

C0. Introduction

C0.1

(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' 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 50 markets, with about 31% of its employees working in the Americas, 32% in Switzerland, 19% in the rest of Europe, the Middle East and Africa and 18% in Asia Pacific. UBS Group AG employs over 67,000 people around the world. Its shares are listed on the SIX Swiss Exchange and the New York Stock Exchange (NYSE).

C0.2

(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 2019	December 31 2019	No	<Not Applicable>

C0.3

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

Please select

C0.4

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

USD

C0.5

(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

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

- Bank lending (Bank)
- Investing (Asset manager)

C1. Governance

C1.1

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

Yes

C1.1a

(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. The CCRC, chaired by the Chairman, also consist of four additional board members. 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. our commitment to using 100% renewable electricity by mid-2020) 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 UBS in society. The Head UBS in Society is a permanent guest of the CCRC as is UBS's Group CEO. The UBS in Society organization coordinates activities in climate-related topics for UBS.

C1.1b

(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	<p>Reviewing and guiding strategy</p> <p>Reviewing and guiding major plans of action</p> <p>Reviewing and guiding risk management policies</p> <p>Setting performance objectives</p> <p>Monitoring implementation and performance of objectives</p> <p>Monitoring and overseeing progress against goals and targets for addressing climate-related issues</p>	<p>Climate-related risks and opportunities to our own operations</p> <p>Climate-related risks and opportunities to our bank lending activities</p> <p>Climate-related risks and opportunities to our investment activities</p> <p>Climate-related risks and opportunities to our insurance underwriting activities</p> <p>Climate-related risks and opportunities to our other products and services we provide to our clients</p> <p>The impact of our own operations on the climate</p> <p>The impact of our bank lending activities on the climate</p> <p>The impact of our investing activities on the climate</p>	<p>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 UBS in society Steering Committee ensures firm-wide execution of the climate strategy while our firm's climate-related risk appetite is set by the Global Environmental & Social Risk (ESR) Committee. 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. It approves and monitors UBS in society's overall strategy and annual objectives, reviews that the UBS in society constitutional document is relevant and up to date, and oversees the program's annual management review.</p>

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 Risks and opportunities related to our investing activities Risks and opportunities related to our insurance underwriting activities Risks and opportunities related to our other products and services 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 Risks and opportunities related to our investing activities Risks and opportunities related to our insurance underwriting activities Risks and opportunities related to our other products and services 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.
- 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 through leadership of the UBS in society organization and Group CRO through leadership for climate-related risks.
- UBS in society is the firm’s dedicated Group-wide organization within the firm, focused on maximizing our positive effect and minimizing any negative effects UBS has on society and the environment. 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 UBS in society, UBS is driving change that matters by using our firm’s expertise to bring about sustainable performance. The Group CEO proposes the UBS in society 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 Head UBS in Society is UBS’s senior level representative for environmental and sustainability issues. He or she is nominated by the Group CEO, chairs UBS in Society Operating Committee, is a member of the Global Environmental Social Risk Committee, and is a permanent guest to the CCRC. On behalf of the Group CEO, he or she develops the UBS in society 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 UBS in society Executive Committee (EC) in this effort.
- The UBS in society Steering Committee (SC) ensures execution of UBS in society strategy across divisions and regions. The Committee is chaired by the Head UBS in society and is composed of divisional, regional, and Group COO EC members, as well as, UBS in society EC members. SC members are nominated by their respective GEB members and/or the Head of UBS in society, and ensure plan and objective sign off by them.
- Chaired by the Group Chief Risk Officer (CRO), the Global Environmental & Social Risk Committee defines an environmental and social risk (ESR) framework and independent controls that align UBS’s ESR appetite with that of UBS in society. These include climate-change risks.
- The Global Environmental & Social Risk Committee defines an ESR framework and independent controls that align UBS’s environmental and social risk appetite with that of UBS in society. The CRO is responsible for the development and implementation of principles and appropriate independent control frameworks for environmental and social risks within UBS. The Committee and CRO are updated quarterly.
- 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

(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

Entitled to incentive	Type of incentive	Activity incentivized	Comment
Board Chair	Monetary reward	Emissions reduction target Behavior change related indicator 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 change strategy and all its aspects. 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 2019 compensation for the Board of Directors' section of UBS 2019 Annual Report
Chief Executive Officer (CEO)	Monetary reward	Emissions reduction target Company performance against a climate-related sustainability index Portfolio/fund alignment to climate-related objectives	ESG is considered in the compensation determination process in different phases through objective setting, performance award pool funding, performance assessment and compensation decision. At the beginning of the year, objectives relative to Group, business divisions, Pillars, Principles and Behaviors are set. ESG-related objectives have been embedded in our Pillars and Principles since they were established in 2011. 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, and progressing our philanthropic efforts and in sustainable (including climate) finance. In the performance award pool funding, ESG is reflected through the assessment of risks, such as legal, compliance, reputational and operational risks. Therefore ESG is taken into consideration when the Compensation Committee assesses not only what results were achieved, but also how they were achieved. The achievements versus the ESG-related goals are reflected in the qualitative performance assessment and affect the final compensation decision.
Corporate executive team	Monetary reward	Emissions reduction target Energy reduction target Environmental criteria included in purchases Company performance against a climate-related sustainability index Portfolio/fund alignment to climate-related objectives	At the executive level, the UBS in society Steering Committee oversees the implementation of UBS in society Constitutional Document, which encompasses Climate Change objectives. The committee is chaired by the Head of UBS in society (who reports to the Group CEO). It consists of divisional and regional executive committee representatives, among others. The committee focuses on implementing the UBS in society agenda across the entire firm. Execution of these objectives is evaluated through annual performance appraisals that impact compensation. Targets and performance indicators include, e.g. meeting our emission reduction objective (75% CO2 reduction by 2020 on 2004 level) or pushing closer towards our impact investing objective (have USD 5 billion of client assets invested into new impact investments by the end of 2021, which encompasses climate-change related impact investments) and are factored into objectives and compensation.
Energy manager	Monetary reward	Emissions reduction target Energy reduction target	Energy saving is part of the overall CO2 emission reduction strategy (75% CO2 reduction by 2020 on 2004 level) and is factored into targets and compensation.
Environment/Sustainability manager	Monetary reward	Emissions reduction project Energy reduction target	Environmental managers contribute to the UBS climate change strategy to reduce emissions by 75% by 2020 on 2004 baseline. 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 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 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.
Public affairs manager	Monetary reward	Company performance against a climate-related sustainability index 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) 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. Moreover, in the year under review, it excluded investments in companies involved in coal-fired power production from the 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 has taken 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 here.
Medium-term	3	10	
Long-term	10	80	Long-term time horizon is defined mainly by UBS scenario analysis assessments (until 2100, 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 or strategic impact (please see page 113 of UBS Annual Report 2019 for quantitative risk management objectives): At UBS, Environmental and Social risk is a primary risk and defined as "the risk that UBS supports clients, or sources from suppliers, who cause or contribute to severe environmental damage or human rights infringements. Environmental and social risks can also arise if UBS's operational activities and its employees (or contractors working on behalf of UBS) fail to operate within relevant environmental and human rights regulations. Environmental

and social risks (including human rights and climate-related risks) may result in adverse financial and reputation 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; Final Rule, p. 6294). 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).

How do we measure financial or strategic impact on company/ asset level: Cross-divisional teams, led by Environmental and Social Risk 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. To better understand climate change impact on the financial sector and on UBS as a whole we conduct scenario-based stress testing and other forward-looking analyses, based on UBS financial exposure to climate-related risks. UBS has conducted such tests in various forms, since 2014. We engage in international efforts and collaborate to develop better methodologies to conduct such analyses going forward, specifically for carbon and physical risk assessments. For example, 35 banks, including UBS and the UNEP FI have partnered again, to collaboratively develop tools that will help banks disclose their exposures to climate risks and opportunities as envisioned by the TCFD and further refining scenario-based stress-testing methodologies. These efforts are led by our cross-divisional teams within the Risk Control organization, and led by the Environmental and Social Risk Unit and presented to both the Global ESR Committee (GESRC) and the CCRC (BoD committee).

A quantitative example of financial or strategic impact: 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 Breedon, PRA). Potential impacts in the future could be asset devaluation losses up to \$37.6bn, which represents UBS gross banking exposure to climate-sensitive sectors across Investment Bank and Personal & Corporate Banking (as disclosed in Our Climate Strategy 2019, following accounting standard IFRS 9). Climate-sensitive sectors are defined as inventory of activities with higher vulnerability to climate risks. 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.

Another example of financial or strategic impact is reputational risks related to climate change (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 2019, UBS' market capitalization was USD 45.5 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 455 million. We do not expect direct financial implications associated with this risk driver in the short term.

