management fees as a portion of the full USD 120bn of Responsible Real Estate funds. Assuming a fee of 25bps, this represents an estimated USD 300m of revenue (based off 2020: USD 120bn x 25bps = USD 300m).

#### Cost to realize opportunity

6740244

#### Strategy to realize opportunity and explanation of cost calculation

Since 2010, our real estate business has been pursuing a sustainability strategy which is applied consistently to all 8 real estate (RE) investment products. Using a fully-integrated approach, our ecological footprint is measured and our actions simultaneously contribute positively to the environment and society. We're putting in place energy efficiency measures which help cut tenants' ancillary costs, and increasingly cover electricity needs of our RE portfolio through renewable energies. Solar power, battery storage, electric vehicle charging stations are incorporated into our investment process. As a result, we reduced our portfolio carbon footprint by 19.4% over the past 5 years. One example is a photovoltaic project in Switzerland of more than 100 power-generating systems with an output of around 15 MWp by 2022, enough to supply ~4000 homes. The electricity will be available to tenants who can profit from green electricity on favorable terms. In 2019, we carried out a social value assessment for the Springfields Outlet Shopping & Leisure Center in the UK. The social value report details the social, economic and environmental value generated in 2018/19 and how it maps against the SDGs. The assessment was used to estimate how the property management team, suppliers and retailers contributed to each SDG. We developed a Responsible Investment Strategy (RI) to enhance investment performance of mandates for direct & indirect real estate and infrastructure investments. RI is implemented by all operational functions during the entire ownership cycle of an underlying project, from development/ acquisition to ongoing asset management, renovation, maintenance and marketing, through successful sale. A working group is responsible to promote the strategy factoring in climate change regulation. We develop & integrate RI into fund strategies, set objectives to make achievements transparent and measurable, measure performance annually using GRESB KPIs with rolling 5 year reduction targets set in accordance with the Paris Agreement, and report results to key stakeholders. Direct costs for seizing this opportunity are mainly linked to employee salaries. This is estimated to be USD 7.0m per year based on the average salary of ~USD 240,723 for 20 specialists involved and the estimated full time equivalent of eight additional for the percentage of the additional time employees actively involved, but not fully dedicated, spend on our efforts. (28x240, 723 = 6,740,244).

#### Comment

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#### Identifier

Opp2

#### Where in the value chain does the opportunity occur?

Downstream

#### Opportunity type

Markets

#### Primary climate-related opportunity driver

Improved ratings by sustainability/ESG indexes

#### Primary potential financial impact

Increased portfolio value due to upward revaluation of assets

#### Company-specific description

Amid far-reaching economic and societal unrest, businesses are challenged on the legitimacy of their role and the part they play in society more than ever. This is why we put great emphasis on learning the views and values of our stakeholders with regard to the business activities of UBS and its role in society. The BoD's Corporate Culture and Responsibility Committee regularly monitors our firm's sustainability activities and ambitions and approves its strategy and goals. Over the past years, clients have been making a shift in favor of investments that focus on, or more actively take into account, material environmental, social and governance (ESG) factors. The COVID-19 crisis has both accelerated and solidified this trend by highlighting the consequences of not addressing challenges we are well aware of (such as climate change or social inequalities) as well as the interconnectedness of our world. In 2019 UBS Asset Management (AM) surveyed over 600 institutional investors worldwide, representing more than EUR 19 trillion in combined AuM. We found that most asset owners believe that environmental factors will matter more to their investments than traditional financial criteria over the next five years. A similar picture emerges in the private wealth space where a survey of our ultra-high net worth (UHNW) clients showed that the majority think sustainable investing will become the norm in the next decade, with environmental topics leading the list of topics they want to address in their portfolios. This is also reflected in our biannual stakeholder survey, covering primarily employees, clients, and investors. The results of the stakeholder survey are translated into a materiality matrix. As shown in the 2020 materiality matrix, stakeholders currently regard the impact of environmental and social topics as partly influencing their assessments and decisions. The relevance of these topics has again increased compared with 2018 and 2019 and, with it, the probability that the relevance of some of these topics to UBS, notably climate action and sustainable finance, will further increase in coming years. We also maintain a constant dialogue with non-governmental organizations as it supports UBS to consider its approach to, and understanding of, societal issues and concerns. In 2020, discussions with NGOs were particularly focused on climate change (notably on fossil fuels). Other topics discussed included sustainable finance, human rights and biodiversity.

#### Time horizon

Short-term

#### Likelihood

More likely than not

#### Magnitude of impact

Medium

#### Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

#### Potential financial impact figure (currency)

500130000

#### Potential financial impact figure – minimum (currency)

<Not Applicable>

#### Potential financial impact figure – maximum (currency)

<Not Applicable>

#### Explanation of financial impact figure

A strong reputation supports the attraction of prospective and retainment of existing clients, which has both, direct and indirect financial implications. We expect this to become more important as the issue of climate change increases in importance. Reputation impacts how the firm is viewed by rating & research agencies in general and is relevant to attract investors sensitive to sustainability/ESG issues in the long term, which has a positive impact on share price. As of December 2020, UBS' market capitalization was USD 50.013 billion. Hypothetically, a 1% increase in the share price due to excellent reputation would increase the market capitalization by approximately USD 500.1million (\$ 50.013. bn x 0.01).

#### Cost to realize opportunity

40922910

**Strategy to realize opportunity and explanation of cost calculation**

Our cross divisional organization, is committed to making UBS a force for driving positive change in society and the environment for future generations. It will do so by focusing our firm on creating long term positive impact for clients, employees, investors and society, all of which have expectations in terms of climate for UBS. The Chief Sustainability Office (CSO) reports directly into the Group GEB sponsor for Sustainability and Impact. UBS's ambition is to be a leader in sustainable finance across all client segments, a recognized innovator and thought leader in philanthropy, an industry leader for sustainable business practices, an employer of choice. In climate specifically, a key component of our comprehensive climate strategy is to offer innovative products and services in the areas of investments, financing and research as well as to encourage more transparency by companies. At the same time, we are working on further restricting assets that are associated with climate-related risks. We continue to be successful on both fronts, increasing our climate-related SI to USD 160.8 billion in 2020 from USD 108 billion in 2019, while reducing our carbon-related assets from USD 3.2 billion to USD 1.9 billion in 2019. UBS uses the ISO 14001 norm to manage its environmental impact across all actives, from own operations to banking activities. To provide sustainability information to our stakeholders, UBS maintains detailed information on websites (see under comments) & actively engage in internal and external education and awareness-raising on sustainability. We communicate with investors, analysts and rating agencies who are focused on sustainability to discuss topics that are relevant to our long-term performance, such as climate change. Following the launch of the TCFD recommendations in 2017, we have continuously improved and expanded our climate-related disclosures to demonstrate our active engagement for an orderly transition to a low-carbon economy. Separately, the CSO team is also responsible for the communication with key sustainability rating agencies, and support the Investors Relations team with providing relevant information to demonstrate UBS's climate engagement. Costs for seizing this opportunity are employee salaries. UBS employs 170 specialists dedicated to pushing our sustainability strategy. The average cost of an employee is \$ 240, 723 (\$240, 723 x 170 = \$40.9 million).

**Comment**

Key websites [ubs.com/sustainability](https://ubs.com/sustainability) [ubs.com/gri](https://ubs.com/gri)

**C3. Business Strategy**

**C3.1**

**(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?**

Yes, and we have developed a low-carbon transition plan

**C3.1a**

**(C3.1a) Is your organization's low-carbon transition plan a scheduled resolution item at Annual General Meetings (AGMs)?**

|       |  |  |
|-------|--|--|
| Row 1 | No, but we intend it to become a scheduled resolution item within the next two years |  |
|-------|--|--|

**C3.2**

**(C3.2) Does your organization use climate-related scenario analysis to inform its strategy?**

Yes, qualitative and quantitative

**C3.2a**

**(C3.2a) Provide details of your organization's use of climate-related scenario analysis.**

2DS In order to manage our own, and our clients', risk derived from both the physical and transition risks associated with climate change, UBS has been using scenario-based approaches since 2014. We  
RCP 2.6 have performed both top-down balance sheet stress testing (across the firm), as well as targeted, bottom-up analysis of specific sector exposures (in real estate, utilities, and oil & gas) in short- (0-3  
RCP 4.5 yrs), mid- (3-10 yrs), and long-term horizons (10-80 yrs). UBS chose these time horizons to address CC risks comprehensively (both immediate, short-term risks as well as long-term risks against the  
RCP 6 Paris Agreement target year 2100). Our initial (2014) top-down approach consisted of a scenario-based stress test to assess UBS's balance sheet vulnerability across the firm. Leveraging our  
RCP 8.5 existing firm-wide top-down stress testing methodology, we developed a climate change scenario (which assumes that severe weather events result in governments around the world agreeing to  
IEA B2DS implement carbon pricing mechanisms to assess the impact on financial assets, operational income and physical assets). The scenario anticipated that these mechanisms will prompt a shift away  
IEA from coal and other fossil fuels to cleaner alternatives and adversely impact markets and gross domestic product. The results showed moderate financial impact in line with other stress scenarios,  
Sustainable such as those that foresee an oil shock. Our subsequent (2015) bottom-up analyses of oil and gas utilities as well as electric utilities loan portfolios consisted of a forward-looking analysis to assess  
development impacts of a long-term low fossil fuel price scenario resulting from policies promoting greater use of renewables, enhancing efficiency standards and limiting emissions. We calculated the impact this  
scenario would have on company probability of default and aggregated company-level results at the portfolio level to assess changes to expected loss. We also assessed the vulnerability of loan  
IEA NPS portfolios secured by real estate in Switzerland and the US to physical risk by mapping the location of collateral in over 6,000 postal code areas against Swiss Re's CatNet tool, which aggregates a  
IEA CPS large dataset of observed natural hazards such as wildfire, river and pluvial flooding and tropical cyclones. Using the PACTA methodology, we have studied the alignment of select climate-sensitive  
REMIND sectors in our corporate credit portfolio with IEA scenarios over a 5-year time horizon. The methodology provides an assessment of a bank's credit-financed activities in relation to the global shift to a  
MESSAGE- low-carbon economy. UBS participated in the PACTA 2020 climate alignment test that focused on assessing listed investments, mortgage and direct real estate portfolios. The listed investments  
GLOBIOM results suggested that UBS has a relatively low exposure to power, automotive and fossil fuel sectors, compared with the aggregated results of all participating banks' portfolios. Results: From both  
Nationally top-down and bottom-up approaches, our internal stress test results suggested no immediate threat to UBS's balance sheet. However, we identified methodological challenges ranging from the  
determined suitability of climate scenarios for banking risk modelling to data availability. To address these challenges, 35 banks, including UBS, the UNEP FI and climate expert community began a collaboration  
contributions of several years in 2018. Case example of strategic impact: UBS took strategic decisions in 2021 that were informed by scenario analysis: -Became a founding member of the Net Zero Banking  
(NDCs) Alliance, this includes developing a road map for achieving net zero GHG emissions across all operations (Scope1, 2 & 3) by 2050. - Set a new threshold for financing of existing thermal coal mining  
Other, companies (20% of rev.) - Lowered threshold of financing of existing coal-fired operators (from 30% to 20% of coal rel.) - Lowered threshold of financing to companies with significant reserves or  
please production in arctic oil and/or oil sands (from 30% to 20% of res. or prod.)  
specify  
(Integrated  
Assessment  
Modelling  
Consortium)

**C3.3**

---

**(C3.3) Describe where and how climate-related risks and opportunities have influenced your strategy.**

|                                 |     |  |
|---------------------------------|-----|--|
| Products and services           | Yes | Climate risks and opportunities have influenced UBS's products and services strategy in the short term (0-3 years) and will continue to influence the strategy in the mid- and long term (3-10, 10-80 years). In 2019 and 2020, UBS climate strategy, in response to new banking climate regulation and emerging climate-related risk, was discussed by the BoD Risk Committee. UBS climate strategy is now a regular agenda item for the joint meeting of BoD Risk Committee and Corporate Culture and Responsibility Committee (CCRC). 2020 has seen the creation of the cross-firm Sustainable Finance Committee which aims to address commercial aspects of sustainable finance and placing additional emphasis on sustainable finance client solutions across the group. We seek to protect our assets by limiting our risk appetite for carbon-related assets and by estimating our firm's vulnerability to climate-related risks using scenario-based stress testing approaches and other forward-looking portfolio analyses. In 2020, we have again reduced our exposure to high-carbon sectors (as defined by the TCFD and those rated higher risk on the heatmap) to 1.9%, down from 2.3 % in 2019 (and 2.8% in 2018). In 2021, UBS took a strategic decision to Lower threshold of financing of existing coal-fired operators (changing threshold from 30% to 20% of coal reliance) unless they have a transition strategy that aligns with the goals of the Paris Agreement, or the transaction is related to renewable energy or clean technology We support our clients' efforts to assess, manage and protect them from climate-related risks by offering innovative products and services in investment, financing and research. AM has implemented an engagement program with 49 companies from oil and gas and utilities sectors and we voted on 50 climate-related shareholder resolutions during 2020. In 2020 our climate-related sustainable investments rose to \$160.8 billion from \$108 billion at the end of 2019, and the deal value in equity and debt capital market services, and in financial advisory services, related to climate change mitigation and adaptation, rose to \$98.9 billion, from \$87.2 billion in 2019.   |
| Supply chain and/or value chain | Yes | Climate risks & opp. influenced UBS's supply chain (SC) strategy in the short term (0-3 yr.) & will continue to influence the strategy mid- & long term (3-10, 10-80 yr.). In response to increased stakeholder/regulatory expectations we apply a Responsible Supply Chain Management (RSCM) framework for the procurement of goods and services (conducted by Chain IQ, who performs supplier due dil. & establishes remediation supported by UBS experts). Evaluation of energy efficiency & emissions are part of RSCM background checks. A substantial bus. decision impacted by CC was joining the RE100 initiative & committing to use 100% renew. electricity by mid 2020. In 2020 we classified 221 vendors as providing UBS with (w.) goods or services w. potentially high impacts. This included newly sourced & ongoing engagements, which are regularly reassessed. 29% of these were considered as in need of improving their mgmt. practices. Specific remediation actions were agreed w. all, implementation progress has been closely monitored. In 2020, no vendor relationship was terminated in result of RSCM assessments (ast), quantifying the success of our pre-contract vendor risk ast. We screened all significant active suppliers for ESR in 2020, and 18 suppliers w. potential material risks were referred to ESR unit for enh. due dil. Several indicators are used to measure suppliers, eg. energy consumption/ share of renew., or emission statements. An important measure of success is the cost/income ratio, considered both int. & ext. We perceive a cost risk from legislative changes which can manifest as increased energy prices & a need for investments e.g. in Real Estate (RE). We focus on reducing the cost risk by moving away from fossil fuels, remaining able to act & consequently retain broader options for action. We've implemented Net Zero & energy reduction targets & derived related RE, IT & SC strategies to anticipate this risk. The strategies are implemented consistently, reducing our risk while benefitting the cost/income ratio. we perform a complete annual review of all our RSCM product specifications. These set the env. & social standards required for med- and high risk categories. As part of SC Goals 2021, we are continuously improving our RSCM process to achieve UBS ambition to be a leader in sust. bus. practices, w. the key goals of achieving net zero for scope 1 & 2 emissions.    |
| Investment in R&D               | Yes | UBS is building intellectual capital in our asset management division, through innovating new products and services to meet shifting consumer demand for such products that mitigate climate-related risks and provide investment opportunities in the transition to a low-carbon economy. Growing the organization requires investment in staffing (UBS in society had 145 in 2019 and grew to 170 in 2020). An example of a substantial strategic decision in this field (influenced by climate risks and opportunities) is that AM has developed a suite of products allowing clients to identify the carbon intensity of their investments and/or to align them with the Paris Agreement: In 2017, AM together with the New Employment Savings Trust launched a strategy called Climate Aware with an aim to do more than manage investments based on carbon foot-printing. In 2018, AM followed its successful UK Climate Aware rules-based fund with an Irish-based fund that is available for international investors outside of the UK. The portfolio is oriented towards companies that are better prepared for a low-carbon future while reducing exposure to, rather than excluding, companies with higher carbon risk, in order to pursue strategic engagement with these companies. The strategy involves not only a reduction of the CO2 footprint of the portfolio but also an innovative approach to aligning the portfolio with the 2°C carbon reduction scenario. The Climate Aware strategy was expanded in 2019 to include mitigation, adaptation and transition. Further to this, REPM requires all investments to adhere to our sustainability policies, which includes incorporating resilience, climate change and reducing GHG emissions (down 19.4%). The climate change and resilience measures have been incorporated to reduce risk and enhance value upon sale, while the GHG emission reductions not only benefit the environment, there is a strong correlation with reduced utility costs which enhance our clients returns. Our results of integrating climate include: • A+ scores for REPM (Property and Infrastructure modules) on the UN Principles of Responsible Investment Assessment since 2017 • UBS Asset Management has been an early adopter of the GRESB Assessments, contributing data since 2012. Since then, our Real Estate and Private Markets (REPM)'s funds have secured a total of 113 Green Star ratings and 50 five-star ratings      |
| Operations                      | Yes | Climate risks and opportunities influenced UBS's strategy in terms of operations in the short-term (0-3 yr.) & will continue to influence the strategy in the mid- and long term (3-10, 10-80 yr.). We continue to reduce our GHG emissions & increase the firm's share in renewable energy. A substantial strategic decision impacted by CC was joining the RE100 initiative and committing to use 100% renewable electricity by mid 2020 & reducing our GHG emissions by 75% against 2004 levels. In 2020, we achieved the target of using 100% renew. electricity, adding to the reduction of our firm's GHG footprint by 79% compared with 2004 levels. A second substantial strategic decision impacted by climate risks and opportunities in the in-house environmental management area has been that UBS is phasing out all fossil fuel based heating systems at end of life. Exposure to fossil fuels entails climate transition risks, which can translate into reputational & financial impacts. We actively mitigate these risks through taking low-carbon purchasing decisions (shifting demand for fossil fuels) and phasing out fossil fuels in our operations. Through our certified Environmental Management System we are able to take strategic decisions locally (e.g. RE Guideline on banning installation of any new fossil fuel heating systems). Thereby we implemented various measures, e.g. adaptations in building controls - like heating schedules, digitalization in energy management and operations in general or demanding operational improvements as part of FM supplier contracts. We have established environmental objectives at relevant levels and functions. To continuously improve our environmental performance, we set quantitative targets related to our significant environmental aspects since 2006. We have continuously & successfully reduced our environmental impact over the years. In the reporting period for 2020 (1 July 2019 – 30 June 2020), we sourced 85% renew. electricity & as of 1 July 2020, we reached our ambitious 2020 target on sourcing 100% of our electricity consumption from renewable sources and reduced our GHG footprint by 79% compared with 2004. We met our objective to reduce the environmental impact resulting from our own operations. Paper and waste volumes have been reduced by more than 35% in recent years & overcompensate lower-than-expected sustainable paper and waste recycling ratios. |