C2.2

(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. Their achievement is reviewed on a semi-annual basis by the Head of UBS in society, and on an annual basis by the Corporate Culture and Responsibility Committee (CCRC), a Board of Directors (BoD) committee. As outlined in the UBS in Society Policy, UBS manages climate change risks and opportunities within the parameters set by the CCRC, climate-related opportunities are overseen by the UBS and Society Operating Committee, and climate change risks by the Global Environmental and Social Risk (GESRC) Committee. The CCRC regularly and critically reviews the assessments and steps taken by these management bodies towards executing the climate change strategy. It approves UBS's annual climate change objectives and plans and decides on the progressive alignment of our climate change disclosure pathway, with TCFD's recommendations. These annual objectives and plans 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 management system 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 quarterly monitoring and reporting to the Global ESR Committee. Banking activities and in-house operations must be conducted in compliance with this policy. All types of material risks and opportunities are in-scope (including regulatory, customer behavior changes, reputational and weather-related). 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 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. To better understand climate change impact on the financial sector and on UBS as a whole we conduct scenario-based stress testing and other forward-looking analyses (since 2014), based on UBS financial exposure to climate-related risks. We engage in international efforts and collaborate to develop better methodologies to conduct such analyses going forward. For example, 35 banks, including UBS and the UNEP FI have partnered, to collaboratively develop tools that will help banks disclose their exposures to climate risks and opportunities as envisioned by the TCFD and further refining scenario-based stress-testing methodologies. 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. Case studies on how the aforementioned process is applied to physical and transition risks: Transition risk: UBS, as a global financial services firm active in wealth management (WM), asset management (AM) and investment banking (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. 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 its portfolio (lending portfolio and securities). 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. In 2018, UBS took a decision to not finance any new coal-fired projects globally, while only financing coal-fired operators that have a strategy to reduce coal dependency along a Paris Agreement-aligned pathway. This was a substantial business decision based upon a scenario-based review of our power portfolio. UBS again reduced carbon-related assets on its balance sheet to USD 1.9 billion or 0.8% at the end of 2019, down more than 40% from the previous year . The firm also committed to no longer provide financing where the stated use of proceeds is for new offshore oil projects in the Arctic, greenfield thermal coal mines or greenfield oil sands projects. Physical risk: UBS also 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 (buildings). 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. UBS plans for potential disruptions to its business, from adverse weather events, with its Business Continuity Management (BCM) unit. 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 Business Continuity Management (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, regulation are assessed for impacts through quarterly monitoring. For example, in the UK, UBS is directly impacted by the Prudential Regulatory Authority Supervisory Statement (SS 3/19), calling for banks to adopt a strategic response to climate change and its financial impacts. The regulation is aimed at increasing resiliency of the financial system to both the physical and transition risks related to climate change. UBS has assessed this regulation, which asks for enhanced governance, risk management, scenario analysis, and disclosure of climate-related financial risk, and provided feedback to the PRA in March 2020 separately and via industry consultation responses. 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.

	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 beginning in 2021. 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. UBS also will comply with relevant local standards such as the HKMA Greenness Assessment Framework and regulations under development in Singapore and other jurisdictions. More broadly UBS is indirectly impacted by climate change regulations that impact the real economy. Switzerland is in the process of finalizing a revision to its CO2 Act which sets energy targets for the economy out to 2050. As other countries adopt net zero 2050 targets and associated transition pathways for the real economy sector (e.g. the EU Green Deal and associated sector specific strategies) this will impact the corporate clients for which UBS provides financing and advice. This will also impact with both risks and opportunities wealth and asset management activities for private and institutional clients. UBS continuously monitors emerging regulations through established regulatory monitoring processes and its environmental management system (EMS). UBS seeks to engage in dialogue with regulators and supervisors as key regulations are developed often through industry associations. Once regulations are finalized, UBS implements requirements into global and local policies, frameworks, and processes. UBS has established dedicated change programs in 2020 to address the environmental and climate risk requirements including proposed regulatory stress tests and the product and investment sustainable finance regulations from the EU. Updates are provided to the Global ESR Committee, UBS in Society, and the Group Executive Board through established reporting processes. For real estate properties, a third party firm has been engaged to review the ongoing risk of our existing assets on an annual basis.
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. UBS evaluates the impact of such technological shifts when relevant, notably through scenario analysis efforts. 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, based on the makeup (quality of names) in our own portfolio. For example, in our efforts to align with the TCFD recommendations, UBS is partnering with 35 banks and the Greater Integrated Assessment Modeling community (e.g. scientific partners Potsdam Institute for Climate Impact Research and the International Institute for Applied Systems Analysis) to translate 2 and 1.5 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). Results will be summarized and communicated to senior management. This effort was piloted in 2018, with a smaller group of 16 banks, where UBS analyzed impacts of renewable energy technologies growing market share on our power utilities lending portfolio. Now in its second phase, the UNEP FI TCFD working group for banks 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. UBS is 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. 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 the Real Estate and Private Markets (REPM) Management Committee Global Sustainability Workgroup.
Legal	Relevant, sometimes included	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. As a bank exposed to clients in various sectors, some (like energy) which carry higher exposure to carbon-related assets and therefore transition risks, UBS plays such an underwriting role of new public debt and equity issuances. These issuances are required to contain faithful disclosures of all material risks, like transition risks (where material). UBS assesses this risk when conducting transactional due diligence. Specifically, trained environmental experts identify if there are material climate-related risks. 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 experiences legal risks when and 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 has a target date 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. In addition, as an Asset Manager, UBS also has a fiduciary duty to clients (to protect clients from risks to their investments, including climate-related risks). This duty in AM would extend to influence the transition to a low carbon economy. UBS has developed the "Climate Aware" framework, a rules-based investment strategy that uses a unique methodology to identify investees aligned with global warming objectives. The goal of the strategy 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 various sectors, including raw materials, clients may be exposed to market risks to their goods, commodities, or other products and services. Where clients have exposure to such shifts, UBS is also indirectly exposed to these market risks through our clients and strategy. UBS manages this risk through both ongoing monitoring of market developments in key markets (e.g. energy or palm oil production), with quarterly assessments of materiality and/or reporting to the Global ESR Committee. UBS also regularly reviews sensitive sectors and activities prone to bearing environmental and social risks. 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 found that demand for products developed in accordance with the 'No Deforestation, No Peat and No Exploitation' (NDPE), which is increasingly being adopted in the palm oil sector. As a result, the Global ESR Committee took action, and UBS has adopted the standard in its banking practices with clients in the sector. In addition, as an asset manager with clients' portfolios exposed to market risks, AM developed a proprietary tool to identify sustainability risks in listed equities, broadly categorized as Environmental, Social and Governance ("ESG") risks. The UBS ESG Risk Dashboard serves as a pillar for ESG integration. The Risk Dashboard combines scores and data points from a number of reputable external research providers together with the UBS internal ESG model to flag companies with elevated sustainability risks. In addition, absolute ESG risks such as poor corporate governance and high ESG controversy levels are included in the Risk Dashboard. Collectively, these inputs lead to an ESG Risk Signal which flags companies with high ESG risks. Once outliers are identified, investment teams are able to conduct more in-depth analysis to assess the material impact of the ESG 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 (and also makes explicit reference to UBS' "constantly looking for better ways to do business in an environmentally sound and socially responsible manner"). 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 issues. Input on our UBS in Society strategy and activities (incl. CC) are regularly sought from employees, including via a large, internal UBS in Society Forum of employees from across all business regions and business divisions. 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 2019 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's shareholder advocacy within climate action can also created positive reputational impact, as demonstrated by the firm being awarded by ShareAction, as the best performing asset manager in climate proxy voting in 2019 (Voting matters – Are asset managers using their proxy votes for climate action?). AM's ESG integration efforts have been recognized by other external parties, including the Principles for Responsible Investment ("PRI") (Four A+ scores, five A scores in the 2020 PRI Assessment), and have raised AM into a leadership position among large-scale, global asset managers. REPM submitted 20 funds for the 2019 GRESB survey, with 15 funds receiving 5 stars and the other five receiving 4 star ratings.
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. Now in its second phase, the UNEP FI TCFD working group for banks 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.