C3.4

**(C3.4) Describe where and how climate-related risks and opportunities have influenced your financial planning.**

|   |   |
|---|---|
| <p>Row 1<br/>Revenues<br/>Capital expenditures<br/>Capital allocation<br/>Acquisitions and divestments<br/>Access to capital<br/>Assets<br/>Liabilities</p> | <p>Revenues: UBS has identified an opportunity and client demand for products and services which both help mitigate risks from the transition to a low-carbon economy and capture investment opportunities in this transition. An estimated USD 90 trillion will be needed in low-carbon investments by 2030, to finance the transition and meet Paris Agreement goals (Sarah Breeden, PRA/OECD data). UBS identifies the investment needs involved in the transition to a low-carbon economy and supports clients' efforts to assess, manage and protect them from climate-related risks by offering innovative products and services in investment, financing and research. UBS also mobilizes private and institutional capital towards investments facilitating climate change mitigation and adaptation, through its role as a corporate advisor and/or lending capacity. Capital allocation/capital expenditures: As UBS aligns its disclosure with TCFD recommendations within the five-year pathway by 2022, we will continue to perform strategic impact assessments and better understand the implications of CC on our business strategy: • Planning for shifts in UBS business strategy with respect to climate-related risks and opportunities has already impacted planning capital expenditures, and may be further impacted as we continue to align with pathways defined by the Paris Agreement. • For example, UBS is building intellectual capital in our asset management division, through innovating new products and services (e.g. staffing SI), to meet shifting consumer demand for products that mitigate climate-related risks and provide investment opportunities in the transition to a low-carbon economy. Growing the organization requires investment in staffing (all of UBS in society had 89 FTE in 2016, 108 FTE in 2017, and it grew to 135 in 2018, 145 in 2019 and to 170 in 2020). • In the risk organization, significant investments in responding to increased regulatory requirements on climate risk management/ integrating climate into our standard risk management processes have been made (and are expected to further increase). Current personnel resources allocated to climate risk management: \$240 723 (cost per employee) X 26 (number of FTE dedicated to climate risk management) = \$6,258,798. Acquisitions and divestments: • UBS applies its comprehensive EMS (including the detection of climate risks and opportunities) to assess an acquired entity (assets and clients). In the cases where operations are integrated, UBS would incorporate the newly acquired target entity's operations into the EMS, including annual review, application of operational controls on areas where climate-related risks and opportunities are materially relevant. • UBS continuously identifies, assesses, and manages climate-related risks and opportunities through its EMS. Access to capital: • We have so far not identified significant climate-related financial risk on our balance sheet. We explain this by UBS's relatively small lending book in climate-sensitive sectors and availability of insurance we have relevant exposures to such sectors (e.g., Swiss mortgage lending book). Substantial financial or strategic impact can be defined as any impact from CC on UBS that has to be of concern for our shareholders or clients or, in other words, whether CC is a "factor that would make an investment in [UBS] speculative or risky" (US Securities and Exchange Commis. Guidance Regarding Disclosure Related to CC, p. 15). • UBS is directly impacted by the growing number of sustainable finance related regulations globally. This includes the broad EU Sustainable Finance Action Plan where UBS will need to comply with the suitability, product disclosure, and Taxonomy regulations that impact wealth and asset management activities beginning in 2021. Emerging regulation that focuses on prudential risk management (like the PRA Supervisory Statement on Climate Change and the proposed ECB guide to climate and environmental risk management) will apply as of 2021. UBS also will comply with relevant local standards such as the HKMA Greenness Assessment Framework and regulations under development in Singapore and other jurisdictions. Assets: In order to manage our own risk derived from both the physical and transition risks associated with climate change, we have performed both top-down balance sheet stress testing, as well as targeted, bottom-up analysis of specific sector exposures. We have so far not identified significant climate-related financial risk on our balance sheet. We explain this by UBS's relatively small lending book in exposed sectors and availability of insurance where we have relevant exposures to such sectors (e.g., Swiss mortgage lending book). We will however continue to work on improving data availability, scenario applicability and methodologies: • Our initial (2014) top-down approach consisted of a scenario-based stress test to assess UBS's balance sheet vulnerability across the firm. Leveraging our existing firm-wide top-down stress testing methodology, we developed a climate change scenario (which assumes that severe weather events result in governments around the world agreeing to implement carbon pricing mechanisms to assess the impact on financial assets, operational income and physical assets). The scenario anticipated that these mechanisms will prompt a shift away from coal and other fossil fuels to cleaner alternatives and adversely impact markets and gross domestic product. The results showed moderate financial impact in line with other stress scenarios, such as those that foresee an oil shock. • As UBS aligns disclosures with TCFD recommendations within the five-year pathway by 2022, we will further undertake a strategic impact assessment and better understand the implications of climate change on our business. Liabilities: Amongst other growing liability impacts from climate-related risks that UBS monitors on an ongoing basis, UBS can be held liable for its failure to meet regulatory requirements. This compliance risk includes climate-related requirements. As UBS operates (and occupies) buildings in many countries, we are directly affected by regulatory developments that aim at improving energy efficiency or reducing CO2 emissions. Such regulation may include, fuel or energy taxes and regulation, mandatory carbon tax schemes and regulation of buildings in terms of energy efficiency, affecting our costs for energy incurred by our buildings (i.e. heating, cooling, lighting, IT, etc.). These types of regulation directly affects our operational costs as it relates to energy use. In Switzerland UBS is mandated to pay its share of the Swiss CO2 levy. In 2020, UBS was subject to increased operational costs as a result of the Swiss CO2 levy. However, as a result of reducing carbon emissions by 79% by 2020 (compared with 2004 levels), and achieving the target of using 100% renewable energy in 2020, the magnitude of impact from this risk is low.</p> |
|---|---|

C3.4a

**(C3.4a) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).**

Climate factors have already for years been integrated in our active investment decisions. With the more pronounced attention for this topic, its relevance and influence on investment decisions has further risen:

- UBS recognized the importance of climate already early on and has several years of live track record in a dedicated climate methodology that has been applied to several underlying equity indices/products.
- More recently, this methodology has also been transported to fixed income indices, allowing us to offer climate aware fixed income solutions. The Climate Aware methodology has been identified as a important area of growth across AM's institutional and wholesale business.
- Within Switzerland UBS Asset Management has been very active in terms of raising capital for clean energy infrastructure (CEIS I/II).
- UBS Asset Management hired a team that will run unique long short hedge funds on the energy sector, focusing on climate winners in the long term and climate laggards in the short term.
- We have developed very robust stewardship services around climate change. In 2020, Asset Management was rated A+ or "leadership band" for engagement and voting on climate by InfluenceMap.
- Engagement has provided AM with a differentiated approach and to establish ourselves as using best practices within the industry.
- We are an active participants in the Climate Action 100+ collective engagement group, leading the engagements with some of the most prominent and key targets of this group in terms of changing their view on climate risk for their business model.
- We have added climate reporting as one element of our mandate reporting, creating insights for our clients on their current climate profile and leading into conversations how to improve this. We have identified reporting as another area for differentiation.

AM is a member of Climate Action 100+, a collaborative engagement initiative launched in December 2017. Its aim is to engage with high-level GHG emitters, and other companies across the global economy that have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement. It has the support of 545 investors, representing more than USD 52 trillion of assets under management (at end of 2020). AM is directly involved in 21 coalitions of investors (at the end of 2020) within Climate Action 100+ and leads eight of the company dialogues across regions. Whether AM is a lead or participating investor, it is an active member of these coalitions, providing feedback on the climate change performance of companies, the discussion agenda, engagement goals and the progress of these dialogues. AM is also a member of the Institutional Investors Group on Climate Change (IIGCC) Climate Action 100+ European Advisory Group, which advocates for the world's transition to a low-carbon economy.

**C-FS3.6**

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**(C-FS3.6) Are climate-related issues considered in the policy framework of your organization?**

Yes, both of the above

**C-FS3.6a**

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**(C-FS3.6a) In which policies are climate-related issues integrated?**

|   |   |                           |   |
|---|---|---------------------------|---|
| Bank lending (Bank)                         | Credit policy<br>Risk policy<br>Policy related to other products and services   | All of the portfolio      | Risk policy (covers 100% of bank portfolio): Procedures and tools for the identification, assessment and monitoring of environmental and social risks are applied and integrated into standard risk, compliance and operations processes. We are embedding climate risk into the UBS risk appetite framework and operational risk appetite statement. In 2020, we further integrated climate risk in risk identification, management stress testing methodology and reporting processes across the organization Credit policy/ Client onboarding (100% of clients): Potential clients are assessed for environmental and social risks associated with their business activities as part of UBS's Know Your Client compliance processes. Credit policy/ Portfolio review (over 50% of clients/ portfolio): At portfolio level, we regularly review sensitive sectors and activities prone to bearing climate, environmental, and social risks. We assess client exposure and revenue in such sectors and attempt to benchmark the portfolio quality against the Paris Agreement, and/or regional and/or sectoral averages. Such portfolio reviews give us an accurate aggregated exposure profile and an enhanced insight into our transaction and client onboarding processes. Based on the outcome of these reviews, we can explore ways to improve the future portfolio profile along a range of risk parameters. We have added climate reporting as one element of our mandate reporting, creating insights for our clients on their current climate profile and leading into conversations on how to improve this.  |
| Investing (Asset manager)                   | Risk policy<br>Policy related to other products and services<br>Engagement policy<br>Sustainable/Responsible Investment Policy<br>Investment policy/strategy<br>Proxy voting policy | Majority of the portfolio | Risk policy / Policy related to other products/services (covers 100% of new products/ services): New financial products and services are reviewed before their launch in order to assess their compatibility and consistency with UBS's climate change strategy and against environmental and human rights standards, which also intersect with our risk management approach on climate change (part of UBS Climate Strategy). Climate and ESR are also considered in investment decision processes. Engagement policy (over 50% of investees): Our firm-wide stewardship strategy includes a thematic engagement program on climate change based on the recommendations of the TCFD. Through dialogue with investee companies, we encourage companies to demonstrate: • Governance ensuring climate change considerations are overseen by the Board. • Risk management addressing the uncertainties arising from climate change. • Strategy considerations taking into account the outcomes of scenario analysis, the understanding of the climate resilience of the business, and the specific actions that the company commits to in aligning with a low carbon economy. • Targets and metrics providing meaningful and ambitious measures of performance. • Responsible advocacy on climate change policy. We expect companies to have a strategy for reducing carbon emissions, to be clear about goals, and to report on progress. We will generally support proposals that require companies to report to shareholders, at a reasonable cost and excluding proprietary data, information concerning their potential liability from operations that contribute to global warming, their policy on climate risks and opportunities, and specific targets to reduce emissions. In tandem with engagement, we believe that our voting activities allow us to reinforce the messages communicated to management during our various dialogues and, ultimately, express our dissent if the objectives set out at the start of our engagement with a given company are not met. At AM, our policies and guidelines all address climate change, including the AM Sustainable Investment Policy, the Asset Management Exclusion Policy, the Asset Management Annual Stewardship Report, and the Asset Management Proxy Voting Policies. More details are provided below. Sustainable/ Responsible investment policy pertaining to our Climate Aware Strategy: UBS-AM has a 4 year live track record of a dedicated climate methodology that has been applied to several underlying equity indices/products. The strategy was developed in conjunction with a UK pension fund. It aims to meet current investment goals while taking into account climate change objectives such as lower-carbon footprint, reduced exposure to fossil fuel reserves, and greater exposure to renewable energy opportunities. By including engagement, it has also been designed to be forward-looking. Modelling climate change, especially in the context of equity and fixed income portfolios, means using sophisticated assumptions around the uncertainties of climate change, given we don't yet know its full implications. To add clarity to our own modelling, UBS has been working in several innovative areas. For example, we look at factors like supply chain patents, and improvements to qualitative data, such as greater levels of disclosure by companies around target emissions. As data availability improves we expect the opportunities for integrating these types of metrics into portfolios to increase. In December, 2020 UBS-AM became a founding signatory of the Net Zero Asset Managers Initiative. As part of the Initiative, we will work in partnership with our clients on decarbonization goals, consistent with an ambition to reach net zero by 2050. Dedicated engagement program for the Climate Aware Strategy: The engagement program focuses on an original list of 49 companies in the oil and gas and utilities sectors. They have been selected based on our Climate Aware methodology, which measures the ability of companies to transition to a low-carbon economy. While UBS-AM has interests across a wide range of industries, we identified the energy and utilities sectors as particularly exposed to climate change transition. Our approach was unique, understanding how the companies we invest in address climate risks and with direct engagement, influencing real change. In order to ensure a systematic approach to our engagement with companies, we developed a scorecard analysis based on the TCFD that reveals interesting insights on the current practice on climate change by the and the gaps we need to address. We scored companies on eight factors: responsiveness, governance, risk management, strategy, performance, targets, lobbying and disclosure. This engagement dialogue started in 2018. The first phase will finish in Q1 2021. Proxy voting policy: In 2020, we were recognized for our stewardship activity by receiving an A+ or "leadership band" for engagement and voting on climate by InfluenceMap. |
| Investing (Asset owner)                     | <Not Applicable>  | <Not Applicable>          | <Not Applicable>  |
| Insurance underwriting (Insurance company)  | <Not Applicable>  | <Not Applicable>          | <Not Applicable>  |
| Other products and services, please specify | Other, please specify (Not applicable as UBS business divisions are covered in the above "Bank lending" and "Investing" sections.)  | Please select             |   |

**C-FS3.6b**

**(C-FS3.6b) Describe your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.**

|           |              |   |  |
|-----------|--------------|---|--|
| Coal      | Bank lending | New business/investment for new projects      | Our policies for coal sector include: Coal-fired power plants: - Not providing project-level finance to new coal-fired power plants globally. - Only supporting financing to transactions of existing coal-fired operators (>20% coal reliance) if they have a transition strategy that aligns with the goals of the Paris Agreement, or if the transaction is related to renewable energy or clean technology. Coal mining: -Not providing financing where the stated use of proceeds is for greenfield thermal coal mines. - Only provide financing to existing thermal coal-mining companies (>20% of revenues) if they have a transition strategy that aligns with the goals of the Paris Agreement, or if the transaction is related to renewable energy or clean technology. -Continuing to severely restrict lending and capital raising to the coal mining sector. Mountaintop removal (MTR): -Not providing financing to coal mining companies engaged in MTR operations.   |
| Oil & gas | Bank lending | New business/investment for existing projects | Our policy for oil and gas sectors include: Arctic oil and oil sands: - Not providing financing where the stated use of proceeds is for new offshore oil projects in the Arctic or greenfield oil sands projects. - Only provide financing to companies with significant reserves or production in arctic oil and / or oil sands (>20% of reserves or production) if they have a transition strategy that aligns with the goals of the Paris Agreement, or if the transaction is related to renewable energy or clean technology. Liquefied natural gas (LNG) and ultra-deepwater drilling: - Transactions directly related to LNG infrastructure assets are subject to enhanced environmental and social risk (ESR) due diligence considering relevant factors such as management of methane leaks as well as the company's past and present environmental and social performance. - Transactions directly related to ultra-deepwater drilling assets are subject to enhanced ESR due diligence considering relevant factors such as environmental impact analysis, spill prevention and response plans, and the company's past and present environmental and social performance. |

**C-FS3.7**

**(C-FS3.7) Are climate-related issues factored into your external asset manager selection process?**

Not applicable, because we don't have externally managed assets

## C4. Targets and performance

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### C4.1

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**(C4.1) Did you have an emissions target that was active in the reporting year?**

Absolute target

#### C4.1a

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**(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.**

**Target reference number**

Abs 1

**Year target was set**

2006

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 1+2 (market-based) +3 (upstream)

**Base year**

2004

**Covered emissions in base year (metric tons CO2e)**

360502

**Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)**

100

**Target year**

2020

**Targeted reduction from base year (%)**

75

**Covered emissions in target year (metric tons CO2e) [auto-calculated]**

90125.5

**Covered emissions in reporting year (metric tons CO2e)**

75110

**% of target achieved [auto-calculated]**

105.553552176317

**Target status in reporting year**

Achieved

**Is this a science-based target?**

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

**Target ambition**

1.5°C aligned

**Please explain (including target coverage)**

UBS' first climate change strategy was developed in 2006. So far, the strategy has been updated twice, in 2012 and 2015. In 2012, our reduction target was updated with the guidance of Sir David King and his team from the Smith School of Enterprise and the Environment at Oxford University. Sir David King was the Chief Scientific Adviser to H.M. Government under both Tony Blair and Gordon Brown and Head of the Government Office for Science.

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**Target reference number**

Abs 2

**Year target was set**

2006

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 1

**Base year**

2004

**Covered emissions in base year (metric tons CO2e)**

41858



**Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)**

100

**Target year**

2040

**Targeted reduction from base year (%)**

100

**Covered emissions in target year (metric tons CO2e) [auto-calculated]**

0

**Covered emissions in reporting year (metric tons CO2e)**

9972

**% of target achieved [auto-calculated]**

76.1765970662717

**Target status in reporting year**

Underway

**Is this a science-based target?**

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

**Target ambition**

1.5°C aligned

**Please explain (including target coverage)**

Replacement of all fossil-fuel heating systems in owned real estate at end of life. No direct CO2e emissions by 2040. This target will be enhanced by the targets in NZ1 and NZ2.

---

**Target reference number**

Abs 3

**Year target was set**

2015

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 1+2 (market-based)

**Base year**

2004

**Covered emissions in base year (metric tons CO2e)**

261584

**Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)**

100

**Target year**

2040

**Targeted reduction from base year (%)**

90

**Covered emissions in target year (metric tons CO2e) [auto-calculated]**

26158.4

**Covered emissions in reporting year (metric tons CO2e)**

85082

**% of target achieved [auto-calculated]**

74.9714559504149

**Target status in reporting year**

Underway

**Is this a science-based target?**

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

**Target ambition**

1.5°C aligned

**Please explain (including target coverage)**

This target combines our scope 1 reduction target with our commitment to source 100% renewable electricity and to increase district heat from renewable sources. Reduction of 90% compared to base year by 2040 is in line with science. This target will be enhanced by the targets in NZ1 and NZ2.

---

**Target reference number**

Abs 4

**Year target was set**

2020

**Target coverage**

Company-wide

**Scope(s) (or Scope 3 category)**

Scope 1+2 (market-based) +3 (upstream)

**Base year**

2004

**Covered emissions in base year (metric tons CO2e)**

360502

**Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)**

100

**Target year**

2035

**Targeted reduction from base year (%)**

90

**Covered emissions in target year (metric tons CO2e) [auto-calculated]**

36050.2

**Covered emissions in reporting year (metric tons CO2e)**

75110

**% of target achieved [auto-calculated]**

87.9612934802642

**Target status in reporting year**

New

**Is this a science-based target?**

Yes, we consider this a science-based target, but it has not been approved by the Science-Based Targets initiative

**Target ambition**

1.5°C aligned

**Please explain (including target coverage)**

This targets supports our progress towards Net Zero GHG emissions (NZ1 & NZ2) Reduction of 90% compared to base year by 2040 is in line with science.

---

## C4.2

---

**(C4.2) Did you have any other climate-related targets that were active in the reporting year?**

Target(s) to increase low-carbon energy consumption or production

Net-zero target(s)

Other climate-related target(s)

## C4.2a

---

**(C4.2a) Provide details of your target(s) to increase low-carbon energy consumption or production.**

**Target reference number**

Low 1

**Year target was set**

2015

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

**Target type: energy carrier**

Electricity

**Target type: activity**

Consumption

**Target type: energy source**

Renewable energy source(s) only

**Metric (target numerator if reporting an intensity target)**

Percentage

**Target denominator (intensity targets only)**

<Not Applicable>

**Base year**

2004

**Figure or percentage in base year**

28

**Target year**

2021

**Figure or percentage in target year**

100

**Figure or percentage in reporting year**

85.185

**% of target achieved [auto-calculated]**

79.42361111111111

**Target status in reporting year**

Underway

**Is this target part of an emissions target?**

This target supports the overall target to reduce UBS' greenhouse gas footprint and results in significant reductions of market-based scope 2 emissions.

**Is this target part of an overarching initiative?**

RE100

**Please explain (including target coverage)**

UBS is member of the RE100 initiative and reached the goal to source 100% of its electricity consumption from renewable sources as of mid 2020 resulting in 100% renewable electricity for reporting year 2021

---

**C4.2b**

**(C4.2b) Provide details of any other climate-related targets, including methane reduction targets.**

**Target reference number**

Oth 1

**Year target was set**

2006

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Intensity

**Target type: category & Metric (target numerator if reporting an intensity target)**

Waste management

Other, please specify (kg Waste generated)

**Target denominator (intensity targets only)**

unit FTE employee

**Base year**

2006

**Figure or percentage in base year**

206

**Target year**

2020

**Figure or percentage in target year**

195.7

**Figure or percentage in reporting year**

133

**% of target achieved [auto-calculated]**

708.737864077669

**Target status in reporting year**

Achieved

**Is this target part of an emissions target?**

This targets adds to our emission targets, by reducing the GHG generated from Waste.

**Is this target part of an overarching initiative?**

No, it's not part of an overarching initiative

**Please explain (including target coverage)**

This target is financial year based, covering 1.7.X to 30.6.x+1 The target coverage is company wide.

---

**Target reference number**

Oth 2

**Year target was set**

2016

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Intensity

**Target type: category & Metric (target numerator if reporting an intensity target)**

Resource consumption or efficiency

Other, please specify (kg of paper consumed)

**Target denominator (intensity targets only)**

unit FTE employee

**Base year**

2016

**Figure or percentage in base year**

114

**Target year**

2020

**Figure or percentage in target year**

108.3

**Figure or percentage in reporting year**

66

**% of target achieved [auto-calculated]**

842.105263157894

**Target status in reporting year**

Achieved

**Is this target part of an emissions target?**

This targets adds to our emission targets, by reducing the GHG generated from Paper

**Is this target part of an overarching initiative?**

No, it's not part of an overarching initiative

**Please explain (including target coverage)**

This target is financial year based, covering 1.7.X to 30.6.x+1 The target coverage is company wide.

---

**Target reference number**

Oth 3

**Year target was set**

2020

**Target coverage**

Company-wide

**Target type: absolute or intensity**

Absolute

**Target type: category & Metric (target numerator if reporting an intensity target)**

---

**Target denominator (intensity targets only)**

&lt;Not Applicable&gt;

**Base year**

2006

**Figure or percentage in base year**

58

**Target year**

2025

**Figure or percentage in target year**

0

**Figure or percentage in reporting year**

52

**% of target achieved [auto-calculated]**

10.3448275862069

**Target status in reporting year**

New

**Is this target part of an emissions target?**

This targets adds to our emission targets, by reducing the GHG generated from Paper

**Is this target part of an overarching initiative?**

Other, please specify

**Please explain (including target coverage)**

This target is financial year based, covering 1.7.X to 30.6.x+1 The target coverage is company wide.

**C4.2c****(C4.2c) Provide details of your net-zero target(s).****Target reference number**

NZ1

**Target coverage**

Company-wide

**Absolute/intensity emission target(s) linked to this net-zero target**

Abs2

Abs3

**Target year for achieving net zero**

2025

**Is this a science-based target?**

Yes, but we have not committed to seek validation of this target by the Science Based Targets initiative in the next 2 years

**Please explain (including target coverage)**

By 2025, we'll target net zero direct (scope 1) and energy indirect (scope 2) emissions by replacing owned fossil fuel heating systems, and purchasing and producing 100% renewable electricity. Moreover, we commit to identifying and investing in credible carbon removal projects (including negative emissions technology) supporting innovation.

**Target reference number**

NZ2

**Target coverage**

Company-wide

**Absolute/intensity emission target(s) linked to this net-zero target**

Abs4

**Target year for achieving net zero**

2035

**Is this a science-based target?**

Yes, but we have not committed to seek validation of this target by the Science Based Targets initiative in the next 2 years

**Please explain (including target coverage)**

Our robust Responsible Supply Chain Management framework has been driving sustainable procurement since 2008, and we've started to engage with key vendors about moving toward net zero greenhouse gas emissions by 2035. We'll engage with partners and contributors to our product shelf and client offerings regarding their plans around sustainability.

**C4.3**

**(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.**

Yes

**C4.3a**

**(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.**

|                           |   |       |
|---------------------------|---|-------|
| Under investigation       | 0 |       |
| To be implemented*        | 2 | 1286  |
| Implementation commenced* | 2 | 1216  |
| Implemented*              | 9 | 21656 |
| Not to be implemented     | 0 |       |

**C4.3b**

**(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.**

**Initiative category & Initiative type**

Energy efficiency in buildings

Other, please specify (UPS System Consolidation)

**Estimated annual CO2e savings (metric tonnes CO2e)**

35.69

**Scope(s)**

Scope 1

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

10932

**Investment required (unit currency – as specified in C0.4)**

15000

**Payback period**

1-3 years

**Estimated lifetime of the initiative**

6-10 years

**Comment**

**Initiative category & Initiative type**

Energy efficiency in buildings

Lighting

**Estimated annual CO2e savings (metric tonnes CO2e)**

10.15

**Scope(s)**

Scope 2 (location-based)

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

696

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

<1 year

**Estimated lifetime of the initiative**

3-5 years

**Comment**

Operational Change - During bird migration season in Chicago, the building signage is turned off.

**Initiative category & Initiative type**

**Estimated annual CO2e savings (metric tonnes CO2e)**

313.68

**Scope(s)**

Scope 1

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

219997

**Investment required (unit currency – as specified in C0.4)**

97597

**Payback period**

&lt;1 year

**Estimated lifetime of the initiative**

6-10 years

**Comment****Initiative category & Initiative type**

Energy efficiency in buildings

Lighting

**Estimated annual CO2e savings (metric tonnes CO2e)**

186

**Scope(s)**

Scope 2 (location-based)

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

13326

**Investment required (unit currency – as specified in C0.4)**

181519

**Payback period**

11-15 years

**Estimated lifetime of the initiative**

6-10 years

**Comment**

3 Initiatives switching to LED lightning

**Initiative category & Initiative type**

Energy efficiency in buildings

Other, please specify (Comprehensive, scheduled maintenance: External &amp; internal lightning, heating &amp; cooling systems, )

**Estimated annual CO2e savings (metric tonnes CO2e)**

30

**Scope(s)**

Scope 1

Scope 2 (location-based)

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

62000

**Investment required (unit currency – as specified in C0.4)**

300000

**Payback period**

4-10 years

**Estimated lifetime of the initiative**

6-10 years

**Comment****Initiative category & Initiative type**

**Estimated annual CO2e savings (metric tonnes CO2e)**

5

**Scope(s)**Scope 2 (location-based)  
Scope 2 (market-based)**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

4300

**Investment required (unit currency – as specified in C0.4)**

20000

**Payback period**

4-10 years

**Estimated lifetime of the initiative**

6-10 years

**Comment****Initiative category & Initiative type**

Low-carbon energy consumption

Low-carbon electricity mix

**Estimated annual CO2e savings (metric tonnes CO2e)**

21075

**Scope(s)**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

0

**Investment required (unit currency – as specified in C0.4)**

500000

**Payback period**

No payback

**Estimated lifetime of the initiative**

1-2 years

**Comment****C4.3c****(C4.3c) What methods do you use to drive investment in emissions reduction activities?**

|   |   |
|---|---|
| Compliance with regulatory requirements/standards         | The Zurich Energy Model is a capacity building project established in 1987 by fourteen major energy consumers - among them UBS - in the city of Zurich. The objective of the firms involved in the Zurich Energy Model is a joint increase in energy efficiency, to optimize investments and corporate costs, and to communicate innovative solutions to the general public. In 2013, the group agreed with canton Zurich to set a revised target of increasing energy efficiency by 40% until 2020 based on 2000 (old target 16.5% between 2000 and 2012). In 2007, UBS was awarded the Zurich Energy Model trophy for its achievements and successes in the field of energy efficiency and energy management. |
| Dedicated budget for energy efficiency                    | As part of the climate change strategy, a dedicated budget for energy efficiency measures has been established.   |
| Dedicated budget for other emissions reduction activities | As part of the climate change strategy, a dedicated budget for other emission reductions (such as offsetting) has been established.   |
| Employee engagement                                       | By providing incentives, education and awareness on environmental matters to its employees and suppliers, we encourage people to make the right choices and promote sustainable behavior both at work and in their domestic situations. In 2020 UBS provided training and awareness raising to some 2263 employees.   |
| Financial optimization calculations                       | Financial optimization calculations are a standard method to identify and assess projects to reduce energy consumption and as a result reduce carbon emissions.   |
| Lower return on investment (ROI) specification            | UBS has adopted a technical standard supporting worldwide oversight of measures taken to improve energy efficiency in fields such as building operation, replacement investments and rehabilitations. The standard sets energy efficiency target values, for example for heating boilers, chillers and heat pump systems as well as for glazing, facades and lighting. It also includes a specification to assess projects according to their live-cycle costs.   |

**C4.5**



**(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?**

Yes

**C4.5a**

**(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.**

**Level of aggregation**

Group of products

**Description of product/Group of products**

We support our client's efforts to assess, manage and protect them from climate related risks by offering innovative products and services in investment, financing and research. We have rolled out a series of low- carbon products and services to our clients that reduce energy use, improve access to renewable energy sources, and invest in companies that have a track record of reducing carbon emissions as well as align their carbon reduction strategy with the transition to a low- carbon economy.