(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	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. However, we identified methodological challenges ranging from the suitability of climate scenarios for banking risk modelling to data availability. To address these challenges, 16 banks, including UBS, the UN Environment Programme Finance Initiative (UNEP FI), the Integrated Assessment Modelling Consortium (IAMC), and risk consultancies Oliver Wyman and Acclimatise began a collaboration of several years in 2018. The objective is to develop analytical tools that help banks define and disclose climate-related risks and opportunities as envisioned by the TCFD. This includes developing and further refining scenario-based stress-testing methodologies. Now in its second phase, the UNEP FI TCFD working group for banks 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. In addition to the UNEP FI TCFD working group, UBS is 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.
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	Please select	

C-FS2.2c

(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	CC risks and opportunities are identified and assessed on company and on asset (products and services, client portfolios, etc.) level across the principles of "how we do business" and "how we support clients" and through the UBS in Society organization and policy. Banking activities and in-house operations must be conducted in compliance with this policy, where CC risks are further identified on the operational level. All types of material risks and opportunities are in-scope (including regulatory, customer behaviour changes, reputational and weather-related). On company level: 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. The critical factor determining materiality is whether any impact from CC on UBS 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; Final Rule, p. 6294). In this sense, we currently do not see that CC has a material impact on UBS as a whole. How: To better understand climate change impact on the financial sector and on UBS as a whole we conduct scenario-based stress testing and other forward-looking analyses. We further engage in international efforts and collaborate to develop better methodologies for carbon and physical risk assessments. For example, 16 banks, including UBS and the UN Environment Programme Finance Initiative (UNEP FI) have partnered to collaboratively develop analytical tools that will help banks disclose their exposures to climate-related risks and opportunities as envisioned by the TCFD. This includes further refining scenario-based stress-testing methodologies. These efforts are led by our cross-divisional teams within the Risk Control organization, and led by the Environmental and Social Risk Unit and presented to both the Global ESR Committee and the CCRC (BoD committee). Now in its second phase, the UNEP FI TCFD working group for banks 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. 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. 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. 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 which benchmark.reduction scenario in the future. 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 underlines our commitment to the SDGs on climate action and on affordable and clean energy as well as the Paris Agreement. These key UBS commitments are embedded in the United Nations (UN)-backed 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. UBS became a founding signatory of the PRB in September 2019.
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 Asset Management Real Estate and Private Market 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 2019, Real Estate and Private Markets (REPM) Management Committee submitted 20 funds to the GRESB Real Estate and Infrastructure Assessments, comprising all of our flagship vehicles and representing circa 95% of our direct pooled real estate and infrastructure vehicles globally, with 15 funds receiving 5 stars and the other five receiving 4 star ratings. 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	Please select	<Not Applicable>	

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	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. It is further estimated that more than 50% of tropical deforestation is due to the production of soy, palm oil, timber and beef. In human terms, millions of people rely directly on forests (small-scale agriculture, hunting and gathering, and harvesting forest products such as rubber). Yet, deforestation continues to cause severe societal problems, sometimes leading to violent conflict. Recognizing these risks, we: – became member of the 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 require 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 ("UBS-AM") 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	Please select	<Not Applicable>	

C-FS2.2f

(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 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. In 2019, we embedded climate risk into our risk taxonomy and operational risk appetite statement, further reduced our exposure to carbon-related assets and, more broadly, to climate-sensitive sectors. We also refined our ability to estimate the firm's vulnerability to climate-related risks using forward-looking scenario-based approaches, and revised our standards in the energy and utilities sectors. 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). 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 (>30% 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	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: <ul style="list-style-type: none"> • We have developed very robust stewardship services around climate change. In 2019, ShareAction, an international organization focused on advancing responsible investment, awarded UBS as the best performing asset manager in climate proxy voting in its report, "Voting matters – Are asset managers using their proxy votes for climate action?" • We are one of the most 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'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: <ul style="list-style-type: none"> • 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	Please select	

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
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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 32% of UBS employees are based, UBS is mandated to pay its share of the Swiss CO2 levy, while in the UK UBS is subject to the Carbon Reduction Commitment scheme. In 2019, UBS was subject to increased operational costs as a result of the Swiss CO2 levy and UK Carbon Reduction Commitment scheme. However, as a result of reducing carbon emissions by 71% between 2004 and 2019, 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)

1400000

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, under the Carbon Reduction Commitment (CRC) scheme in the UK, UBS bought carbon certificates for emitting 19,551 tonnes in the reporting year 2018/2019 which amounted to paying approx. \$400k. All CO2 emissions (and initiated reduction efforts) directly affect these costs. If we assume similar programs will come into effect in other European countries, the potential financial impact per year would be approx. \$1.4 million (\$20 per tonne for approx. 70,000 tonnes of CO2 emissions from our European locations = 20 X 70,000 = 1,400,000).

Cost of response to risk

214000000

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 71% between 2004 and 2019, towards a target of 75% reduction by 2020. (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, in 2019 72.0% 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 2019 remediation measures were requested for 18 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 USD 214m per year (further breakdown of costs: IT hardware and communication equipment: USD 178m, leasehold improvements USD 21m and owned properties USD 15m = total of USD 214m).

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
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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)

37582000000

Explanation of financial impact figure

Potential impacts in the future could be asset devaluation losses up to \$37.6bn, 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. \$37.6bn is comprised of an inventory of UBS exposure to these sectors, some key exposures within this inventory include oil and gas: \$1.4bn, mining: \$3bn, construction and materials: \$4bn (for a detailed, sector by sector breakdown of figures please see Our Climate Strategy 2019, table on page 9, following accounting standard IFRS 9). 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

500000

Description of response and explanation of cost calculation

In order to address this potential risk, UBS again reduced carbon-related assets on its balance sheet to USD 1.9 billion or 0.8% at the end of 2019, down more than 40% from the previous year. The firm also committed to no longer provide financing where the stated use of proceeds is for new offshore oil projects in the Arctic, greenfield thermal coal mines or greenfield oil sands projects. The new standards also include enhanced due diligence for transactions directly related to liquefied natural gas and ultra-deepwater drilling. We seek to protect our and our clients' assets from climate change risks by limiting our risk appetite for carbon-related assets and by estimating our firm's vulnerability to climate change risks using scenario-based stress testing approaches and other forward-looking portfolio analyses. 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 2019" further below) 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 personnel costs of the team responsible for managing climate risks. There has been an increase in the amount of FTEs dedicated to climate risk management in the past two years 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 (3 FTE in the team responsible for climate risk management), with additional direct costs from developing stress testing capabilities, in total an estimated 500k.

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, which UBS has done here.

Identifier

Risk 4

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)
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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 our core Sustainable Investing (SI) assets, which more than doubled between 2017 and 2019 (13.5%, USD 488 billion). Climate-related investments represent 3.0% of UBS's total invested assets, or USD 108bn. In 2019, investment in climate-related assets has grown 23%, up from USD 87.5bn in 2018. There is risk of decreased revenues due to reduced demand for products and services if UBS does not effectively respond to changes in the market and the demand for products and services that manage climate-related risks. In the event that UBS would not provide these sought-after products and services, we would run the risk of losing such business and seeing a reduction in demand for UBS investment products. 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)

10800000000

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 108bn 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 represent 3.0% of total invested assets, or USD 108bn. This has grown 23%, up from USD 87.5bn in 2018. 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.

Cost of response to risk

30900000

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 2019, 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 both 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. • 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 USD 30.9m per year consisting of the employee costs of the UBS in Society organization (145 full-time specialists) who manage this risk by innovating new products and services. The average cost of an employee is \$213,000 (\$213,000 x 145 = \$30.9 million).

Comment**Identifier**

Risk 5

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
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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 higher than average rain and storms in the form of typhoons and hurricanes 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 conditions (Typhoons, 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)

500000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

UBS faces approximately \$500k higher premium from a storm harder than a 1/100 years event (e.g. Hurricane Sandy). Insurance costs will increase as more frequent and severe losses have to be paid by the insurance industry. The financial risk of a 1/100 years US windstorm for UBS is estimated at \$10m, the 1/250 at \$25m.

Cost of response to risk

100000

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 flooding in Mumbai, India, resulted in invocation of BCM arrangements. 3rd party vendors Cognizant and CapGemini, supporting Group Finance, were also affected. However, there was 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 Group Insurance Management (GIM) conducting the adequate risk assessments.

Comment

Identifier

Risk 6

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
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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)

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 cost of \$10m (expected to increase), from e.g. business disruption, 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

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: \$50m

Comment

Identifier

Risk 7

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
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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 flooding in Mumbai, India, resulted in invocation of BCM arrangements. 3rd party vendors Cognizant and CapGemini, supporting Group Finance, were also affected. However, there was no residual business impact as the implementation of BCM plans proved successful. The BCM Vendor Framework identifies key touch points in the sourcing lifecycle impacting BCM, and outlines relevant roles and responsibilities, focusing specifically on critical vendors. 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: \$50m

Comment**Identifier**

Risk 3

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
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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)

19260000000

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 \$192.6 billion. This includes UBS exposure to climate sensitive sectors and residential mortgage portfolio (calculation method: UBS exposure to climate sensitive sectors \$37.6 bn + residential mortgage portfolio \$155 bn = \$192.6 bn, please see Our Climate Strategy 2019, table on page 9, 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 35-bank UNEP-FI TCFD working group.

Cost of response to risk

500000

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). See UNEP project in Q3.1b Cost of response to risk is calculated by combining the personnel expenses (3 FTE in the team responsible for climate risk management), with additional direct costs from developing scenario analysis capabilities, in total an estimated 500k.

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)
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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 2019 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 the firm being rated second-best in investor organization ShareAction's report on climate risk management within European banks. For it, the organization (representing ~\$2 trillion Assets under Management) approached 15 banks (including UBS) about their efforts to analyze and interpret climate-related risks in the context of their financing policies.

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)

455000000

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 2019, UBS' market capitalization was USD 45.5 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 455 million. We do not expect direct financial implications associated with this risk driver in the short term.

Cost of response to risk

30900000

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 USD 32tr 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 2019 this focused on climate change and human rights. Costs of response to risk: UBS employed 145 full-time specialists in UBS in society to manage these risks, at an annual cost of ~\$30.9m. The average cost of an employee is \$213,000 (\$213,000 x 145 = \$30.9 million).