**Are these low-carbon product(s) or do they enable avoided emissions?**

Low-carbon product

**Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions**

Other, please specify (Climate-related sustainable investments (Invested assets of products such as sustainably managed properties and infrastructure, and renewable energy))

**% revenue from low carbon product(s) in the reporting year**

3.82

**% of total portfolio value**

**Asset classes/ product types**

Please select

**Comment**

- Our Asset Management (AM) business has developed the capability for equity portfolio managers to examine the carbon footprint of their portfolios and comparing the relative carbon footprints of their company holdings to that of the benchmark. Carbon emissions data is also made available to all equity portfolio managers through the Portfolio Optimization Platform, which allows portfolio managers and analysts to download carbon and carbon intensity data on over 6,000 companies. - AM had followed up on the its successful UK Climate Aware rules-based strategy by launching a fund for international investors outside of the UK. In 2020, we also launched a suite of new strategies to build on the existing award-winning passive equity Climate Aware strategy. - In January 2020, in the white paper published at the World Economic Forum annual meeting "Becoming climate aware: Mobilizing capital to help meet climate change goals", UBS outlined a framework to help investors align their portfolios towards a climate-smart future. The framework is built on the methodology which underlies UBS Asset Management (AM) Climate Aware strategy. - AM engages with companies in which it invests on behalf of clients to discuss approaches to mitigating climate-related risk, as well as actively voting on shareholder resolutions to improve transparency and disclosure around climate-related reporting. Engagement makes it possible to share the results of the quantitative and qualitative assessments included in the fund methodology with investee companies. This allows for the verification of company performance with information collected before and after meetings. It also means AM can collect feedback, explicitly communicate objectives for change in corporate practices and further enhance the model used to inform the under/overweights in the strategy. - As of 2020 100% of REPM's real estate funds achieved GRESB (Global Real Estate Sustainability Benchmark) Green Star rating, and 15 real estate funds were awarded 5-star ratings reflecting upper quintile performance. 3.82% is a proxy as it represents the portion of total invested assets that are formally categorized as Climate-related sustainable investments . Total climate related sustainable investments (\$160,8m ) / UBS total invested assets (\$4,187m) = 3.82%

**C5. Emissions methodology**

**C5.1**

**(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).**

**Scope 1**

**Base year start**

January 1 2004

**Base year end**

December 31 2004

**Base year emissions (metric tons CO2e)**

41858

**Comment**

**Scope 2 (location-based)**

**Base year start**

January 1 2004

**Base year end**

December 31 2004

**Base year emissions (metric tons CO2e)**

243308

**Comment**

**Scope 2 (market-based)**

**Base year start**

January 1 2004

**Base year end**

December 31 2004

**Base year emissions (metric tons CO2e)**

219727

**Comment**

**C5.2**

---

**(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.**

Defra Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, 2019

ISO 14064-1

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

The Greenhouse Gas Protocol: Scope 2 Guidance

VfU (Verein für Umweltmanagement) Indicators Standard

**C6. Emissions data**

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**C6.1**

---

**(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?**

**Reporting year**

**Gross global Scope 1 emissions (metric tons CO2e)**

9972

**Start date**

<Not Applicable>

**End date**

<Not Applicable>

**Comment**

**C6.2**

---

**(C6.2) Describe your organization's approach to reporting Scope 2 emissions.**

**Row 1**

**Scope 2, location-based**

We are reporting a Scope 2, location-based figure

**Scope 2, market-based**

We are reporting a Scope 2, market-based figure

**Comment**

---

**C6.3**

**(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?**

**Reporting year**

**Scope 2, location-based**

136524

**Scope 2, market-based (if applicable)**

46274

**Start date**

<Not Applicable>

**End date**

<Not Applicable>

**Comment**

---

**C6.4**

**(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?**

No

---

**C6.5**

**(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.**

**Purchased goods and services**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

7428

**Emissions calculation methodology**

Emissions related to production of used paper. Paper is one of the biggest continuous material accounts of a financial institution. Activity data: quantity of purchased paper  
Emissions factor: based on a study on emissions from paper lifecycle GWP. Same as Scope 1 and 2 data quality: high data quality External verification according to ISO 14064 performed by EY.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Please explain**

**Capital goods**

**Evaluation status**

Not relevant, explanation provided

**Metric tonnes CO2e**

<Not Applicable>

**Emissions calculation methodology**

<Not Applicable>

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

<Not Applicable>

**Please explain**

GHG emissions from capital goods are not considered to be relevant nor material for our company (as a financial services firm). Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy. The application of the principles is fundamental to ensure that GHG related information is a true and fair account. Relevance: To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it is capable of making a difference in a decision of users by helping them to evaluate past, present or future events, or to confirm or correct prior expectations and evaluations. To be relevant, information must have predictive value or feedback value or both and it must be timely.

## Fuel-and-energy-related activities (not included in Scope 1 or 2)

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO<sub>2</sub>e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

GHG emissions from fuel-and-energy-related activities are not considered to be relevant nor material for our company. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy. The application of the principles is fundamental to ensure that GHG related information is a true and fair account. Relevance: To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it is capable of making a difference in a decision of users by helping them to evaluate past, present or future events, or to confirm or correct prior expectations and evaluations. To be relevant, information must have predictive value or feedback value or both and it must be timely.

## Upstream transportation and distribution

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO<sub>2</sub>e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

GHG emissions from upstream transportation and distribution are not considered to be relevant nor material for our company. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy. The application of the principles is fundamental to ensure that GHG related information is a true and fair account. Relevance: To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it is capable of making a difference in a decision of users by helping them to evaluate past, present or future events, or to confirm or correct prior expectations and evaluations. To be relevant, information must have predictive value or feedback value or both and it must be timely.

## Waste generated in operations

### Evaluation status

Relevant, calculated

### Metric tonnes CO<sub>2</sub>e

3350

### Emissions calculation methodology

Emissions related to the generation of waste Activity data: Quantity of generated waste sent to landfill or incineration Emissions factor: from Ecoinvent database GWP: same as Scope 1 and 2 Data quality: High data quality External verification according to ISO 14064 performed by EY.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Please explain

## Business travel

### Evaluation status

Relevant, calculated

### Metric tonnes CO<sub>2</sub>e

25429

### Emissions calculation methodology

Business travel, in the form of business trips and visits to clients, is an important environmental aspect of a financial institution, particularly for globally-active companies due to air travel. Activity data: Distance traveled Emissions factor: from Defra / DECCs Guidance GWP: same as Scope 1 and 2 Data quality: High data quality External verification according to ISO 14064 performed by EY. Methodology described in UK Department for Business, Energy & Industrial Strategy - Government Greenhouse gas conversion factors for company reporting - methodology paper <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2019>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Please explain

## Employee commuting

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

GHG emissions from employee commuting are not considered to be relevant nor material for our company. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy. The application of the principles is fundamental to ensure that GHG-related information is a true and fair account. Relevance: To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it is capable of making a difference in a decision of users by helping them to evaluate past, present or future events, or to confirm or correct prior expectations and evaluations. To be relevant, information must have predictive value or feedback value or both and it must be timely.

## Upstream leased assets

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

6143

### Emissions calculation methodology

Emissions related to leased office space. Activity data: Estimated energy used for heating purposes in lease office space. (Electricity included in scope 2 emissions) Emissions factor: same as scope 1 or 2 GWP: same as Scope 1 and 2 Data quality: High data quality External verification according to ISO 14064 performed by EY.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Please explain

## Downstream transportation and distribution

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

As a financial services company, emissions from transportation and distribution of products sold, are not relevant nor material. Transportation of own staff is included in business travel. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

## Processing of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

As a financial services company, emissions from processing of sold products, are not relevant nor material. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

## Use of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

As a financial services company, emissions from use of sold products, are not relevant nor material. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

## End of life treatment of sold products

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

As a financial services company, emissions from end of life treatment of sold products, are not relevant nor material. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

## Downstream leased assets

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

GHG emissions from downstream leased assets are either already included in scope 1 and 2 emissions or the emissions are not material. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

## Franchises

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

UBS does not operate franchises.

## Other (upstream)

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

No other upstream GHG sources

## Other (downstream)

### Evaluation status

Not relevant, explanation provided

### Metric tonnes CO2e

<Not Applicable>

### Emissions calculation methodology

<Not Applicable>

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

### Please explain

No other downstream GHG sources

**(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.**

**Intensity figure**

0.00000174

**Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)**

56246

**Metric denominator**

unit total revenue

**Metric denominator: Unit total**

32390000000

**Scope 2 figure used**

Market-based

**% change from previous year**

40.3

**Direction of change**

Decreased

**Reason for change**

Intensity figure in metric tons per operating income in USD. Reasons for change: Despite the increase in operating income, the intensity figure decreased, as we were able to significantly reduce our scope 1 and 2 emissions by 33%. This was mainly driven by energy efficiency measures in the building portfolio (operational improvements, investments in energy efficient equipment), IT infrastructure (data center efficiency), sustainable renovation of buildings and the move into more efficient buildings (building portfolio strategy) and an increase in share of renewables.

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**Intensity figure**

0.8

**Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)**

56246

**Metric denominator**

full time equivalent (FTE) employee

**Metric denominator: Unit total**

70689

**Scope 2 figure used**

Market-based

**% change from previous year**

34.9

**Direction of change**

Decreased

**Reason for change**

The reduction of 34.9% is due to a 2.8% increase in the number of FTE's and the decrease of 33.1% of combined scope 1 and 2 emissions. This was mainly driven by energy efficiency measures in the building portfolio (operational improvements, investments in energy efficient equipment), IT infrastructure (data center efficiency), sustainable renovation of buildings and the move into more efficient buildings (building portfolio strategy) and an increase in share of renewables.

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## C7. Emissions breakdowns

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### C7.9

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**(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?**

Decreased

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### C7.9a

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**(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.**

|   |       |                |  |
|---|-------|----------------|--|
| Change in renewable energy consumption  | 21075 | Decreased 25.1 | UBS collects data on electricity usage at building level. We calculate the location-based emissions from electricity with geographically aligned, ISO14064 auditable grid emission factors. Market-based emissions from electricity are calculated based on EACs, (v)PPA, supplier contracts and other ISO14064 auditable as well as CDP & RE100 compliant evidences. This reduction in emissions was reached by increased purchasing of renewable electricity. Formula: {Change in renewable energy consumption [tCO2eq ] FY20} = {GHG reductions from renewable electricity [tCO2eq ] FY20} - {GHG reductions from renewable electricity [tCO2eq ] FY19} Calculation: 21'075 tCO2eq = 90'250 tCO2eq - 69'175 tCO2eq Additional Formulas: {GHG reductions from renewable electricity [tCO2eq]} = ((Total Renewable Electricity [kWh]) / {Total Electricity [kWh]}) * {Location-based GHG emissions from electricity [tCO2eq]} (Total Renewable Electricity [kWh]) = {Direct Renewable Electricity Consumption [kWh]} + Sum({% guaranteed renewable electricity [%]}*{Electricity procured at location level [kWh]}) % Calculation: % Value = {Change in renewable energy consumption [tCO2eq ] FY20}/{Scope 1+ Scope 2 (market based) [tCO2eq ] FY19} 25.1% = 21'075 tCO2eq / 84'034 tCO2eq |
| Other emissions reduction activities    | 581   | Decreased 0.7  | We implemented different initiatives in our building portfolio, also reported in section C4.3b. Energy and GHG reductions are demanded in every project. Energy savings are calculated & reported by the responsible parties, incl. evidences. GHG savings are calculated on ISO14064 auditable emission factors. Formula: {Total GHG Savings from implemented projects [tCO2eq]} = {Total GHG Savings from implemented projects in Americas [tCO2eq]} + {Total GHG Savings from implemented projects in APAC [tCO2eq]} + {Total GHG Savings from implemented projects in EMEA [tCO2eq]} + {Total GHG Savings from implemented projects in Switzerland [tCO2eq]} Calculation: 581 tCO2eq = 546 tCO2eq + 0 tCO2eq + 0 tCO2eq + 35 tCO2eq Comment: We omit reporting of small scale projects, which nevertheless significantly add to our efforts. Therefore we did not include measures from the EMEA and APAC region. % Calculation: % Value = {Total GHG Savings from implemented projects [tCO2eq] FY20 }/{Scope 1+ Scope 2 (market based) [tCO2eq ] FY19} 0.7% = 581 tCO2eq / 84'034 tCO2eq   |
| Divestment                              | 0     | No change      | We did not divest.   |
| Acquisitions                            | 0     | No change      | We had no acquisitions.  |
| Mergers                                 | 0     | No change      | We had no mergers.   |
| Change in output                        | 186.7 | Decreased 0.2  | Footprint changes: We left several buildings as well as added several buildings to our portfolio. Every location is tract in an environmental database. GHG is calculated in line with ISO14064. Formula: {Change in output [tCO2eq] FY20} = Sum {GHG from left location [tCO2eq] FY19} - Sum{GHG from new locations [tCO2eq] FY20} Calculation: 187 tCO2eq = 316 tCO2eq - 130 tCO2eq % Calculation: % Value = {Unidentified [tCO2eq] FY20}/{Scope 1+ Scope 2 (market based) [tCO2eq ] FY19} 0.2 % = 187 tCO2eq / 84'034 tCO2eq  |
| Change in methodology                   | 0     | No change      | We did not change the methodology for GHG reporting.   |
| Change in boundary                      | 0     | No change      | Boundaries remained unchanged.   |
| Change in physical operating conditions | 0     | No change      | No changes in physical operating conditions  |
| Unidentified                            | 5945  | Decreased 7.1  | Various drivers additionally reduced our GHG footprint. E.g. improvements in building operation, like installation runtimes adjustments. This number represents the unaccounted difference in GHG emissions y-o-y. Formula: {Unidentified [tCO2eq] FY20} = {Scope 1 & Scope 2 (market based) FY19 [tCO2eq]} - {Scope 1 & Scope 2 (market based) FY20 [tCO2eq]} - {Change in Output FY20 [tCO2eq]} - {Change in renewable energy consumption FY20 [tCO2eq]} - {Other emissions reduction activities FY20 [tCO2eq]} Calculation: 84'034 tCO2eq - 56'246 tCO2eq - 186.7 tCO2eq - 21'075 tCO2eq - 581 tCO2eq = 5'945 tCO2eq % Calculation: % Value = {Unidentified [tCO2eq] FY20}/{Scope 1+ Scope 2 (market based) [tCO2eq ] FY19} 7.1% = 5945 tCO2eq / 84'034 tCO2eq  |
| Other                                   | 0     | No change      |  |

**C7.9b**

**(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?**

Market-based

**C8. Energy**

**C8.1**

**(C8.1) What percentage of your total operational spend in the reporting year was on energy?**

More than 0% but less than or equal to 5%

**C8.2**

**(C8.2) Select which energy-related activities your organization has undertaken.**

|  |     |
|--|-----|
| Consumption of fuel (excluding feedstocks)         | Yes |
| Consumption of purchased or acquired electricity   | Yes |
| Consumption of purchased or acquired heat          | Yes |
| Consumption of purchased or acquired steam         | No  |
| Consumption of purchased or acquired cooling       | Yes |
| Generation of electricity, heat, steam, or cooling | Yes |



## C8.2a

---

### (C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

|   |                            |                  |                  |                  |
|---|----------------------------|------------------|------------------|------------------|
| Consumption of fuel (excluding feedstock)               | HHV (higher heating value) | 0                | 51704            | 51704            |
| Consumption of purchased or acquired electricity        | <Not Applicable>           | 356287           | 66560            | 422847           |
| Consumption of purchased or acquired heat               | <Not Applicable>           | 33752            | 27997            | 61749            |
| Consumption of purchased or acquired steam              | <Not Applicable>           | <Not Applicable> | <Not Applicable> | <Not Applicable> |
| Consumption of purchased or acquired cooling            | <Not Applicable>           | 184              | 0                | 184              |
| Consumption of self-generated non-fuel renewable energy | <Not Applicable>           | 438              | <Not Applicable> | 438              |
| Total energy consumption                                | <Not Applicable>           | 390661           | 146261           | 536922           |

## C9. Additional metrics

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### C9.1

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#### (C9.1) Provide any additional climate-related metrics relevant to your business.

**Description**

Waste

**Metric value**

133

**Metric numerator**

Waste [kg]

**Metric denominator (intensity metric only)**

FTE

**% change from previous year**

14.6

**Direction of change**

Decreased

**Please explain**

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**Description**

Energy usage

**Metric value**

537

**Metric numerator**

Energy Consumption [GWh]

**Metric denominator (intensity metric only)**

1

**% change from previous year**

3.4

**Direction of change**

Decreased

**Please explain**

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## C10. Verification

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### C10.1

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#### (C10.1) Indicate the verification/assurance status that applies to your reported emissions.

|  |  |
|--|--|
| Scope 1                                  | Third-party verification or assurance process in place |
| Scope 2 (location-based or market-based) | Third-party verification or assurance process in place |
| Scope 3                                  | Third-party verification or assurance process in place |

## C10.1a

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**(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.**

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Reasonable assurance

**Attach the statement**

Assurance rapport UBS GHG report reporting year 2020 Signed.pdf

**Page/ section reference**

1

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

---

## C10.1b

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**(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.**

**Scope 2 approach**

Scope 2 location-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Reasonable assurance

**Attach the statement**

Assurance rapport UBS GHG report reporting year 2020 Signed.pdf

**Page/ section reference**

1

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

---

**Scope 2 approach**

Scope 2 market-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Reasonable assurance

**Attach the statement**

Assurance rapport UBS GHG report reporting year 2020 Signed.pdf

**Page/ section reference**

1

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

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## C10.1c

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**(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.**

**Scope 3 category**

Scope 3 (upstream & downstream)

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Reasonable assurance

**Attach the statement**

Assurance rapport UBS GHG report reporting year 2020 Signed.pdf

**Page/section reference**

1

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

100

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**C10.2**

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**(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?**

Yes

**C10.2a**

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**(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?**

|            |                           |   |   |
|------------|---------------------------|---|---|
| C8. Energy | Renewable energy products | Ernst & Young verifies renewable energy products as part of the assurance according to ISO14064-3 | Energy and renewable energy is an important part of our climate change strategy and carbon footprint. Ernst & Young checks renewable energy and related CO2e reductions on an annual basis. Assurance rapport UBS GHG report reporting year 2020 Signed.pdf |
|------------|---------------------------|---|---|

**C11. Carbon pricing**

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**C11.2**

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**(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?**

No

**C11.3**

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**(C11.3) Does your organization use an internal price on carbon?**

Yes

**C11.3a**

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**(C11.3a) Provide details of how your organization uses an internal price on carbon.**

**Objective for implementing an internal carbon price**

Navigate GHG regulations  
Stakeholder expectations  
Drive energy efficiency  
Drive low-carbon investment  
Stress test investments  
Identify and seize low-carbon opportunities

**GHG Scope**

Scope 1  
Scope 2  
Scope 3

**Application**

UBS employs differentiated carbon pricing depending on the business unit and region in which the internal carbon price is used. In Switzerland for in-house operations, a price as set by the Swiss CO2 Levy is referenced when pricing internal investments in cleaner energy systems. This price is held as a price point for decision making on financial planning costs. For risk management, scenario-based carbon prices used in scenario analyses are taken as guidance and input. These are considered modeled information, specific to a scenario, and therefore have a more research-based advisory role in decision-making, rather than strict guidance.

**Actual price(s) used (Currency /metric ton)**

110

**Variance of price(s) used**

UBS employs differentiated carbon pricing depending on the business unit and region in which the internal carbon price is used. Carbon prices progress from 0 in 2015 to over 100+ in subsequent decades, as implied by the scenario (for risk management). CO2 Levy prices in Switzerland are as set by the government. -- In Switzerland for in-house operations, a price as set by the Swiss CO2 Levy is referenced when pricing internal investments in cleaner energy systems. This price is held as a price point for decision making on financial planning costs. For risk management, scenario-based carbon prices used in scenario analyses are taken as guidance and input. These are considered modeled information, specific to a scenario, and therefore have a more research-based advisory role in decision-making, rather than strict guidance.

**Type of internal carbon price**

Shadow price  
Implicit price

**Impact & implication**

Our top-down approach uses an internal carbon price to assess UBS balance sheet vulnerability, consisted of a scenario-based stress test. Leveraging its existing firm-wide top-down stress testing methodology, we developed a climate change scenario and its related regulatory response to assess the impacts on financial assets, operational income and physical assets. Financial impacts were moderate and in line with other stress scenarios, particularly those that foresee an oil shock component. The biggest risk from the regulatory response (i.e. transition risk) was for exposures to large corporates that are most sensitive to shocks in market variables like equity indices. -- In Switzerland for in-house operations, a price as set by the Swiss CO2 Levy is referenced when pricing internal investments in cleaner energy systems. This price is held as a price point for decision making on financial planning costs. The price applied to the replacement of fossil fuel heating systems results in higher projected costs for CO2-intense systems compared to renewable solutions and support decision making. In 2020, an additional two projects were initiated to replace fossil fuel heating systems with renewable solutions (local district heating) with an expected reduction of 1286 tCO2eq (See C4.3a & C4.3b). As we committed to Net Zero for Scope 1 & 2 (See section on targets), we focus on eliminating fossil heating completely from our building portfolio. For risk management, scenario-based carbon prices used in scenario analyses are taken as guidance and input. These are considered modeled information, specific to a scenario, and therefore have a more research-based advisory role in decision-making, rather than strict guidance.

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**C12. Engagement**

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**C12.1**

**(C12.1) Do you engage with your value chain on climate-related issues?**

Yes, our suppliers  
Yes, our customers  
Yes, our investee companies

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**C12.1a**

**(C12.1a) Provide details of your climate-related supplier engagement strategy.**

**Type of engagement**

Engagement & incentivization (changing supplier behavior)

**Details of engagement**

Run an engagement campaign to educate suppliers about climate change  
Climate change performance is featured in supplier awards scheme  
Offer financial incentives for suppliers who reduce your operational emissions (Scopes 1 & 2)  
Offer financial incentives for suppliers who reduce your downstream emissions (Scopes 3)  
Offer financial incentives for suppliers who reduce your upstream emissions (Scopes 3)

**% of suppliers by number**

100

**% total procurement spend (direct and indirect)**

100

**% of supplier-related Scope 3 emissions as reported in C6.5**

100

**Rationale for the coverage of your engagement**

The UBS Responsible Supply Chain Management (RSCM) approach is contract-based. All suppliers must agree to the Responsible Supply Chain Standard (RSCS) (including requirements towards environment/climate performance, human rights, health & safety and anti-corruption), for contracts to be awarded. Supplier relationships are terminated for non-compliance. To assess the compliance with the RSCS, we focus on suppliers with high impact (i.e. high potential for environmental & social risks and climate related issues). Our sourcing and procurement services are performed by a service provider that applies UBS' RSCM framework & processes. The RSCM framework is operated by experienced and specifically trained procurement and sourcing specialists (in 2020, 124 specialists were trained globally) and supported by internal & external experts. Strategy for Prioritization: The RSCM framework includes an impact assessment of newly sourced goods & services, which considers potential environmental impacts along the lifecycle of a product or a service, and all purchased goods & services are categorized accordingly. Suppliers of potentially high-impact goods or services, are requested to conduct a self-assessment on their responsible management practices and to provide corresponding evidence. Actual and potential negative impacts that are considered in the impact assessment of purchased goods & services include: -Adverse environmental impacts due to inefficient use of resources (e.g. water, energy, biomass) and emissions during the lifecycle of the product-Hazardous substances, emissions, pollutants and limited biodegradability of products-Unfair employment practices-Risks for consumer health & safety-Procurement and use of materials with a strongly negative environmental/social impact-Insufficient management of subcontractors regarding sustainability aspects. In 2021 we have further enhanced our RSCM Questionnaire with a Sustainability & Climate Change section (e.g. scope 1,2 & 3 GHG emissions, Net Zero commitment, green energy commitment, environmental/energy management system). All vendors which are classified as vendors that provide UBS with goods or services with potentially high impacts need to answer climate change related questions. We have also established a re-assessment process so that vendors are assessed against our RSCM standards every 2 years.

**Impact of engagement, including measures of success**

In 2020, 221 vendors were classified as vendors providing UBS with goods/services with potentially high impacts, both newly sourced as well as ongoing engagements, which are regularly re-assessed. 29% of these vendors were considered as in need of improving their management practices. Specific remediation actions were agreed with all of them and implementation progress has been closely monitored. We measure success as the reduction in environmental impact and GHG emissions in our supply chain. There are several environmental indicators that are related to the impact of engagement with vendors and that track the success of our implemented measures, such as energy consumption & related share of renewables and scope 2 emissions, travel distance & related travel type (air travel, train, etc) and scope 3 emissions, paper consumption & related paper types (recycled, new fibres, etc) and scope 3 emissions, waste volumes & recycling ratio and scope 3 emissions. Examples on engagement: - We engaged with utilities suppliers and track scope 2 emissions related to purchased electricity and heat. Scope 2 market-based emissions were reduced by 64% since 2016 and 37% year-on-year. E.g. as a large consumer in Switzerland, we can procure electricity on the open market. As UBS procures 100% renewable energy while still being cost-conscious, we drive the market by increasing demand in renewable energy & contribute to adequate pricing. - We engaged with paper suppliers to purchase paper with recycled content and lower GHG emissions in the production process. Paper related scope 3 emissions were reduced by 35% since 2016 and 12% year-on-year. - We incentivize the market by shifting internal demand to sustainable products, by removal of non-sustainable products from the procurement catalogues. We are implementing GHG driven ranking of options for hotels/ground & air travel, incentivizing employees to choose the more sustainable options. UBS drives innovation towards sustainable offerings, e.g. by moving servers to cloud which has environmental benefits or by requiring contracts for our data centers to use 100% renewable energy. Our IT hardware vendors must comply with Energy Star or EU Energy Level Class A standards. We encourage vendors to reduce environmental impact of p&s and to reduce & to report energy use & GHG emissions.

**Comment**

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**C12.1b**

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## **(C12.1b) Give details of your climate-related engagement strategy with your customers.**

### **Type of engagement**

Compliance & onboarding

### **Details of engagement**

Climate change considerations are integrated into customer screening processes

### **% of customers by number**

100

### **% of customer - related Scope 3 emissions as reported in C6.5**

### **Portfolio coverage (total or outstanding)**

All of the portfolio

### **Please explain the rationale for selecting this group of customers and scope of engagement**

Procedures and tools for the identification, assessment and monitoring of environmental and social risks (ESR; including climate risks) are applied and integrated into standard risk, compliance and operations processes. All prospects and clients are assessed for ESR associated with their business activities as part of UBS's onboarding and Know Your Client (KYC) compliance processes. This standard process applies to all our customers and portfolios in order to fully identify, assess, and monitor ESR to UBS's downstream value chain. Where required during the onboarding and KYC due diligence processes, the ESR unit directly engages with the prospect or client on ESR related aspects (incl. climate related) by requesting first-hand information or setting conditions that are monitored thereafter by the ESR unit. We also engage with clients as part of our transaction due diligence process. For example, as stated in UBS ESR standard on coal power, UBS does not provide project-level finance for new coal-fired power plants globally and only supports financing to transactions of existing coal-fired operators (>20% coal reliance) who have a transition strategy in place that aligns with a pathway under the Paris Agreement, or the transaction is related to renewable energy. In an Investment Banking context (lending, equity or bond underwriting), this means that we regularly engage with clients during transactions on their fossil fuel strategy and their alignment with the Paris Agreement. We evaluate client strategies on a forward looking basis, to understand if they meet the pledged ambitions of their host countries, as expressed in the Nationally Determined Contributions (NDCs). Where UBS standards are not met transactions cannot proceed. Together with other financial institutions UBS thereby provides an important signal to companies to reduce their GHG emissions and commit to a transition towards a low carbon economy. At portfolio level, we regularly review climate sensitive sectors and activities prone to bearing climate, environmental, and social risks. We assess client exposure and revenue in such sectors and attempt to benchmark the portfolio quality against the Paris Agreement, and/or regional and/or sectoral averages.

### **Impact of engagement, including measures of success**

We engage w/ clients on a case by case basis to improve their sust. perf. Impact of such engagement (and measure of success) is measured based on whether a client commits to & delivers on a condition set by UBS which results in an improved sust. perf. Examples: -Where client has coal-fired power plants in its portfolio, we engage to reduce their coal exposure in line w/ the Paris Agreement (PA), we: 1) determine current & future asset base, by MW capacity of the various fuel types in the client's portfolio. This is determined in desk research, 3rd party databases & engaging w/ the client 2) benchmark the coal reduction trajectory against the PA aligned pathways for host countries, as determined by our 3rd party ESG data partner. The rates are compared to determine if the client's forward-looking strategy meets PA commitment. If not, we encourage client to adjust strategy to be aligned w/ the pathways defined by the PA. - UBS review of market developments in the palm oil sector found that demand for products developed in accordance w/ the NDPE (No Deforestation, No Peat and No Exploitation), is increasingly being adopted. In result, UBS implemented the standard in its banking practices. As a concrete example, UBS has been engaging w/ an agribus. firm to address deforestation risks in its SC. UBS has set clear conditions for the client requesting a commitment to established industry certification mechanisms that control the risk of being exposed to SC related deforestation. UBS worked w/ 3rd party specialist to review the company practices & to establish conditions which have been included in the prospectus to investors. UBS will monitor the performance of the client to see if the conditions have been met & whether the engagement has been successful. Early detection & effective mgmt. of ESR & reputational risks of onboarded clients over short-, mid- & long-term time horizons is vital to UBS. Our climate-related achiev. have been recognized by ext. experts & we have continued significantly reduce the share of carbon-related assets to 1.9% of total banking products (down from 2.3% in 2019 & 2.8% in 2018). For the sixth year, UBS has been named the best performer in the Diversified Financial Services & Capital Markets Industry of the Dow Jones Sustainability Indices (DJSI), the most widely recognized corporate sust. rating (2020 outcome of engagement).

## **C-FS12.1c**

### **(C-FS12.1c) Give details of your climate-related engagement strategy with your investee companies.**

### **Type of engagement**

Information collection (Understanding investee behavior)

### **Details of engagement**

Included climate change in investee selection / management mechanism

### **% of investees by number**

100

### **% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b**

### **Portfolio coverage**

Majority of the portfolio

### **Rationale for the coverage of your engagement**

At UBS Asset Management the integration of Environmental, Social and Governance ("ESG") factors in the investment process is oriented around the UBS ESG Material Issues framework developed by our Sustainable and Impact Investing ("SI") research team. Sustainability covers a wide range of topics, so financial analysts and portfolio managers need to focus their attention on a limited set of factors that could affect the financial performance of an invested asset. The ESG Material Issues framework identifies the 3 to 5 most financially relevant ESG factors per sector that can impact the investment thesis across 32 different industry sectors. This helps analysts focus on those sustainability factors most likely to influence investment returns. We use ESG integration to embed our understanding of climate change into our investment decision. We recognize that how the investments we make could be affected by climate change depends on a combination of business models and activities, regulatory jurisdictions, asset locations, technologies and innovation, among other factors.

### **Impact of engagement, including measures of success**

We believe that ESG integration, which includes the very important topic of climate, involves a more holistic accounting of sustainability factors in the research process. We believe this leads to better informed investment decisions which could enhance performance and reduce risk. By identifying long-term investment opportunities, anticipating and managing financially material risks, engaging with the relevant third parties, and creating products and services that take into account ESG considerations, we believe our investments will be more successful in the longer term and will positively impact society and the environment. Our firm's common vision on the integration of ESG material factors in investment decisions, index constructions in the case of index strategies, and stewardship are set out in our SI policy. As a large scale asset manager, we provide traditional, alternative, real estate, infrastructure and private equity investment solutions to private clients, financial intermediaries and institutional investors

worldwide Across our traditional active businesses, ESG is fully integrated. Within index equities and fixed Income, we have extensive experience and expertise in incorporating sustainability factors in index funds and rules-based strategies. Our Real Estate and Private Markets business incorporates SI into all of their investment processes and will be among the first managers to offer funds that promote sustainability under the EU Sustainable Finance Disclosure Regulation. Within the multi-asset business, different methodologies of ESG assessment are combined into one portfolio, making it challenging to create one overarching profile of the ESG characteristics. We integrate sustainability where possible, leveraging best practices. Our multi-manager funds, traditional and alternative, include aspects of ESG into the manager due diligence process and use SI topics for new product development. Investment teams drive ESG integration within their investment processes and engagement activities linked to value drivers. Portfolio managers and analysts have access to a variety of ESG data, internal and external. They are supported by the Sustainable and Impact Investing team. In recent years attitudes towards sustainable investing have undergone a transformational shift. Once a 'nice to have', today it is a clear 'must have' as more and more clients prioritize sustainable investing in their investment processes. Institutional investors, in particular pension funds, are pivoting toward sustainable investing, driven by growing regulatory obligations and changing perceptions of their fiduciary duties. Up to 77% of institutional investors plan to stop investing in non-ESG products by 2022, according to a recent study by PWC ([www.pwc.lu/en/sustainable-finance/esg-report-the-growth-opportunity-of-the-century.html](http://www.pwc.lu/en/sustainable-finance/esg-report-the-growth-opportunity-of-the-century.html)) In 2019 we conducted a large-scale survey of over 613 institutional investors representing more than €19 trillion AuM. 78% of those surveyed integrate ESG, citing materiality of risk as their key reason for doing so. Among European asset owners, the majority believe that systemic environmental factors will be more material to their investments than traditional financial factors. With this in mind, our ESG integration approach is designed to support client demand and drive improvements at the investee level by deepening the understanding of material ESG risk. In 2020, UBS Asset Management conducted 429 engagement meetings in which long term sustainability issues were discussed and in which concrete expectations were communicated to senior management. Of these meetings 32% included discussions on environmental and climate change related issues. These meetings support integration efforts as they are directly tied to the investment cases.

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#### Type of engagement

Information collection (Understanding investee behavior)

#### Details of engagement

Climate change is integrated into investee evaluation processes

#### % of investees by number

100

#### % Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b

#### Portfolio coverage

Majority of the portfolio

#### Rationale for the coverage of your engagement

At UBS Asset Management the integration of Environmental, Social and Governance ("ESG") factors in the investment process is oriented around the UBS ESG Material Issues framework developed by our Sustainable and Impact Investing ("SI") research team. Sustainability covers a wide range of topics, so financial analysts and portfolio managers need to focus their attention on a limited set of factors that could affect the financial performance of an invested asset. The ESG Material Issues framework identifies the 3 to 5 most financially relevant ESG factors per sector that can impact the investment thesis across 32 different industry sectors. This helps analysts focus on those sustainability factors most likely to influence investment returns. We use ESG integration to embed our understanding of climate change into our investment decision. We recognize that how the investments we make could be affected by climate change depends on a combination of business models and activities, regulatory jurisdictions, asset locations, technologies and innovation, among other factors.