Comment**C2.4****(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**(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 energy efficiency of own operations. (1) Climate change-related regulatory developments such as renewable energy regulation, fuel and general energy regulation, as well as and taxes incentives are as many factors that encourage UBS to seek energy efficiencies, which in turn 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, 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 850 buildings globally, with major buildings in Hong Kong, Singapore, Mumbai, Zurich, London, New York. All 850 buildings represent an opportunity linked to energy cost savings. In 2019, we reduced our energy consumption, through seeking energy efficiencies, by more than 15% 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. \$5 million in 2018/2019.

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)

2800000

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 80 mio, This translates into energy costs saving of USD 1.5-2 millions. 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 2.8 mio p.a. (2+0.8).

Cost to realize opportunity

214000000

Strategy to realize opportunity and explanation of cost calculation

UBS ISO 14001 certified environmental management system prioritizes energy efficiency and we 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 part of our efforts to meet our RE100 objectives, in 2019 72% of UBS' electricity consumption was renewable, and will be a 100% renewable by mid 2020. (3) UBS applies a Responsible Supply Chain Management (RSCM) framework: incl. environmental criteria for the procurement of goods and services. In 2019 remediation measures were requested for 18 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 2019, we invested a total of USD 214m in own properties (15m), leasehold improvements (21m) and IT hardware and communication equipment (178m). Investments are made with a multi-year time horizon.

Comment**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 in accordance (as stated in UBS climate strategy). 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. Overall, global sustainable equity fund flows accelerated in 2019, a time of outflows in the active equity space. Climate-related investments at UBS represent USD 108bn. This has grown 23%, up from USD 87.5bn in 2018. A KPI is the development of the share of our core Sustainable Investing (SI) assets, which more than doubled between 2017 and 2019 (13.5% , USD 488 billion). During the first quarter of 2020, sustainable funds in AM raised USD 45.6 billion. This compared to outflows of USD 384.7 billion for the overall fund universe. Meanwhile, there is regulatory focus on taking ESG and sustainability factors into account in investment decisions. The EU has adopted a Sustainable Finance Disclosure Regulation which will come 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 a consultation on proposed Environmental Risk Management Guideline. Finally, signatories to the UN PRI are now 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)

270000000

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 investments represent 3.0% of total invested assets, or USD 108bn, This has grown 23%, up from USD 87.5bn in 2018. We assume an average of 25 bps across the portfolio to estimate the financial impact as 2019 revenue (USD 108bn x 25bps = 270mio).

Cost to realize opportunity

30900000

Strategy to realize opportunity and explanation of cost calculation

UBS AM 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 50 oil and gas companies as well as utilities companies under-weighted 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 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 had followed up on the its successful UK Climate Aware rules-based strategy by launching a fund for international investors outside of the UK. Finally, UBS has other funds that also support the climate investment opportunities. For example, Clean Energy Infrastructure Switzerland (CEIS) has already launched two tranches. CEIS 2 closed in September 2019. It followed the successful launch of CEIS 1. This Investment solution focuses on companies in the infrastructure sector in Switzerland. Costs for seizing this opportunity are employee salaries. This is estimated to be USD 30.9 Mio per year based on the average salary of ~ USD 213'000 for 145 specialists involved (145 x 213,000 = 30.9 mio)

Comment

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. 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. 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. Between 2015-2019, cumulative Green, Social and Sustainability (GSS) bond issuance reached USD 661.2bn, an 18x increase in volume from 2015 (USD34.3bn). Due to COVID-19 the GSS market has slowed in 2020 compared with expectations set at the start of the year, with YTD supply in line with issuance during the same time period in 2019 (up 1%). However, the pandemic has amplified client sustainability conversations and the Social bond market has grown by 420% in 2020 YTD compared with the same period in 2019. 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 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. Through recent hires UBS Investment Bank now has dedicated resources and expertise in the area of sustainable finance. In addition, heads of Sustainable Finance were recently appointed for both Global Banking and Global Markets, to drive the agenda for each of the main business areas within the Investment Bank.

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)

10000000

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 2019 UBS Investment Bank supported the issuance of 25 Green Social and Sustainability transactions, generating in excess of USD 10m.

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 make a positive contribution to climate change mitigation and adaptation, including those in the solar, wind, hydro, energy efficiency, waste and bio-fuels, and transport sectors - Since 2017, involved 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. We facilitated 15 GSS transactions YTD (6 Aug), incl Volksbank, MUFG, China Construction Bank, Korea Export-Import Bank, Manila Water, Russian Railways - Conduct sustainable finance discussions with majority of clients globally, with ambition of increasing share of sustainable finance transactions - Dedicated resources and expertise in area of sustainable finance; Heads of Sustainable Finance recently appointed to drive the agenda for each of the main business areas of the Investment Bank - Independent UBS ESG research team since 2004, working in conjunction with over 250 macro, sector and company analysts. An ESG icon was introduced in 2019 to flag ESG relevant content across reports published by UBS Research, including climate-related issues in mainstream reports - Client conferences with ESG experts, academics and industry leaders with integrated ESG content (eg Greater China Conference in January (3,000 attendees), ESG virtual conference in June (700 attendees) Switzerland: We strive to be the preferred strategic financial partner for Switzerland's Energy Strategy 2050 by supporting energy

utilities in raising capital on international markets to progress their quest for renewable energy. In 2019, we supported 12 strategic transactions, up from 8 the year before, and 4 in 2017. In Switzerland, we offer SMEs an energy check-up to assess their energy efficiency. Leasing bonuses - financial contributions toward enhancing environmental performance – are also offered to companies seeking to finance production machines. Cost for seizing this opportunity: Within Global Banking and Global Markets we have over 50 employees with sustainability and climate related finance as part of their focus (between 5% and 100% of their time). Based on a pro rata of their time, this is 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

Regulatory developments increase consumer awareness for energy efficiency, contribute to demand for efficient real estate (RE) and infrastructure and are likely to increase the value differential between sustainable and "non-sustainable" buildings. 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 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 development create an increasing demand for UBS RE 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: reduction of CO2 emissions, development of renewable energies, promotion of energy efficiency, 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. 20 funds representing 95% of UBS real asset AuM were rated in 2019. 15 funds received 5-star ratings reflecting upper quintile performance. The rest received 4-stars.

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)

160000000

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 funds management fees as a portion of the full USD 64bn of Responsible Real Estate funds. Assuming a fee of 25bps, this represents an estimated USD 160mio of annual revenue (based off 2019: USD 64bn x 25bps = USD 160mio). Regulatory developments increase awareness of buyers and tenants for energy efficiency and contribute to increasing consumer demand for efficient real estate and infrastructure, The demand is measured by the upward trend in invested assets YoY. The UBS Real Estate (RE) business is one of the largest industry-wide today.

Cost to realize opportunity

4260000

Strategy to realize opportunity and explanation of cost calculation

Since 2010, our real estate business is pursuing a sustainability strategy. It's applied consistently to all 8 real estate (RE) investment products. By using a fully-integrated approach, our ecological footprint is measured; at the same time our actions are positively contributing to the environment and society. We're putting in place energy efficiency measures which help cut tenants' ancillary costs. Increasingly, we're covering electricity needs of our RE portfolio through renewable energies. Solar power, battery storage, electric vehicle charging stations are initiatives that we 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 some 4000 homes. The electricity will be available to tenants who can profit from green electricity on favorable terms. Another example: In 2019, we carried out a social value assessment for the Springfields Outlet Shopping & Leisure Center in the UK. A social value report details the social, economic and environmental value generated in 2018/19 and how it maps against the UN's SDGs. The assessment was used to estimate how the property management team, suppliers and retailers contributed to each of the 17 SDGs. We plan to assess the social value of further of our properties globally. We have 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 its development or acquisition to the ongoing asset management, renovation, maintenance and marketing, through successful sale. A working group is responsible to promote the strategy, which factors climate change regulation. We develop & integrate RI into fund strategies, set objectives in order to make achievements transparent and measurable, measure performance annually using the 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 4.2 Mio

per year based on the average salary of –USD 213'000 for 20 specialists involved (20x213,000 = 4,260,000)

Comment

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, now, more than ever, businesses are being challenged on the legitimacy of their role and the part they play in society. 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. In 2019, we witnessed an accelerated momentum in our UBS in society program as well as in our sustainable finance activities. We are convinced that this momentum will continue to accelerate during the coming years. 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 heading 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 2019's matrix, stakeholders currently regard the impact of environmental and social topics as partly influencing their assessments and decisions. The relevance of these topics has, however, increased compared to 2018 and, with it, the probability that the relevance of some of these topics to UBS clients and shareholders, notably Climate action and Sustainable investing 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 2019, discussions with NGOs were particularly focused on climate change. Addressing changing stakeholder perceptions – clients, and shareholders alike - is an opportunity for UBS to build its brand and market value. This represents an opportunity in Switzerland where UBS is headquartered as well as in all of its other markets.

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)

456600000

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 retention of existing clients, which has both, direct and indirect financial implications and 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 2019, UBS' market capitalization was USD 45.661 billion. Hypothetically, a 1% increase in the share price due to excellent reputation would increase the market capitalization by approximately USD 456.6 million (\$ 45.661 bn x 0.01).