#### Impact of engagement, including measures of success

We believe that ESG integration, which includes the very important topic of climate, involves a more holistic accounting of sustainability factors in the research process. We believe this leads to better informed investment decisions which could enhance performance and reduce risk. By identifying long-term investment opportunities, anticipating and managing financially material risks, engaging with the relevant third parties, and creating products and services that take into account ESG considerations, we believe our investments will be more successful in the longer term and will positively impact society and the environment. Our firm's common vision on the integration of ESG material factors in investment decisions, index constructions in the case of index strategies, and stewardship are set out in our SI policy. As a large scale asset manager, we provide traditional, alternative, real estate, infrastructure and private equity investment solutions to private clients, financial intermediaries and institutional investors worldwide Across our traditional active businesses, ESG is fully integrated. Within index equities and fixed Income, we have extensive experience and expertise in incorporating sustainability factors in index funds and rules-based strategies. Our Real Estate and Private Markets business incorporates SI into all of their investment processes and will be among the first managers to offer funds that promote sustainability under the EU Sustainable Finance Disclosure Regulation. Within the multi-asset business, different methodologies of ESG assessment are combined into one portfolio, making it challenging to create one overarching profile of the ESG characteristics. We integrate sustainability where possible, leveraging best practices. Our multi-manager funds, traditional and alternative, include aspects of ESG into the manager due diligence process and use SI topics for new product development. Investment teams drive ESG integration within their investment processes and engagement activities linked to value drivers. Portfolio managers and analysts have access to a variety of ESG data, internal and external. They are supported by the Sustainable and Impact Investing team. In recent years attitudes towards sustainable investing have undergone a transformational shift. Once a 'nice to have', today it is a clear 'must have' as more and more clients prioritize sustainable investing in their investment processes. Institutional investors, in particular pension funds, are pivoting toward sustainable investing, driven by growing regulatory obligations and changing perceptions of their fiduciary duties. Up to 77% of institutional investors plan to stop investing in non-ESG products by 2022, according to a recent study by PWC ([www.pwc.lu/en/sustainable-finance/esg-report-the-growth-opportunity-of-the-century.html](http://www.pwc.lu/en/sustainable-finance/esg-report-the-growth-opportunity-of-the-century.html)) In 2019 we conducted a large-scale survey of over 613 institutional investors representing more than €19 trillion AuM. 78% of those surveyed integrate ESG, citing materiality of risk as their key reason for doing so. Among European asset owners, the majority believe that systemic environmental factors will be more material to their investments than traditional financial factors. With this in mind, our ESG integration approach is designed to support client demand and drive improvements at the investee level by deepening the understanding of material ESG risk. In 2020, UBS Asset Management conducted 429 engagement meetings in which long term sustainability issues were discussed and in which concrete expectations were communicated to senior management. Of these meetings 32% included discussions on environmental and climate change related issues. These meetings support integration efforts as they are directly tied to the investment cases.

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#### Type of engagement

Innovation & collaboration (changing markets)

#### Details of engagement

Carry out collaborative engagements with other investors or institutions

#### % of investees by number

#### % Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b

66.7

#### Portfolio coverage

Majority of the portfolio

#### Rationale for the coverage of your engagement

UBS Asset Management is involved in Climate Action 100+, a collaborative engagement initiative launched in December 2017. Its aim is to engage with high-level greenhouse gas emitters. (The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, therefore the 66.7% in the scope 3 field), and other companies across the global economy, that have significant opportunities to drive the clean energy transition and help achieve the goals of

the Paris Agreement. It has the support of 542 investors, representing more than USD 52 trillion of assets under management. AM is directly involved in 29 coalitions of investors (at the end of 2020) within Climate Action 100+ and leads eight of the company dialogues across regions. Whether UBS Asset Management is a lead or participating investor, it is an active member of these coalitions, providing feedback on the climate change performance of companies, the discussion agenda, engagement goals and the progress of these dialogues.

#### **Impact of engagement, including measures of success**

Since its launch in December 2017, Climate Action 100+ has grown into one of the world's largest investor-led engagement initiatives, with more than 542 investor signatories with more than \$52 trillion in assets under management. The five-year initiative's first progress report provides a sector-by-sector analysis of progress to date. For each sector, it includes performance indicators, a list of key company milestones, and case studies. By way of example, since 2018, UBS Asset Management has been a co-lead in an engagement dialogue the European energy company, Eni. The dialogue with management has focused on: – The company's decarbonization strategy, – Capital expenditure in fossil fuels extraction and renewables, scenario analysis, GHG emissions reduction targets, – The link of executive remuneration with climate goals and – Lobbying activities in support of the Paris Agreement. We have interacted with the CEO, CFO, the chair of the remuneration committee, the sustainability and the IR department. As part of the dialogue, we have submitted an AGM statement for the board's consideration to acknowledge the progress made and encourage the company to keep its commitments, even during the challenging times of the COVID-19 pandemic. At the beginning of 2020, the company announced new ambitious targets, including an 80% reduction in net scope 1, 2 and 310 emissions by 2050, with reference to the entire life-cycle of the energy products sold and a 55% reduction in emission intensity compared to 2018. This is in addition to previous commitments to achieve net-zero carbon footprint by 2030 for scope 1 and 2 emissions from upstream activities and net-zero carbon footprint for total scope 1 and 2 emissions by 2040. During 2020, the long-term incentive plan of the company has also been modified to include a new ESG objective with a 35% weight. The company has also published its principles to define the company's public policy positions on climate change and assess its participation in trade associations. Finally, the company has reviewed its oil and gas price assumptions and defined a flexible decline in oil production from 2025 together with ramping up its commitments in renewables and the circular economy. Going forward we will continue the dialogue with the company to align its capital allocation decisions to the Paris Agreement and include climate change considerations in audit and accounting. The full progress report from CA100+ can be downloaded from <https://climateaction100.wordpress.com/progress-report/>

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#### **Type of engagement**

Engagement & incentivization (changing investee behavior)

#### **Details of engagement**

Initiate and support dialogue with investee boards to set Paris-aligned strategies

#### **% of investees by number**

#### **% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b**

27

#### **Portfolio coverage**

Minority of the portfolio

#### **Rationale for the coverage of your engagement**

Notwithstanding the considerable challenges brought about by the COVID-19 pandemic in 2020, we continue to regard the long-term threats posed by climate change as one of the most serious investment risks facing our clients and their beneficiaries. During 2020 we delivered on our commitment made at the World Economic Forum (WEF) annual meeting in Davos at the start of the year to provide clients with a range of investment products across asset classes which can help them transition their assets towards a lower carbon future. Building on our innovative Climate Aware methodology, we launched new climate investment strategies across both active and passive equity and fixed income six months later. By December 2020, AuM across our climate strategies had risen five-fold to over USD15bn, representing a significant contribution of capital towards the efforts to generate positive climate outcomes. This commitment was underscored at the end of the year when we became a founding signatory to the Net Zero Asset Managers initiative. Critical to the Climate Aware methodology is the associated engagement program. The climate change-focused program was launched in 2018. While UBS Asset Management has interests across a wide range of industries, we identified the energy and utilities sectors as particularly exposed to climate change transition. The objective of our dialogue with 49 oil & gas and utilities companies is to support the transition to a low carbon economy. The companies in our engagement focus list represent 27% of CO2 emissions (scope 1 and 2) of the entire benchmark (FTSE All developed) (Therefore the 27% in the "% Scope 3 emissions" field and the "Minority of the portfolio" in the Portfolio coverage field). To create the most effective dialogue within our thematic engagement program on climate change, we have developed a climate materiality assessment and framework to facilitate research and climate engagement dialogue across nine impacted sectors, including the two in focus, oil & gas and utilities. This framework, around which our engagement goals are oriented, is both financially material and well understood by corporate management teams. Specifically, we defined our objectives around the Taskforce on Climate-related Financial Disclosure (TCFD). We then conducted a detailed scorecard analysis for each company in the focus list in order to identify the most relevant areas of potential improvement, focusing on the core elements of the TCFD. These are: – Governance of climate change – Risk management – Strategy and policy – Metrics and performance – Targets – Lobbying activities – Overall level of disclosure As outlined above, to maximize both the coherence and effectiveness of our engagements, we pursued our climate engagement strategy through collaboration with other asset owners and asset managers within the investor initiative Climate Action 100+ (CA100). This consistency allows companies to focus on addressing the core issues linked to climate change rather than needing to reconcile divergent investor requests. Collaboration also allows investors to share various perspectives while combining expertise in order to better challenge and support corporate representatives in setting ambitious actions. Finally, our dialogue with management is complemented by our voting decisions on climate issues. We are generally supportive of climate change resolutions that are reasonable, referring to the TCFD recommendations and aligned with long-term shareholder interest. In addition to supporting shareholder resolutions on climate, we also use our vote to express discontent at companies which fail to demonstrate adequate progress. We will generally vote against the chair of the board of companies we have engaged with for more than two years without seeing progress on climate change. We see our votes against management as a means to call for greater attention and action. In 2020, we voted against the election of the chair or another board member of four companies in our focus list because of lack of progress on engagement focused on climate change. Through dialogue with companies in relation to climate change, UBS Asset Management contributes to the goals of SDG 7 on ensuring access to affordable, reliable, sustainable and modern energy for all and SDG 13 on taking urgent action to combat climate change and its impacts. We also established a Climate Aware advisory board. Its purpose is to provide institutional investors in the strategy with updates on the climate engagement program, while also allowing them to provide feedback and help shape the program over time.

#### **Impact of engagement, including measures of success**

The first phase of our thematic engagement on climate change comes to an end in March 2021. The measure of our progress to end 2020 can be summarized as follows: 1) Limited success was achieved across 18% of the companies, where between 0 -25% of the objectives were met; 2) Partial success was achieved with 40% of companies, where 25 -50% of the objectives were met; 3) Good success was achieved with 35% of companies, where 50 -75% of the objectives were met; and 4) Excellent success was achieved with 7% of companies where 75 -100% of the objectives were met. We consider our engagement program to be successful if we have partial to excellent progress on at least 80% of the companies. However it is also important to point out that our engagements are not simply driven by a quant target but the magnitude of the impact in terms of climate commitments. These are linked to the TCFD. Having several leading companies meet our ambitious climate objectives and agreeing to align their strategies with the Paris agreement would also be considered a significant success. By way of example, we have been engaging with Korea Electric Power Corp within Climate Action 100+ as a participating investor since 2018. The engagement has focused on the company's strategy to transition to a low carbon economy. More specifically, we have been asking management to enhance GHG emissions reduction targets, increase ambitions on renewable energy, define a coal phase-out plan and align disclosure with the TCFD framework. As the company has planned further investments in new coal plants in Vietnam (Vung Ang 2), Indonesia (Jawa 9 and 10) and other emerging markets and given the limited progress against our requests, we have co-signed a private letter to the board of the company, a public letter to the South Korean Ministry of Economy and Finance (a major shareholder in the company) and a media article to express our concerns. As a way of reiterating our expectations, we have also voted against the appointment of three board members at the extraordinary general meeting (EGM) in September 2020. In 2020, the company approved the overseas coal fired power plants in Indonesia and Vietnam. However, it also confirmed soon afterwards that it will not pursue investments in new coal plants overseas, including two projects in the Philippines and South Africa. Additionally, the South Korean government has committed to achieve net-zero emissions by 2050, in



combination with pledging to a national plan to close 30 coal-fired power plants by 2034 and ten of those by 2022. As KEPCO owns the majority of these plants, we expect these recent announcements will have strong implications for the company's transition strategy. Going forward we will continue the dialogue with the company in collaboration with other investors in relation to the coal phase out timeline and action plan domestically and overseas. Equally, we will be looking for full alignment of corporate disclosure with the TCFD recommendations, including scenario analysis, metrics and performance.

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#### Type of engagement

Engagement & incentivization (changing investee behavior)

#### Details of engagement

Support climate-related issues in proxy voting

#### % of investees by number

96

#### % Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b

#### Portfolio coverage

All of the portfolio

#### Rationale for the coverage of your engagement

Voting at shareholder meetings is a vital component of our overall approach to the effective stewardship of our clients' assets. Voting isn't an end in itself, but rather a crucial element of our oversight role. It allows us to voice our opinion to a company on a broad range of topics and is a way of encouraging boards to listen to and address investor concerns. It is important that proxy voting is linked to our research and investment process. If holdings are included in more than one portfolio then we aim, as far as possible, to vote consistently to send one strong, unified message to our investee companies. We use voting to complement and support our engagement activities. In situations where our engagement dialogue is not bringing the results we'd expected, we'll escalate and use voting as an additional means of expressing our opinion and seeking to influence boards and management. In such circumstances it is essential to communicate effectively with management pre- and post-vote to explain the reasons for our dissent and open the doors for further dialogue. Our voting process is managed by our SI Research and Stewardship team. They work closely with our fundamental investment teams to decide how to exercise our voting rights, based on our voting principles, any engagement we may have undertaken, and our knowledge of the investee company. We do not outsource our voting decisions and retain full oversight and discretion when determining how to vote on behalf of our clients and funds. It is our belief that voting rights have economic value and should be treated accordingly. Where clients of UBS Asset Management have delegated to us the discretion to exercise the voting rights for shares they beneficially own, we have a fiduciary duty to vote such shares in the clients' best interest and in a manner which achieves the best economic outcome for their investments. Voting enables us to voice our opinion to a company on a broad range of topics and is a way of encouraging boards to listen to and address investor concerns. As a result we consider voting to be an important part of our oversight role and integral to both the investment process and our overall stewardship approach. We vote globally in over 60 countries across both our actively managed and index/rules based passive strategies. We seek to vote all shares held consistently across our range of investments, in order to maximize the outcome of the vote. As long-term shareholders we will generally seek to support current management initiatives. However where we have concerns with a company arising from our stewardship and engagement activities, or in relation to a particular resolution that we believe is not in the interests of our clients, we may choose not to support a particular proposal. This includes resolutions put forward by both company management and outside parties. We have been voting on a discretionary basis on behalf of our clients since 1995. We implemented our first internal voting policy in 1998. In 2020 we voted at 11,615 meetings, or 96% of shareholder meetings where we had an eligible position to vote, across 60 countries. There remains a small number of markets where the logistics of voting present either a significant administrative burden, or impede our ability to manage a portfolio during the voting period. For example, when so-called share-blocking applies. We are currently reviewing these markets with the aim of further increasing our market scope, and ensuring that voting rights are exercised as widely as possible. In the first half of 2021 we will add Denmark, Norway and Sweden to our market coverage, subject to completion of necessary documentation.

#### Impact of engagement, including measures of success

Our voting activities allow us to reinforce the messages communicated to management during our various dialogues and, ultimately, express our dissent if the objectives set out at the start of our engagement with a given company are not met. In 2020 we voted on over 660 shareholder resolutions which were focused on ESG issues, supporting 64% of them. More specifically, 50 of these resolutions were climate-related shareholder resolutions and we supported 88% of them. Generally, we have not supported resolutions that were too prescriptive in nature, didn't address material issues, or which asked companies to introduce policies and practices that had already been adequately addressed. It is generally accepted that the world's climate is changing due to rising man-made emissions of greenhouse gases, particularly carbon dioxide (CO<sub>2</sub>). The largest single source of CO<sub>2</sub> emissions is the combustion of fossil fuels – coal, oil and gas. We expect companies to have a strategy for reducing carbon emissions, to be clear about goals, and to report on progress. We will generally support proposals that require companies to report to shareholders, at a reasonable cost and excluding proprietary data, information concerning their potential liability from operations that contribute to global warming, their policy on climate risks and opportunities and specific targets to reduce emissions (where such targets are not overly restrictive). We will generally support proposals that require, or request, information regarding an issuer's adoption of, or adherence to, relevant norms, standards, codes of conduct or universally recognized international initiatives, including the recommendations of the Financial Stability Board's Task Force on Climate Related Financial Disclosures (TCFD). In the following circumstances we may choose not to support specific proposals: – When the issue(s) presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation; – When the company has already responded in an appropriate and sufficient manner in previous years and the requirements are duplicative of existing reporting; – Where the proposal request is unduly burdensome or overly prescriptive. We may choose to vote against the Board Chairman of a company when we determine that sufficient progress has not been made on specific topics raised during our engagement with companies, in particular in relation to climate change matters discussed as part of our climate related engagement program. An example of the impact of proxy voting can be seen in our engagement with Korea Electric Power Corp. We have been engaging with the company within Climate Action 100+ as a participating investor since 2018. The engagement has focused on the company's strategy to transition to a low carbon economy. More specifically, we have been asking management to enhance GHG emissions reduction targets, increase ambitions on renewable energy, define a coal phase-out plan and align disclosure with the TCFD framework. As the company has planned further investments in new coal plants in Vietnam (Vung Ang 2), Indonesia (Jawa 9 and 10) and other emerging markets and given the limited progress against our requests, we have co-signed a private letter to the board of the company, a public letter to the South Korean Ministry of Economy and Finance (a major shareholder in the company) and a media article to express our concerns. As a way of reiterating our expectations, we have also voted against the appointment of three board members at the extraordinary general meeting (EGM) in September 2020. In 2020, UBS AM was awarded an A+ leadership band for engagement and voting on climate by InfluenceMap. (Source: InfluenceMap 2020)