Cost to realize opportunity

30900000

Strategy to realize opportunity and explanation of cost calculation

Our cross divisional organization, UBS in Society, 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. UBS in Society reports directly into the Group CEO, with direct oversight from the BoD Corporate Culture and Risk Committee. UBS in Society'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 by 23% to USD 108 billion from 2018 to 2019 while reducing our carbon-related assets from USD 3.2 billion to USD 1.9 billion in 2019. UBS in Society uses the ISO14001 norm to managed its environmental impact across all actives, from own operations to banking activities. To provide sustainability information to our stakeholders, UBS in Society 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, UBS in Society 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 145 specialists dedicated to pushing our sustainability strategy. The average cost of an employee is \$213,000 (\$213,000 x 145 = \$30.9 million).

Comment

Key websites ubs.com/insociety 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) Does your organization use climate-related scenario analysis to inform its strategy?

Yes, qualitative and quantitative

C3.1b

(C3.1b) Provide details of your organization’s use of climate-related scenario analysis.

Climate related scenarios and models applied	Details
2DS RCP 2.6 RCP 4.5 RCP 6 RCP 8.5 IEA B2DS IEA Sustainable development scenario IEA NPS IEA CPS REMIND MESSAGE-GLOBIOM Nationally determined contributions (NDCs)	In order to manage our own, and our clients’, risk derived from both the physical and transition risks associated with climate change, we have been using scenario-based approaches since 2014. 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 real estate, utilities, and oil & gas) in short (0-3 yrs), mid- (3-10 yrs), and long-term horizons (10-80 yrs). 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. 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 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 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 large dataset of observed natural hazards such as wildfire, river and pluvial flooding and tropical cyclones. In 2017, based on historic academic precipitation observations, we conducted Drought stress test (Natural Capital Finance Alliance tool) on UBS’s energy portfolio. From both top-down and bottom-up approaches, our internal stress tests suggested no immediate threat to UBS’s balance sheet. However, we identified methodological challenges ranging from the suitability of climate scenarios for banking risk modelling to data availability. To address these challenges, 35 banks, including UBS, the UN Environment Programme Finance Initiative (UNEP FI), the Integrated Assessment Modelling Consortium (IAMC) responsible for the MESSAGE and GLOBIOM REMIND models (based on the RCPs) and risk consultancies Oliver Wyman and Acclimatise began a collaboration of several years in 2018. UBS is 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 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 low-carbon economy. 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). Scenario analysis can capture policy and technology risks at the counterparty level from climate scenarios. These risks translate into change in demand, increased costs, changing competitive landscape. In 2018, UBS took a decision to not finance any new coal-fired projects globally, while only financing coal-fired operators that have a strategy to reduce coal dependency along a Paris Agreement-aligned pathway. This was a substantial business decision based upon a scenario-based review of our power portfolio.

C3.1d

(C3.1d) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate related risks and opportunities influenced your strategy in this area?	Description of influence
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 2018 and 2019, UBS climate strategy, in response to new banking climate regulation and emerging climate-related risk, was discussed by the Board of Director's 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. We have reduced carbon-related assets on our balance sheet to 0.8% or USD 1.9 billion as of 31 December 2019, down from 1.6% at the end of 2018 and 2.8% at the end of 2017. In 2018, UBS took a strategic decision to not finance any new coal-fired projects globally, while only financing coal-fired operators that have a strategy to reduce coal dependency along a Paris aligned pathway. This was a substantial strategic decision based upon a scenario-based review of our power portfolio. 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 50 companies from oil and gas and utilities sectors and we voted on 44 climate-related shareholder resolutions during 2019. 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. In 2019, our climate-related sustainable investments rose to \$108 billion from \$87.5 billion at the end of 2018, 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 \$87.2 billion, from \$56.5 billion in 2018.
Supply chain and/or value chain	Yes	Climate risks and opportunities have influenced UBS's supply chain 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). UBS applies a Responsible Supply Chain Management (RSCM) framework for the procurement of goods and services (conducted 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 part of RSCM background checks. A substantial business decision impacted by climate change in this area was joining the RE100 initiative and committing to using 100% renewable electricity by mid 2020 and reducing our greenhouse gas emissions by 75% against 2004 levels. In 2019, 103 vendors were classified as vendors that provide UBS with goods or services with potentially high impacts, both newly sourced as well as ongoing engagements, which are regularly re-assessed. 17% of these vendors were considered as in need of improving their management practices. Specific remediation actions were agreed with all of them and the implementation progress has been closely monitored. In 2019, no UBS vendor relationship was terminated as a result of RSCM assessments. This can partly be related to the fact that we assess the vendor's potential risks before entering into a contract with them. We also screened all our significant active suppliers for environmental and human rights issues and 18 suppliers with potential material risks were referred to a specialized environmental and social risk unit for enhanced due diligence. There are several environmental indicators that are related to the impact of engagement with suppliers and that track the success of our implemented measures, such as energy consumption and related share of renewables and scope 2 emissions, travel distance and related travel type and scope 3 emissions, paper consumption and related paper types and scope 3 emissions, waste volumes and related recycling ratio and scope 3 emissions. An example: We engage with our facility management providers: we set quantitative objectives and offer incentives for improved energy efficiency and reduced scope 1 and 2 emissions across our real-estate portfolio. Energy efficiency measures and related scope 1 and 2 savings are tracked and also used for reporting to CDP (see C4.3a, C4.3b).
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 89 FTE in 2016, 108 FTE in 2017, 135 FTE in 2018 and grew to 145 in 2019). 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 (both Property and Infrastructure modules) on the UN Principles of Responsible Investment Assessment since 2017 • REPM funds have outperformed the Global Real Estate Sustainability Benchmark (GRESB) every year since 2012, with all 20 submitted funds receiving five star (15 funds) or four star (5 funds)
Operations	Yes	Climate risks and opportunities have influenced UBS's strategy in terms of operations 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). We continue to reduce our greenhouse gas (GHG) emissions and increase the firm's share in renewable energy. A substantial strategic decision impacted by climate change in this area was joining the RE100 initiative and committing to using 100% renewable electricity by mid 2020 and reducing our greenhouse gas emissions by 75% against 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.

C3.1e

(C3.1e) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Capital expenditures Capital allocation Acquisitions and divestments Access to capital Assets Liabilities	<p>Revenues: UBS has identified opportunity to meet client demand for products and services which both help mitigate risks from the transition to a low-carbon economy and capture investment opportunities in the 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). 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 further undertake a strategic impact assessment and better understand the implications of climate change 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. • 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 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 (all of UBS in society had 89 FTE in 2016, 108 FTE in 2017, and it grew to 135 in 2018 and to 145 in 2019). • In the risk organization, investments in implementing the TCFD recommendations are expected to increase as UBS gradually moves closer to full alignment. Investments in capacity and staff resources in TCFD implementation were an estimated at CHF 500k. Acquisitions and divestments: • UBS would apply its comprehensive EMS (including the detection of climate risks and opportunities) to assess the 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 is continuously identifying, assessing, and managing climate-related risks and opportunities through its environmental management system. 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). A material impact can be defined as whether it would 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; Final Rule, p. 6294). • 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. 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. 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 should however continue to work on improving data availability, scenario applicability and methodology development. As long as they are not reliably available, we cannot consider respective financial risk analysis to be robust. • Our top-down approach consisted of a scenario-based stress test to assess UBS's balance sheet vulnerability. • 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. • The impact on smaller unlisted companies, including the Swiss corporate portfolio, was limited. The biggest risk from severe weather events (i.e. physical risk) was damage to properties in Zurich due to the concentration of assets owned here. • As UBS aligns disclosure 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. In the EU, UBS is exposed to mandatory requirement known as the EU Energy Efficiency Directive, which applies to companies with 500 or more employees. • To meet the requirements of this directive, UBS establishes a system and documents it in an Energy Management Manual. The Manual reflects how UBS fulfills the requirements of ISO 50001 (UBS Energy Management System) in order to ensure compliance to the EU Energy Efficiency Directive of the established environmental management system across own operations in European locations. • The impact to UBS is the cost to manage and meet the regulatory requirement. This is approximately CHF 100k for external assurance of UBS Energy Management System against the ISO 50001 standard.</p>

C3.1f

(C3.1f) 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 over 3 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 2019, ShareAction, an international organization focused on advancing responsible investment, awarded UBS as the best performing asset manager in climate proxy voting in its report, "Voting matters – Are asset managers using their proxy votes for climate action?"
- Engagement has provided AM with a differentiated approach and to establish ourselves as using best practices within the industry.
- We are one of the most 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.

C-FS3.2

(C-FS3.2) Are climate-related issues considered in the policy framework of your organization?

Yes, both of the above

(C-FS3.2a) In which policies are climate-related issues integrated?

Bank lending (Bank)	Credit policy Risk policy	Majority of the portfolio	Risk policy: 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. Credit policy/ 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. Credit policy/ 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.
Investing (Asset manager)	Risk policy Policy related to other products and services Engagement policy Sustainable/Responsible Investment Policy Investment policy/strategy Proxy voting policy	Majority of the portfolio	Risk policy / Policy related to other 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, environmental and social risks are also considered in investment decision processes. Engagement policy: 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, AM Global Stewardship Statement, AM Annual Stewardship Report, and AM Proxy Voting Policies. More details are provided below. Sustainable/ Responsible investment policy pertaining to our Climate Aware Strategy: UBS-AM has a 3+ 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. More recently, this methodology has also been transported to fixed income indices, and we expect to offer climate aware fixed income solutions in the near future. Dedicated engagement program for the Climate Aware Strategy: In 2019, we have reported on our dedicated engagement program that supports that strategy through a focus list of 50 companies that pose the great risks from a climate perspective.. 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. Proxy voting policy: In November 2019 Share Action (the responsible investment campaign group) ranked UBS-AM as the leading asset manager for voting on climate resolutions. They examined the shareholder votes cast by over 50 of the world's largest asset managers on a total of 65 proposals that would speed up corporate action on climate change, including emissions reduction targets, climate reporting and governance, and corporate lobbying.
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	Please select	Please select	

(C-FS3.2b) 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 (>30% 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. Coal mining: - Not providing financing where the stated use of proceeds is for greenfield thermal coal mines. (Greenfield means a new mine / well or an expansion of an existing mine / well which results in a material increase in existing production capacity.) -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. (Greenfield means a new mine / well or an expansion of an existing mine / well which results in a material increase in existing production capacity.) -Only provide financing to companies which have significant reserves or production in arctic oil and/or oil sands (>30% of reserves or production) where the stated use of proceeds is related to renewable energy or conventional oil & gas assets. Liquefied natural gas (LNG) and ultra-deepwater drilling: -Transactions directly related to LNG infrastructure assets are subject to enhanced Environmental & Social Risk (ESR) due diligence considering relevant factors such as management of methane leaks, and 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-FS3.3

(C-FS3.3) 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

C4.1

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

Absolute target

C4.1a

(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)

103670

% of target achieved [auto-calculated]

94.9905039824097

Target status in reporting year

Underway

Is this a science-based target?

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

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.

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)

10574

% of target achieved [auto-calculated]

74.7384012614076

Target status in reporting year

Underway

Is this a science-based target?

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

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.

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)

84034

% of target achieved [auto-calculated]

75.4166071998967

Target status in reporting year

Underway

Is this a science-based target?

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

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.

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

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

72

% of target achieved [auto-calculated]

61.11111111111111

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 aims to source 100% of its electricity consumption from renewable sources as of mid 2020 resulting in 100% renewable electricity for reporting year 2021

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	0
To be implemented*	1	19
Implementation commenced*	7	724
Implemented*	37	18001
Not to be implemented	0	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

Lighting

Estimated annual CO2e savings (metric tonnes CO2e)

101

Scope(s)

Scope 2 (location-based)
Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

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

44000

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

300000

Payback period

4-10 years

Estimated lifetime of the initiative

11-15 years

Comment

12 project to upgrade lighting to LED

Initiative category & Initiative type

Energy efficiency in buildings

Building Energy Management Systems (BEMS)

Estimated annual CO2e savings (metric tonnes CO2e)

319

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)

220000

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

100000

Payback period

<1 year

Estimated lifetime of the initiative

3-5 years

Comment

Operational improvements to increase energy efficiency of facilities

Initiative category & Initiative type

Low-carbon energy consumption

Geothermal

Estimated annual CO2e savings (metric tonnes CO2e)

70

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)

40000

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

900000

Payback period

21-25 years

Estimated lifetime of the initiative

>30 years

Comment

2 projects to replace fossil fuel heating with geothermal heat.

Initiative category & Initiative type

Energy efficiency in buildings

Insulation

Estimated annual CO2e savings (metric tonnes CO2e)

41

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)

40000

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

1000000

Payback period

21-25 years

Estimated lifetime of the initiative

>30 years

Comment

Building refurbishment resulting in energy efficiency for heating in winter and cooling in summer

Initiative category & Initiative type

Energy efficiency in buildings

Heating, Ventilation and Air Conditioning (HVAC)

Estimated annual CO2e savings (metric tonnes CO2e)

36

Scope(s)

Scope 2 (location-based)
Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

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

80000

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

1100000

Payback period

11-15 years

Estimated lifetime of the initiative

16-20 years

Comment

Refurbishment of HVAC equipment across 8 buildings

Initiative category & Initiative type

Low-carbon energy consumption

Wind

Estimated annual CO2e savings (metric tonnes CO2e)

17434

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)

400000

Payback period

No payback

Estimated lifetime of the initiative

3-5 years

Comment

Additional renewable energy certificates purchase across 12 countries

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 2019 UBS provided training and awareness raising to some 2300 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

2.99

% of total portfolio value

Asset classes/ product types

Please select

Comment

2.99% is a proxy as it represents the portion of total invested assets that are formally categorized as Climate-related sustainable investments . —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 (6k companies). — In 2018, AM followed its successful UK Climate Aware fund with an Irish based fund that is available for international investors. 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 a reduction of CO2 footprint of the portfolio, and an innovative approach to aligning the portfolio with the two degree carbon reduction scenario in the future. It is a unique way for investors to reduce passive portfolio exposures to carbon risks. The fund was named "Fund Launch of the Year" by Funds Europe Magazine in 2018. In 2020, in a white paper published at the WEF , UBS outlined a framework to help investors align their portfolios towards a climate-smart future using the methodology which underlies 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.

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 Voluntary 2017 Reporting Guidelines

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

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)

10574

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

142636

Scope 2, market-based (if applicable)

73460

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?

Yes

C6.4a

(C6.4a) Provide details of the sources of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure.

Source

Hydrofluorocarbons (HFCs) from air-conditioning units or chillers

Relevance of Scope 1 emissions from this source

Emissions are not relevant

Relevance of location-based Scope 2 emissions from this source

No emissions excluded

Relevance of market-based Scope 2 emissions from this source (if applicable)

No emissions excluded

Explain why this source is excluded

Not a material source of greenhouse gases for the business - analysis done and confirmed by external auditor EY (ISO 14064)

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

8400

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 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 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 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 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 CO2e

4358

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 CO2e

43705

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 Ecoinvent database or 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

6122

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

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

(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

0.00000291

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

84034

Metric denominator

unit total revenue

Metric denominator: Unit total

28889000000

Scope 2 figure used

Market-based

% change from previous year

20.6

Direction of change

Decreased

Reason for change

Intensity figure in metric tonnes per operating income in USD. Reasons for change: The decrease in this intensity figure is driven by decrease in operating income of 4.4% (Total operating income was USD 28,889 million in 2019 compared with USD 30,213 million in 2018) and decrease of 24.1% 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.

Intensity figure

1.22

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

84034

Metric denominator

full time equivalent (FTE) employee

Metric denominator: Unit total

68794

Scope 2 figure used

Market-based

% change from previous year

29.1

Direction of change

Decreased

Reason for change

The reduction of 29.1% is due to a 7% increase in the number of FTE's and the decrease of 24.1% 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.

C7. Emissions breakdowns

C7.9

(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

C7.9a

(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	17434	Decreased 15.7	We bought additional renewable energy in the Americas region (mainly USA) saving 17,434 tCO2e in 2019. In 2018, our Scope 1+2 (market-based) emissions totaled 110,738 tCO2e. Therefore, UBS reduced Scope 1+2 (market-based) emissions by 15.7% due to change in renewable energy consumption (17,434/110,738=15.7%).
Other emissions reduction activities	567	Decreased 0.5	We implemented various energy efficiency and fossil fuel reduction measures saving 567 tCO2e in 2019. In 2018, our Scope 1+2 (market-based) emissions totaled 110,738 tCO2e. Therefore, UBS reduced Scope 1+2 (market-based) emissions by 0.5% due to other emissions reduction activities. (567/110,738=0.5%).
Divestment	0	No change	
Acquisitions	0	No change	
Mergers	0	No change	
Change in output	3987	Decreased 3.6	Consolidation in real estate and data center portfolio due to changes in business activities saving estimated 3,987 tCO2e in 2019. In 2018, our Scope 1+2 (market-based) emissions totaled 110,738 tCO2e. Therefore, UBS reduced Scope 1+2 (market-based) emissions by 3.6% due to change in output (3,987/110,738=3.6%).
Change in methodology	0	No change	
Change in boundary	0	No change	
Change in physical operating conditions	1440	Decreased 1.3	Changes in physical operating conditions (mainly outside temperature) saving energy and related estimated 1,440 tCO2e in 2019. In 2018, our Scope 1+2 (market-based) emissions totaled 110,738 tCO2e. Therefore, UBS reduced Scope 1+2 (market-based) emissions by 1.3% due to change in output (1,440/110,738=1.3%).
Unidentified	3277	Decreased 3	Total Scope 1+2 (market-based) emissions were reduced by 26,704 tCO2e year-on-year, thereof 3,277 tCO2e have unidentified reasons. (3,277/110,738=3%)
Other		<Not Applicable >	

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	54672	54672
Consumption of purchased or acquired electricity	<Not Applicable>	302385	133880	436265
Consumption of purchased or acquired heat	<Not Applicable>	37041	27332	64373
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	212	0	212
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	422	<Not Applicable>	422
Total energy consumption	<Not Applicable>	340060	215884	555944

C9. Additional metrics

C9.1

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

C10. Verification

C10.1

(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

(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

EY ISO 14064 assurance report.pdf

Page/ section reference

Page 1

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1b

(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

EY ISO 14064 assurance report.pdf

Page/ section reference

Page 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

EY ISO 14064 assurance report.pdf

Page/ section reference

Page 1

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1c

(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

EY ISO 14064 assurance report.pdf

Page/section reference

Page 1

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.2

(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

(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. EY ISO 14064 assurance report.pdf
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C11. Carbon pricing

C11.2

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

Yes

C11.2a

(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.