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## C12.3

### (C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

Direct engagement with policy makers  
Trade associations

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## C12.3a

**(C12.3a) On what issues have you been engaging directly with policy makers?**

|  |   |  |
|--|---|--|
| Carbon tax Support   | Joining others in support of the Paris Agreement, UBS signed the World Economic Forum's open letter from CEOs to world leaders urging climate action.   | We believe that effective climate policies have to include explicit or implicit prices on carbon achieved via market mechanisms or coherent legislative measures according to national preferences, which will trigger low-carbon investment and transform current emission patterns at a significant scale. We support global mitigation approaches that promote cost effective incentives for cutting emissions, while respecting level playing fields and preventing carbon leakage. We urge a strategic action agenda supported by clear and consistent policies and robust monitoring, reporting and verification (MRV) that will complement business efforts to stimulate innovation as well as collaborative actions across value chains, and to develop and scale up alternative and renewable energy sources, promote energy efficiency, end deforestation and accelerate other low-carbon options and technologies such as ICT. We welcome transparency and disclosure regarding financial investments and policies in relation to all energy-related activities including fossil-based and alternative. We support assessments of resilience to climate risks and call for new financial instruments to stimulate alternative energy and efficiency projects as well as green bonds. This will enable climate action to be integrated with financial reporting and instruments. We encourage governments to set science-based global and national targets for the reduction of GHG emissions and the development of alternative energy sources. |
| Mandatory carbon reporting Support   | Further supporting the Paris Agreement, UBS signed the European Financial Services Round Table statement in support of a strong, ambitious response to climate change.  | We will work with policy-makers and regulators to incentivize and leverage further private climate finance, co-operating closely with national and international development banks. There is further scope for expanding the activity of these existing and emerging institutions to fulfil their potential in driving private investment flows into low carbon and renewable energy projects. It is equally important that they both take emissions positively into account when assessing a project and ensure their wider investments do not undermine climate change objectives. We will work with policy-makers and companies on consistent voluntary standards for disclosure by companies. A consistent and comparable mechanism for disclosing information on carbon emissions and climate change strategy will assist sustainable investor decisions and allow stress testing of climate change risk within a portfolio. We will work with policy-makers, regulators and companies to develop methods for assessing forward-looking exposure to climate-related risks, providing greater transparency of preparedness and sensitivity to climate risk of investee companies and issuers.  |
| Climate finance Support  | Joint statement by our CEO and the alliance members to urge G20 governments to act on the recommendations of the TCFD.  | A global network of chief executive officers who see the business benefits of bold and proactive action to ensure a smooth transition to a low-carbon and climate-resilient economy. The group represents business leaders from diverse industry sectors and regions that use their position and influence to drive change. Priority areas for this group include: implementation of the Financial Stability Board's Task Force recommendations on Climate-related Financial Disclosures; building support for effective carbon markets; and, transformational change in the energy, mobility and agriculture value chains.  |
| Other, please specify (Various – Carbon Tax, Carbon Reporting, Climate Finance, Climate Scenario Analysis) Support | Publications by the Institute of International Finance Sustainable Finance Working Group on public consultations (e.g. Bank of England proposed climate scenario analysis BES, EC proposed Sustainable Finance Renewed Strategy, IFRS Sustainability Reporting, TCFD forward looking metrics, SEC climate disclosure consultation) and position papers (e.g. Sustainable Finance Policy & Regulation: The Case for Greater Alignment, March 2020; Building a Global ESG Disclosure Framework: a Path Forward, June 2020, Prudential Pathways: Industry Perspectives on Supervisory and Regulatory Approaches to Climate-related and Environmental Risks, Jan 2021) as well as broader industry initiatives (e.g. Principles for Financing a U.S. Transition to a Sustainable Low Carbon Economy, Feb 2021, Future of Chief Sustainability Officer: Sense-maker in Chief, Feb 2021)                          | The Institute of International Finance Sustainable Finance Working Group, of which UBS serves as the Chair, has written response letters to consultation papers as well as staff papers outlining positions on the need for international standards for sustainable finance regulation, alignment of financial sector and real economy regulation, climate scenario analysis and stress tests by the financial sector, and development of international standards for ESG and climate report. The IIF has also developed recommendations for financial sector firms TCFD disclosure.   |
| Other, please specify (Various – Carbon Tax, Carbon Reporting, Climate Finance, Climate Scenario Analysis) Support | Publications by the Associations for Financial Markets in Europe (AFME), Asia Securities Industry & Financial Markets Association (ASIFMA), and the umbrella Global Financial Markets Association (GFMA) and asset management specific groups (e.g. Investment Company Institute and specialized asset management groups of ASIFM and SIFMA) on public consultations (e.g. Bank of England proposed climate scenario analysis BES, EC proposed Sustainable Finance Renewed Strategy, MAS Climate and Environmental Risk Guidelines, ECB Climate and Environmental Risk Guide, E BA Pillar 3 ESG proposals, European Taxonomy) and position papers (e.g. Status of European Regulatory Developments on Sustainable Finance, AFME, February 2020; Sustainable Finance in Asia Pacific Regulatory State of Play, ASIFMA, March 2020, ESG Disclosure Landscape for Large Banks and Capital Markets, March 2021) | AFME, ASIFMA, and GFMA broadly support further development of sustainable and climate finance including carbon taxes, carbon reporting, and scenario analysis. Asset management groups broadly support proportionate measures to address concerns about potential for greenwashing.  |
| Other, please specify (Various – Carbon Tax, Carbon Reporting, Climate Finance, Climate Scenario Analysis) Support | Institute of International Finance Board of Directors: 2021 Statement on Climate Finance  | Outlines a set of 10 principles the financial sector believes are important to guide the climate transition  |

**C12.3b**

**(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?**

Yes

**C12.3c**

**(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.**

**Trade association**

Financial Stability Board, Task Force on Climate-Related Financial Disclosures

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The TCFD seeks to develop recommendations for voluntary climate-related financial disclosures that are consistent, comparable, reliable, clear, and efficient, and provide decision-useful information to lenders, insurers, and investors. The TCFD believes that better access to data will enhance how climate-related risks are assessed, priced, and managed. Companies can more effectively measure and evaluate their own risks and those of their suppliers and competitors. Investors will make better informed decisions on where and how they want to allocate their capital. Lenders, insurers and underwriters will be better able to evaluate their risks and exposures over the short, medium, and long-term.

**How have you influenced, or are you attempting to influence their position?**

Our Head Sustainable Equity Team at Asset Management is a member of the task force and helped to shape the recommendations the task force has made to financial institutions and corporations.

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**Trade association**

Swiss Bankers Association

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

The Swiss Bankers Association (SBA) supports the introduction/expansion of a CO2 levy on all fossil fuels seems as the best market-based solution to to considerably improve the incentive structure for low emission technologies and for associated financial investments in Switzerland. SBA also encourages all members to participate in voluntary climate compatibility tests, and engages in industry initiatives to strengthen the role of the Swiss financial center with its diverse range of stakeholders and its technical expertise to play a leading role in transition.

**How have you influenced, or are you attempting to influence their position?**

As a member of the Swiss Bankers Association (SBA) and with a representative in its Sustainable Finance Working Group as well as with our Chairman Axel A. Weber on its Board, UBS influences the development of the SBA's position in line with our climate change commitment. We also participated in the establishment of new set of industry guidelines on ESG integration into the client advisory process.

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**Trade association**

Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU)

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

VfU has a position statement on the financing of the energy transition. The six core aspects are: 1) security of energy service, 2) security of planning, 3) currently continued support of renewable energy investments, 4) energy transition is more than renewable energy development, 5) supporting cap and trade schemes, 6) regulating financial market may impede the financing of the energy transition. This position was mainly developed with the energy transition in Germany in mind.

**How have you influenced, or are you attempting to influence their position?**

We have influenced their position as a member of the board and have participated in the discussions to shape a position paper that would be in line with our climate change strategy.

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**Trade association**

Economiesuisse

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

Economiesuisse promotes a coordinated global approach to tackle the challenges caused by climate change and advocates for a global and uniform carbon pricing. The approach should allow companies to develop innovative solutions and technologies. Economiesuisse promotes a reliable, affordable, and environmentally friendly energy supply.

**How have you influenced, or are you attempting to influence their position?**

We have participated in the discussions to shape a position that would be in line with our climate change strategy.

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**Trade association**

Institute of International Finance (IIF) Sustainable Finance Working Group

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

IIF member firms around the world have been launching a wealth of new products, investment vehicles and programs to help bring sustainability considerations into the mainstream of global finance. The IIF helps connect these initiatives and align forces with public sector efforts to reach the same vitally important goals. E.g. the IIF supports the recommendations of the Task Force on Climate-related Financial Disclosures. In Feb 2021 the IIF Board published a Statement on Climate Finance.

**How have you influenced, or are you attempting to influence their position?**

Our Board Chair was instrumental in establishing the Sustainable Finance Working Group, as Chairman of the IIF. Our Head of Sustainability Regulatory Strategy serves as chair of the IIF Sustainable Finance Working Group.

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**Trade association**

United Nations Environment Program – Finance Initiative (UNEP-FI) climate and banking working group

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

Supports implementation of the recommendations of the Task Force on Climate-related Financial Disclosures, specifically the recommendation on scenario analysis. The working group foci are on refining methodologies, climate scenarios and data sources to measure climate-related financial risk in loan portfolios, under climate change physical and transition risk scenarios. Providing legal guidance for climate risk disclosure and promoting industry learning and adaptation by including a larger group of

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banks than in phase I (16) and communicating about the project.

**How have you influenced, or are you attempting to influence their position?**

UBS was a founding member bank of the initiative, as part of the original founding working group on TCFD recommendations UBS helped to shape the objectives and methodologies which are now employed across more than double the banks in a broader initiative (Phase II).

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**Trade association**

The regional European (AFME), Asia (ASIFMA), and US (SIFMA) and their umbrella Global Financial Markets Association (GFMA) all have sustainable finance working groups of which UBS is a member

**Is your position on climate change consistent with theirs?**

Consistent

**Please explain the trade association's position**

AFME, ASIFMA, SIFMA, and GFMA all support the further development of sustainable finance in a manner that supports transition to a net zero economy, provide transparency and protection to investors, and are transparent with broader stakeholders through appropriate disclosure.

**How have you influenced, or are you attempting to influence their position?**

Our Head of Sustainability Regulatory Strategy serves as one of four co-chairs of the AFME Sustainable Finance Working Group.

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## C12.3f

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**(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?**

- UBS' governance of sustainability ensures that relevant functions, up to and including the highest governance level, are informed about and involved in the decision-making on and evolution of UBS' climate change strategy. UBS Group AG's Board of Directors' Corporate Culture and Responsibility Committee (CCRC), chaired by the UBS Chairman (=Board Chair), and with the Group CEO, the GEB sponsor for Sustainability and Impact, the Group Chief Risk Officer and the Chief Sustainability Officer as permanent guests, meets six times a year. The CCRC regularly considers UBS' strategy on climate change, including also external engagements & positions and relevant regulatory developments. Discussions on climate risk take place as joint CCRC and RC (Risk Committee) meetings.
- The UBS Group Executive Board, led by the Group CEO, regularly discuss and consider UBS' climate strategy, including in particular the implementation of the firm's Net Zero commitment.
- The Chief Sustainability Office ensures that relevant aspects are communicated to and discussed with the BoD and the GEB and relevant functions within the firm.
- Internal communication of the climate change strategy ensures all employees are informed and educated about the firm's climate change strategy. For example, regular intranet articles inform employees about our CC strategy and the economic impact of CC on the economy and the financial sector.
- Both the Chairman and Group CEO of UBS are directly involved in initiatives that influence policy consistent with our firm's climate change strategy (including e.g. via the World Economic Forum CEO Climate Leader Alliance). In addition:
- UBS contributes to pertinent external discussions and consultation, including on climate-related matters. The Head External Engagement co-chairs the IIF's Sustainable Finance Working Groups.
- UBS is represented in the Swiss Banker's Association and is a member of the FSB's TCFD. Headquartered in Switzerland, UBS representatives regularly interact with government officials, including on climate-related matters.
- The UBS Chief Sustainability Officer serves on the Board of Swiss Sustainable Finance.
- The Head Corporate Responsibility chairs the joint CSR working group of major Swiss trade associations economiesuisse and SwissHoldings, which consider sustainability topics, including climate change. It is also a member of economiesuisse's working group on energy, which also considers climate change, including how it pertains to policy-making in Switzerland.

## C12.4

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**(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).**

**Publication**

In mainstream reports, incorporating the TCFD recommendations

**Status**

Complete

**Attach the document**

6k-sustainability-report-31-12-20.pdf

**Page/Section reference**

UBS Sustainability Report 2020 contains UBS TCFD-aligned climate strategy disclosure, starting on page 31 (page numbers as printed in the report).

**Content elements**

Governance  
Strategy  
Risks & opportunities  
Emissions figures  
Emission targets  
Other metrics

**Comment**

UBS Sustainability Report 2020 was part of its regulatory filings in 2020, in the US and Germany (year-end financial filings).

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**Publication**

In voluntary communications

**Status**

Complete

**Attach the document**

climate-strategy-2021-may-3.pdf

**Page/Section reference**

All pages

**Content elements**

Governance  
Strategy  
Risks & opportunities  
Emissions figures  
Emission targets  
Other metrics

**Comment**

2020/2021 Climate Strategy document is TCFD-aligned climate-specific disclosure document for UBS.

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**Publication**

In other regulatory filings

**Status**

Complete

**Attach the document**

ubs-sustainability-report-2020.pdf

**Page/Section reference**

UBS Sustainability Report 2020 contains UBS TCFD-aligned climate strategy disclosure, starting on page 31 (page numbers as printed in the report).

**Content elements**

Governance  
Strategy  
Risks & opportunities  
Emissions figures  
Emission targets  
Other metrics

**Comment**

UBS Sustainability Report 2020 was part of its regulatory filings in 2020, in the US and Germany (year-end financial filings).

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**C-FS12.5**

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**(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?**

|                     |  |  |
|---------------------|--|--|
| Reporting framework | Principles for Responsible Investment (PRI)<br>Task Force on Climate-related Financial Disclosures (TCFD)<br>UNEP FI Principles for Responsible Banking  | For extended information on our external memberships and commitments see UBS Sustainability Report 2020 pages 102-104. |
| Industry initiative | Principles for Responsible Investment (PRI)<br>UNEP FI Principles for Responsible Banking<br>Climate Action 100+<br>Institutional Investors Group on Climate Change (IIGCC)<br>Natural Capital Finance Alliance<br>Soft Commodities' Compact<br>UNEP FI<br>UNEP FI TCFD Pilot<br>Other, please specify (Net Zero Asset Managers initiative and Net Zero Banking Alliance)                        |  |
| Commitment          | Other, please specify (UBS is founding signatory to Net Zero Asset Managers initiative and to Net Zero Banking Alliance. ) Additionally, our CEO is a member of the Alliance of CEO Climate Leaders, a WEF network of CEOs committed to climate action. Our Chairman is a signatory to the European Financial Services Round Table's statement in support of a strong response to climate change |  |