Credit origination or credit purchase

Credit purchase

Project type

Wind

Project identification

Gold Standard ID GS2546: This project involves the installation and operation of 16 wind turbines at Mut Wind Power Plant in Akdeniz region in Turkey. The total installed capacity of the plant is 50 MW and the turbines produce around 146 Gigawatt hours of clean energy per year.

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO2e)

100000

Number of credits (metric tonnes CO2e): Risk adjusted volume

100000

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

Credit origination or credit purchase

Credit purchase

Project type

Wind

Project identification

Gold Standard ID GS4557: The project is located in Anantapur District in Andhra Pradesh (India) and aims to generate clean electricity from wind energy. The project activity involves the installation of 50 wind turbines. Each turbine has a capacity of 2 MW, which results in a total installed generation capacity of 100 MW of clean electricity per year.

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO2e)

50000

Number of credits (metric tonnes CO2e): Risk adjusted volume

50000

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

C11.3

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

Yes

C11.3a

(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 2019, two projects were initiated to replace fossil fuel heating systems with renewable solutions due to this approach resulting in savings of more than 400 tCO2e when implemented. 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.

C12. Engagement

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

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 (including requirements towards environment (including climate performance), human right, health and safety and anti- corruption), for contracts to be awarded. Supplier relationships are terminated for non-compliance. To assess the compliance with the Responsible Supply Chain Standard, we focus on suppliers with high impact (i.e. high potential for environmental and social risks and climate related issues). In 2019, our sourcing and procurement services continued to be performed by ChainIQ, a company that applies UBS' unchanged RSCM framework and processes. The RSCM framework is operated by experienced and specifically trained procurement and sourcing specialists (in 2019, 50 specialists were trained globally) and supported by internal and external experts. Strategy for Prioritization- The RSCM framework includes an impact assessment of newly sourced goods and services, which takes into account potential environmental impacts along the lifecycle of a product or a service, and all purchased goods and 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 and 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, adversely affecting people and the environment- Unfair employment practices, e.g. low wages, excessive overtime, absence of occupational health & safety measures- Risks for consumer health and safety, e.g. low indoor air quality, inappropriate warning signage- Procurement and use of materials with a strongly negative environmental and/or social impact- Insufficient management of subcontractors regarding sustainability aspects

Impact of engagement, including measures of success

In 2019, 103 vendors were classified as vendors that provide UBS with goods or services with potentially high impacts, both newly sourced as well as ongoing engagements, which are regularly re-assessed. 17% of these vendors were considered as in need of improving their management practices. Specific remediation actions were agreed with all of them and the implementation progress has been closely monitored. In 2019, no UBS vendor relationship was terminated as a result of RSCM assessments. This can partly be related to the fact that we assess the vendor's potential risks before entering into a contract with them. We estimate the 224 new and potentially high-impact suppliers to be about 20% of our spend based upon previous years data, however this number is subject to revision. We also screened all our significant active suppliers for environmental and human rights issues and 18 suppliers with potential material risks were referred to a specialized environmental and social risk unit for enhanced due diligence. 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 suppliers and that track the success of our implemented measures, such as energy consumption and related share of renewables and scope 2 emissions, travel distance and related travel type (air travel, train, car, etc) and scope 3 emissions, paper consumption and related paper types (recycled, new fibres, etc) and scope 3 emissions, waste volumes and related recycling ratio and scope 3 emissions. Three example: We engaged with our Facility Management providers: we set quantitative objectives and offer incentives for improved energy efficiency and reduced scope 1 and 2 emissions across our real-estate portfolio. Energy efficiency measures and related scope 1 and 2 savings are tracked and also used for reporting to CDP (see questions C4.3a and C4.3b) We engaged with utilities suppliers and track scope 2 emissions related to purchased electricity and heat. Scope 2 market based emissions were reduced by 42% since 2016 and 26% year-on-year. We engaged with paper suppliers in order to purchase paper with recycled content and lower GHG emissions in the production process. Paper related scope 3 emissions were reduced by 26% since 2016 and 11% year-on-year.

Comment

C12.1b

(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 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. 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 (>30% 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 in order to encourage clients to improve their sustainability performance. Hence, a measure of impact and success is when a client commits to and delivers on a condition set by the ESR unit and thereby improves its performance. Another measure is our internal incident reporting. We measure the design and operational effectiveness of our ESR controls in all processes (onboarding, KYC and transaction processes). An incident can be created for example if the environmental and social, as well as climate, risks are not adequately assessed. Further to this, the ESR unit provides quarterly updates to specific metrics within the bank's risk appetite statement, where the threshold of permitted incidents is defined. If an incident would get to a maturity level 3 of the operational risk framework, a formal closure item needs to be filed which is subject to an update to senior management. A measure of success is when we minimize the number of such system incidents. Portfolio reviews give us an accurate aggregated exposure profile in different ESR relevant and climate-sensitive sectors to inform all ESR processes (onboarding, KYC and transaction 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 found that demand for products developed in accordance with the 'No Deforestation, No Peat and No Exploitation' (NDPE), which is increasingly being adopted in the palm oil sector. As a result, the Global ESR Committee took action, and UBS has adopted the standard in its banking practices with clients in the sector. Early detection and effective management of environmental and social (and reputational) risks of onboarded clients over short, medium and long term time horizons is vital to UBS. Our climate-related achievements have been recognized by external experts and we have continued significantly reduce the share of carbon-related assets to 0.8% of total banking products (down from 1.6% in 2018 and 2.8% in 2017). For the fifth year running, UBS has been named the best performer in the Diversified Financial Services and Capital Markets Industry of the Dow Jones Sustainability Indices (DJSI), the most widely recognized corporate sustainability rating.

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 sustainability is oriented around the ESG Material Issues framework developed by our Sustainable and Impact research team to facilitate the integration process. 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 a company's financial performance. The ESG Material Issues framework identifies the 3 to 5 most financially relevant 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. In addition, there is clear client demand for ESG factors to be integrated within the research process. 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 the key reason for doing so. Among European AO's 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 2019, UBS AM conducted 358 engagement meetings in which long term sustainability issues were discussed and in which concrete expectations were communicated to senior management. Of these meetings 37% included discussions on environmental and climate change related issues. These meetings support integration efforts as they are directly tied to the investment cases. We measure the success of

our engagement efforts to support integration through the the increase in our AuM of assets integrating sustainability and climate change issues, which we report on an annual basis and which exceeded \$300 Billion in AuM by the end of 2019.

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 sustainability is oriented around the ESG Material Issues framework developed by our Sustainable and Impact research team to facilitate the integration process. 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 a company's financial performance. The ESG Material Issues framework identifies the 3 to 5 most financially relevant 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

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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

Our Asset Management (AM) 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 450 investors, representing more than USD 39 trillion of assets under management. AM is directly involved in 30 coalitions of investors (at the end of 2019) within Climate Action 100+ and leads seven 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.

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 450 investor signatories with more than \$39 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, in 2019 UBS Asset Management was a co-lead in the engagement dialogue with global energy company, Equinor. Through engagement with investors, Equinor committed to pursue a business strategy consistent with the goals of the Paris agreement. The company also agreed set out new climate-related targets in line with this long-term ambition. Furthermore, it committed to additional interim emission reduction targets and a review of existing commitments, raising ambition where appropriate, as part of this process. Additional steps agreed to by Equinor included extending remuneration across the business linked to attainment of climate targets and undertaking a review of lobbying activity on climate change policy. The full progress report from CA100+ can be downloaded from <https://climateaction100.wordpress.com/progress-report/>

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

In 2018, Asset Management launched a 3 year engagement program on climate change . 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). From the start of the program through to the end of 2019, we've organized 128 meetings with the companies in the focus list. 29 of the 49 target companies have been engaged collaboratively through Climate Action 100+ (CA100+). We're also leading an increased number of CA 100+ coalitions: seven in 2019, compared to five in 2018. In-depth analysis on the companies in the focus list has been completed to assess: – Alignment with the Taskforce on Climate-related Financial Disclosure (TCFD) recommendations – Evidence of the Board's oversight of climate related risks and opportunities and integration in remuneration packages and board selection processes – Evidence of integration of climate change in risk management –Existence of scenario analysis and reflections on impact on the business model – Disclosure on strategy and initiatives for reducing GHG emissions – Disclosure of goals and progress to reduce normalized GHG emissions –Ensure consistency of indirect and direct lobbying activities on climate change with the Paris Agreement Based on this original assessment we've identified tailored engagement objectives for each company in the list.