**C14. Portfolio Impact**

**C-FS14.1**

**(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)**

|   |                  |  |  |
|---|------------------|--|--|
| Bank lending (Bank)                         | Yes              | Category 15 "Investment" total absolute emissions Alternative carbon footprinting and/or exposure metrics (as defined by TCFD) | UBS conducts analysis and reports on exposure to carbon-related assets. As recommended by the TCFD, carbon-related assets are defined as assets tied to the energy and utilities sectors (Global Industry Classification Standard). In 2020, UBS again significantly reduced the share of our carbon-related assets on our banking balance sheet to 1.9%, or USD 5.4 billion, as of 31 December 2020, down from 2.3% at the end of 2019 (USD 6.1 billion) and 2.8% (USD 7.5 billion) at the end of 2018. In addition: - We set a new threshold for financing of existing thermal coal mining companies (20% of revenues) unless they have a transition strategy that aligns with the goals of the Paris Agreement, or the transaction is related to RE or clean technology. - We lowered the threshold of financing of existing coal-fired operators (from 30% to 20% of coal reliance) unless they have a transition strategy that aligns with the goals of the Paris Agreement, or the transaction is related to RE or clean technology. - We lowered the threshold financing to companies with significant reserves or production in arctic oil and/or oil sands (from 30% to 20% of reserves or production) unless they have a transition strategy that aligns with the goals of the Paris Agreement, or the transaction is related to RE or clean technology. In 2021, UBS became a founding member of the Net Zero Banking Alliance and will define a detailed road map for achieving net zero greenhouse gas emissions across all of our operations (Scopes 1, 2 and 3) by 2050.  |
| Investing (Asset manager)                   | Yes              | Category 15 "Investment" total absolute emissions Alternative carbon footprinting and/or exposure metrics (as defined by TCFD) | In 2020, the weighted average carbon intensity (WACI) of our Climate Aware strategies went down to 68.2 t CO2e per USD million of revenue (from 74.5 tonnes in 2019). This is 51% less when compared against the WACI of the composite benchmark. At AM, we analyse our investments' impact on climate primarily through ESG integration. Our ESG integration process focuses on taking better account of material risks which could enhance investment returns and/or impact downside risks. We believe this leads to better informed investment decisions which could, in turn, reduce risks and enhance performance. To facilitate the integration of sustainability factors through the assessment of material ESG risks, UBS-AM has developed a proprietary "ESG risk dashboard" for both corporate listed equity and fixed income holdings. The dashboard is a proprietary ESG monitoring tool and serves as a starting point for ESG integration. It allows equity and credit analysts to quickly identify companies with significant ESG risks via the "UBS ESG Risk Signal". UBS risk systems are equipped with carbon emission data on investee companies from renowned third-party providers, and able to process carbon footprint and carbon intensity calculations at the portfolio level. In 2020, UBS participated in the PACTA 2020 climate alignment test that focused on assessing listed investments (equity and bonds), mortgage and direct real estate portfolios. In this occasion, the PACTA methodology was applied to the listed investments portfolios. AM has also developed a proprietary approach to assessing the sustainability performance of sovereigns, including both emerging and developed markets. The methodology integrates data from numerous sources covering ESG factors and addresses material ESG strengths and weaknesses. In the environmental dimension, the framework focuses on the positioning of each country with respect to climate change transition, such as the carbon intensity of the economy and the sustainability of energy production, as well as physical climate change risks. In 2020, UBS AM became a founding member of the Net Zero Asset Managers' Initiative which brings together asset managers committed to reaching net zero emissions by 2050. In April 2021, we issued a Net Zero Commitment, pledging our firm to achieve net zero GHG emissions from all aspects (Scope 1, 2, 3) of our business by 2050. |
| Investing (Asset owner)                     | <Not Applicable> | <Not Applicable>   | <Not Applicable>   |
| Insurance underwriting (Insurance company)  | <Not Applicable> | <Not Applicable>   | <Not Applicable>   |
| Other products and services, please specify | Not applicable   | <Not Applicable>   |  |

**C-FS14.1a**

**(C-FS14.1a) What are your organization's Scope 3 portfolio emissions? (Category 15 "Investments" total emissions)**

**Category 15 (Investments)**

**Evaluation status**

Relevant, not yet calculated

**Scope 3 portfolio emissions (metric tons CO2e)**

<Not Applicable>

**Portfolio coverage**

<Not Applicable>

**Percentage calculated using data obtained from client/investees**

<Not Applicable>

**Emissions calculation methodology**

<Not Applicable>

**Please explain**

In 2020, UBS AM became a founding member of the Net Zero Asset Managers' Initiative which brings together asset managers committed to reaching net zero emissions by 2050. In 2021, UBS became a founding member of the Net Zero Banking Alliance and we issued a Net Zero Commitment, pledging our firm to achieve net zero GHG emissions from all aspects (Scope 1, 2, 3) of our business by 2050. UBS is seeking to further understand exposure to climate risks (both physical and transition) by leading an effort on developing an inventory of climate sensitive sectors. Climate sensitive sectors defined as inventory of activities with higher vulnerability to transition and physical climate risks.

**C-FS14.1b**

**(C-FS14.1b) What is your organization's Scope 3 portfolio impact? (Category 15 "Investments" alternative carbon footprinting and/or exposure metrics)**

**Metric type**

Exposure to carbon-related assets

**Metric unit**

Other, please specify (Other, please specify (Carbon-related assets: banking products across the Investment Bank and Personal & Corporate Banking, USD billion))

**Scope 3 portfolio metric**

5.4

**Portfolio coverage**

More than 90% but less than or equal to 100%

**Percentage calculated using data obtained from clients/investees**

10

**Calculation methodology**

UBS conducts analysis and reports on exposure to carbon-related assets following the TCFD recommendations. UBS exposure to carbon-related assets in banking products across Investment Bank and Personal & Corporate Banking in 2020 was USD 5.4 bn (1.9% of total banking products exposure, gross). As recommended by the TCFD, carbon-related assets are defined as assets tied to the energy and utilities sectors (Global Industry Classification Standard). Non-carbon-related assets, such as renewables, water utilities, and nuclear power are excluded. For grid utilities, the national grid mix is applied.

**Please explain**

The TCFD defines carbon-related assets as assets tied to the energy and utilities sectors. Exposure to carbon-related assets, a sub-set of climate sensitive sectors, is monitored and reported as recommended by the TCFD. UBS has monitored the year-on-year development of exposure to carbon-related assets since 2017. In 2020, UBS has again significantly reduced the share of carbon-related assets down to 1.9% of total banking products exposure (USD 5.4bn). This is a further decrease from 2.3% (USD 6.1 billion) at the end of 2019 and 2.8% (USD 7.5 billion) at the end of 2018. UBS uses the metric to understand the potential exposure to climate transition risks and to inform climate risk assessments.

**Metric type**

Weighted average carbon intensity

**Metric unit**

tCO2e/\$M revenue

**Scope 3 portfolio metric**

68.2

**Portfolio coverage**

More than 0% but less than or equal to 10%

**Percentage calculated using data obtained from clients/investees**

0

**Calculation methodology**

Weighted carbon intensity is a metric provided by the TCFD. In 2020, the weighted average carbon intensity of our Climate Aware strategies went down to 68.2 tonnes of carbon dioxide equivalent (CO2e) per USD million of revenue (from 74.5 tonnes in 2019). This is 51% less when compared against the weighted carbon intensity of the composite benchmark. Carbon intensity is based on scope 1 and 2 CO2 emissions of investee companies, which often rely on third-party estimates. This metric was expanded in the 2020 Our Climate Strategy disclosure (as oppose to 2019 disclosure) to include all equity and fixed income funds with a proprietary Climate Aware strategy (active and rules-based). Metric is the assets under management (AUM)-weighted average of the weighted average carbon intensities of the portfolios.

**Please explain**

Weighted average carbon intensity is a metric provided by the TCFD (UBS has committed to aligning its disclosure with the TCFD recommendations). Year-on-year decrease of carbon intensity is mainly driven by higher carbon targets of the investment strategy. Carbon intensity is based on scope 1 and 2 CO2 emissions of investee companies, which often rely on third-party estimates.

## C-FS14.2

### (C-FS14.2) Are you able to provide a breakdown of your organization's Scope 3 portfolio impact?

|       |                     |   |
|-------|---------------------|---|
| Row 1 | Yes, by asset class | The inventory of climate-sensitive sectors and more specifically, carbon-related assets can be broken down by industry. UBS discloses exposure to carbon-related assets in banking products across Investment Bank and Personal & Corporate Banking and weighted average carbon intensity of the Climate Aware strategies. Please see Our Climate Strategy pages 8, 12 and 13 for more details. |
|       | Yes, by industry    |   |

## C-FS14.2a

### (C-FS14.2a) Break down your organization's Scope 3 portfolio impact by asset class.

|                     |                                   |  |      |   |
|---------------------|-----------------------------------|--|------|---|
| Corporate/SME loans | Exposure to carbon-related assets | Other, please specify (Carbon-related assets: banking products across the Investment Bank and Personal & Corporate Banking, USD billion) | 5.4  | UBS discloses exposure to carbon-related assets in banking products across Investment Bank and Personal & Corporate Banking. As recommended by the TCFD, carbon-related assets are defined as assets tied to the energy and utilities sectors (Global Industry Classification Standard). In 2020 UBS carbon related assets were USD 5.4bn (banking products across Investment Bank and Personal & Corporate Banking.) In 2020, UBS again significantly reduced the share of our carbon-related assets to 1.9% (USD 5.4bn) down from 2.3% (USD 6.1 billion) at the end of 2019 and 2.8% (USD 7.5 billion) at the end of 2018. Please see Our Climate Strategy page 12 and 13 for more details. |
| Listed equity       | Weighted average carbon intensity | tCO2e/\$M revenue  | 68.2 | In 2020, the weighted average carbon intensity of our Climate Aware strategies was 68.2 tonnes of CO2e per USD million of revenue. Carbon intensity is based on scope 1 and 2 CO2 emissions of investee companies, which often rely on third-party estimates. Please see Our Climate Strategy page 12 for more details.   |

## C-FS14.2b

### (C-FS14.2b) Break down your organization's Scope 3 portfolio impact by industry.

|           |                                   |   |      |  |
|-----------|-----------------------------------|---|------|--|
| Utilities | Exposure to carbon-related assets | Other, please specify (\$M portfolio value, Percentage portfolio value) | 493  | UBS discloses exposure to carbon-related assets in banking products across Investment Bank and Personal & Corporate Banking. As recommended by the TCFD, carbon-related assets are defined as assets tied to the energy and utilities sectors (Global Industry Classification Standard). Non-carbon-related assets, such as renewables, water utilities, and nuclear power are excluded. For grid utilities, the national grid mix is applied. UBS exposure to utilities sector in 2020: 493 (in USD m of total gross banking exposure across IB and P&C), which represents 0.2% of total exposure to all sectors. Out of the total of USD 493m: production and distribution of electricity (moderate carbon exposure): USD 321m, production and distribution of electricity (high carbon exposure) USD 3m. Please see Our Climate Strategy pages 8, 12 and 13 for more details. |
| Energy    | Exposure to carbon-related assets | \$M portfolio value   | 4973 | UBS discloses exposure to carbon-related assets in banking products across Investment Bank and Personal & Corporate Banking. As recommended by the TCFD, carbon-related assets are defined as assets tied to the energy and utilities sectors (Global Industry Classification Standard). UBS exposure to oil and gas, coal mining in 2020: USD 4,973m of total gross banking exposure across IB and P&C). Oil and gas: 4,951, coal mining: 22. Please see our Climate Strategy pages 12 and 13 for more details.   |

## C-FS14.3



**(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?**

|   |                  |  |
|---|------------------|--|
| Bank lending (Bank)                         | Yes              | In 2021, we committed to achieving net zero greenhouse gas emissions resulting from all aspects (Scope 1, 2, 3) of our business by 2050. We will set science-based targets for 2025, 2030 and 2035 to progress toward our net zero goal. Our comprehensive climate strategy, introduced fifteen years ago, firmly supports our clients and our firm preparing for success in an increasingly carbon-constrained world. We support this goal through our innovative financial product offering and advisory, as well as through embedding climate risk in our firm-wide risk management framework and in our own operations. We seek to protect our assets by limiting our risk appetite for carbon-related assets and by estimating our firm's vulnerability to climate-related risks using scenario-based stress testing approaches and other forward-looking portfolio analyses. In 2020, UBS again significantly reduced the share of our carbon-related assets on our banking balance sheet to 1.9%, or USD 5.4 billion, as of 31 December 2020, down from 2.3% at the end of 2019 and 2.8% at the end of 2018. More broadly, our share of exposure to climate-sensitive sectors in 2020 was 13.7% (% of total gross banking exposure across IB and P&C). We support our clients' efforts to assess, manage and protect them from climate-related risks by offering innovative products and services in investment, financing and research. We mobilize private and institutional capital towards investments facilitating climate change mitigation and adaptation and in supporting the transition to a low-carbon economy as corporate advisor, and/or with our lending capacity. Our climate-related sustainable investments increased to USD 160.8 billion in 2020 from USD 108 billion in 2019, and the deal value in equity and debt capital market services, and in financial advisory services, related to climate change mitigation and adaptation, rose to USD 98.9 billion, from USD 87.2 billion in 2019. |
| Investing (Asset manager)                   | Yes              | In 2020, we became a founding signatory of the Net Zero Asset Managers Initiative, a leading group of global asset managers committed to supporting the goal of net zero greenhouse gas (GHG) emissions by 2050 or sooner. We actively engaged on climate topics with 49 oil and gas, and utilities companies, and voted on 50 climate-related shareholder resolutions. UBS Asset Management creates and markets funds that actively reduce exposure to, rather than excluding, companies with higher carbon risk, in order to pursue strategic engagement with these companies. The strategy involves not only a reduction of the CO2 footprint of the portfolio but also an innovative approach to aligning the portfolio with the 2 degree carbon reduction scenario in the future. Engagement is key in this strategy. AM engages with companies in which it invests on behalf of clients to discuss approaches to mitigating climate-related risk, and votes on shareholder resolutions to improve transparency and disclosure around climate-related reporting. AM has implemented an engagement program with 49 oil and gas companies as well as utilities companies under-weighted in the fund.  |
| Investing (Asset owner)                     | <Not Applicable> | <Not Applicable>   |
| Insurance underwriting (Insurance company)  | <Not Applicable> | <Not Applicable>   |
| Other products and services, please specify | Not applicable   | Not applicable as UBS business divisions are covered in the above "Bank lending" and "Investing" sections.   |

**C-FS14.3a**

**(C-FS14.3a) Do you assess if your clients/investees' business strategies are aligned to a well below 2-degree world?**

|   |                  |   |
|---|------------------|---|
| Bank lending (Bank)                         | Yes, for all     | We evaluate client strategies on a forward looking basis, to understand if they meet the goals and pathway defined by the Paris Agreement. As a concrete example, we do not provide project-level finance for new coal-fired power plants globally and only support financing transactions of existing coal-fired operators (>20% coal reliance) who have a transition strategy in place that aligns with a pathway under the Paris Agreement, or the transaction is related to renewable energy. UBS has been one of the pilot banks testing the Paris Agreement Capital Transition Assessment (PACTA). In the context of the PACTA pilot, we studied the alignment of select climate-sensitive sectors in our corporate credit portfolio with Paris Agreement benchmarks. The methodology provides an assessment of a bank's credit-financed activities in relation to the global shift to a low-carbon economy. For example, the assessment showed that the fuel mix in UBS' s power utilities credit portfolio, according to the PACTA methodology, is significantly less carbon intensive than the global corporate economy, as of 2019 (see "PACTA methodology for power generation" in our climate strategy 2019). |
| Investing (Asset manager)                   | Yes, for all     | Yes, as described above, AM has developed a Climate Aware strategy that enables investors to reduce a portfolio's carbon footprint, invest in new technologies, and align portfolios to a chosen climate "glidepath" or timeline to reach a specific climate scenario target. A glidepath could be a 2°C world, a 1.5°C world, or a different trajectory altogether. In 2020 we launched a series of both active and passive low carbon products across fixed income and equities, alongside our existing passive Climate Aware strategy. In total, by the end of 2020, assets across all Climate Aware strategies exceeded USD 15 billion. In 2020, UBS AM became a founding member of the Net Zero Asset Managers' Initiative which brings together asset managers committed to reaching net zero emissions by 2050. In April 2021, we issued a Net Zero Commitment, pledging our firm to achieve net zero greenhouse gas emissions resulting from all aspects (Scope 1, 2, 3) of our business by 2050, with intermediate milestones established to ensure progress.  |
| Investing (Asset owner)                     | <Not Applicable> | <Not Applicable>  |
| Insurance underwriting (Insurance company)  | <Not Applicable> | <Not Applicable>  |
| Other products and services, please specify | <Not Applicable> | <Not Applicable>  |

**C-FS14.3b**

**(C-FS14.3b) Do you encourage your clients/investees to set a science-based target?**

|   |                  |   |
|---|------------------|---|
| Bank lending (Bank)                         | Yes, for some    | We evaluate client strategies on a forward looking basis, to understand if they meet the goals and pathway defined by the Paris Agreement. As a concrete example, we do not provide project-level finance for new coal-fired power plants globally and only support financing transactions of existing coal-fired operators (>20% coal reliance) who have a transition strategy in place that aligns with a pathway under the Paris Agreement, or the transaction is related to renewable energy. |
| Investing (Asset manager)                   | Yes, for some    | UBS has engaged with selected clients who have thereafter aligned their investment strategies with science-based targets. In 2020, UBS AM became a founding member of the Net Zero Asset Managers' Initiative which brings together asset managers committed to reaching net zero emissions by 2050.  |
| Investing (Asset owner)                     | <Not Applicable> | <Not Applicable>  |
| Insurance underwriting (Insurance company)  | <Not Applicable> | <Not Applicable>  |
| Other products and services, please specify | <Not Applicable> | <Not Applicable>  |

**C15. Signoff**

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**C-FI**

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**(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

**C15.1**

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**(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.**

Row 1 UBS Group AG Chair, Axel A. Weber Chairman of the Board of Directors / Chairperson of the Corporate Culture and Responsibility Committee

Board chair

Submit your response

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**In which language are you submitting your response?**

English

**Please confirm how your response should be handled by CDP**

I am submitting my response

Investors  
Customers

Public

Yes, I will submit the Supply Chain questions now

**Please confirm below**

I have read and accept the applicable Terms