Impact of engagement, including measures of success

Based on this original assessment we've identified tailored engagement objectives for each company in the list. After more than eighteen months of dialogue with the companies, we have been able to assess progress against these objectives for 26 companies. For the remaining 23, we decided to coordinate at least another additional meeting with management before being able to assess the current level of responsiveness. The measure of our progress to end 2019 can be summarized as follows: 1) Limited success was achieved across 27% of the companies, where between 0 - 25% of the objectives were met 2) Some success was achieved with 38% of companies, where 25 - 50% of the objectives were met 3) Good success was achieved with 15% of companies, where 50 - 75% of the objectives were met 4) Excellent success was achieved with 19% of companies where 75 - 100% of the objectives were met We consider our engagement program to be successful if we have good or excellent progress on at least 50% of the companies and/or at least limited success on 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, and 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, in 2019 UBS Asset Management was a co-lead in the Climate Action 100+ engagement dialogue with global energy company, Equinor. Through engagement with investors, Equinor committed to pursue a business strategy consistent with the goals of the Paris agreement. The company also agreed set out new climate-related targets in line with this long-term ambition. Furthermore, it committed to additional interim emission reduction targets and a review of existing commitments, raising ambition where appropriate, as part of this process. Additional steps agreed to by Equinor included extending remuneration across the business linked to attainment of climate targets and undertaking a review of lobbying activity on climate change policy.

Type of engagement

Engagement & incentivization (changing investee behavior)

Details of engagement

Support climate-related issues in proxy voting

% of investees by number

100

% 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

It is our belief that voting rights have economic value and should be treated accordingly. As a result we consider voting to be an important part of our fiduciary duty to clients and integral to both the investment process and our overall stewardship approach. Asset Management votes therefore globally in over 55 countries across both its actively managed and index/rules based passive strategies. It seeks to vote all shares held consistently across its range of investments, in order to maximize the outcome of the vote. We have been voting on a discretionary basis on behalf of our clients since 1995. We implemented our first internal voting policy in 1998. During 2019, we voted on over 10,000 meetings and more than 100,000 resolutions.

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 2019 we voted on over 780 shareholder resolutions which were focused on ESG issues, supporting 60% of them. More specifically, 44 of these resolutions were climate-related shareholder resolutions and we supported 82% 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. The positive impact of proxy voting in relation to climate can be seen by the 2019 BP shareholder resolution which UBS-AM co-filed. The resolution requested the company to align its business strategy with the Paris goals, and received 99% of votes in favor at the 2019 AGM. As a consequence, the resolution was adopted by BP. A measure of success is the external recognition we receive for our leadership in climate change voting: In 2019, UBS AM was highly ranked by two external bodies in relation to its engagement and proxy voting activities on climate change. In its report "Voting Matters" ShareAction ranked UBS AM Number 1 for voting on climate change resolutions. Shortly afterwards, Influence Map included UBS AM amongst the leaders (band A) in its study "Asset Managers and Climate Change".

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

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 with minor exceptions	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) 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)	The Institute of International Finance Sustainable Finance Working Group, of which UBS serves as the Vice-Chair, has written several 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	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) on public consultations (e.g. Bank of England proposed climate scenario analysis BES, EC proposed Sustainable Finance Renewed Strategy) 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)	AFME, ASIFMA, and GFMA broadly support further development of sustainable and climate finance including carbon taxes, carbon reporting, and scenario analysis.

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.

Trade 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.

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.

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.

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.

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 vice chair of the IIF Sustainable Finance Working Group.

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 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).

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.

C12.3f

(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 are involved and informed about UBS' climate change strategy. The Board of Directors' Corporate Culture and Responsibility Committee (CCRC), chaired by the UBS Chairman (=Board Chair), and with the Group CEO and the Head UBS in society 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.
- The UBS in society Steering Committee, chaired by the Head UBS in society (reporting directly to the Group CEO) ensures that relevant aspects are communicated to and discussed with the CCRC and relevant functions within the firm, including Group Governmental Affairs.
- 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. UBS is a member of the Sustainable Finance Working Groups at the IIF and at the Swiss Banker's Association and is represented on the TCFD. Headquartered in Switzerland, UBS representatives regularly interact with government officials, including on climate-related matters.
- UBS 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

(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-2019.pdf

Page/Section reference

UBS Sustainability Report 2019 contains UBS TCFD-aligned climate strategy disclosure, starting on page 54 (page numbers as printed in the report).

Content elements

Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics

Comment

UBS Sustainability Report 2019 was part of its regulatory filings in 2019, in the US and Germany (year-end financial filings).

Publication

In voluntary communications

Status

Complete

Attach the document

climate-strategy-en-2020.pdf

Page/Section reference

All pages

Content elements

Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics

Comment

2019/2020 Climate Strategy document is TCFD-aligned climate-specific disclosure document for UBS.

Publication

In other regulatory filings

Status

Complete

Attach the document

ubs-sustainability-report-2019-web.pdf

Page/Section reference

UBS Sustainability Report 2019 contains UBS TCFD-aligned climate strategy disclosure, starting on page 54 (page numbers as printed in the report).

Content elements

Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics

Comment

UBS Sustainability Report 2019 was part of its regulatory filings in 2019, in the US and Germany (year-end financial filings).

C-FS12.5

(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) Task Force on Climate-related Financial Disclosures (TCFD) UNEP FI Principles for Responsible Banking	For extended information on our external memberships and commitments see UBS Sustainability Report 2019 pages 76-77 and 97.
Industry initiative	UNEP FI Principles for Responsible Banking Climate Action 100+ Institutional Investors Group on Climate Change (IIGCC) Natural Capital Finance Alliance Soft Commodities' Compact UNEP FI UNEP FI TCFD Pilot	
Commitment	Other, please specify (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	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 2019, UBS again significantly reduced the share of our carbon-related assets to 0.8%, down from 1.6% in 2018 (and 2.8% in 2017). More broadly, our share of exposure to climate-sensitive sectors has reduced in 2019 to 15.5% from 19.6% in 2018 (% of total gross banking exposure across IB and P&C).
Investing (Asset manager)	Yes	Alternative carbon footprinting and/or exposure metrics (as defined by TCFD)	At AM, we analyse our investments' impact on climate primarily through ESG integration. Across our active equity and fixed income platforms, portfolio managers and analysts use the UBS Risk Dashboard which provides quantitative and qualitative ESG information from external providers as well as internal insights. In addition, carbon emissions data is made available to all portfolio managers and analysts, enabling them to download carbon and carbon intensity data on over 6,000 companies. This provides portfolio managers with the ability to examine the carbon footprint of their portfolios and compare the relative carbon footprints of their company holdings to that of the relevant benchmark. 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. To supplement the practices above, AM has been researching the role of scenario analysis as a potential tool for understanding the impacts of climate change on investment portfolios. We have pursued this work collaboratively through the Institutional Investor Group on Climate Change (IIGCC). We have been encouraged through this work to identify new data sets that have recently become available on the market to account for physical climate risks at individual company level, which can be incorporated into portfolio analytics tools. In terms of implementation, 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. It was developed in conjunction with a large UK pension fund and launched in 2017. Opened to wider investments in 2018, this solution has already attracted in excess of USD 10bn in investments. It is a pragmatic, flexible, investor-led approach.
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	Please select	<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

UBS is seeking to further understand exposure to climate risks (both physical and transition) by leading an effort to create 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 (USD bn portfolio value, proportion of total banking products exposure, gross (%))

Scope 3 portfolio metric

1.9

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 2019 was USD 1.9bn. 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 2019, UBS has again significantly reduced the share of carbon-related assets down to 0.8% of total banking products exposure, USD 1.9bn (from 1.6% in 2018 and 2.8% in 2017). More broadly, our share of exposure to climate-sensitive sectors has reduced in 2019 to 15.5% from 19.6% in 2018 (% of total gross banking exposure across IB and P&C). UBS uses these metrics to understand the exposure to carbon-related and climate sensitive sectors and to inform climate risk assessments.

Metric type

Weighted average carbon intensity

Metric unit

CO2e/\$M revenue

Scope 3 portfolio metric

74.8

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 metric provided by the TCFD. Weighted carbon intensity of the Climate Aware equities strategy reduced by 22% from 95.6 in 2018 to 74.8 in 2019 (in tons CO2e per million of USD revenue). Carbon intensity is based on scope 1 and 2 CO2 emissions of investee companies, which often rely on third-party estimates.

Please explain

Weighted carbon intensity is 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 carbon intensity of the Climate Aware strategy.
	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 (USD bn portfolio value, proportion of total banking products exposure, gross (%))	1.9	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 2019 UBS carbon related assets were USD 1.9 bn (banking products across Investment Bank and Personal & Corporate Banking.) In 2019, UBS again significantly reduced the share of our carbon-related assets to 0.8%, down from 1.6% in 2018 (and 2.8% in 2017). More broadly, our share of exposure to climate-sensitive sectors has reduced in 2019 to 15.5% from 19.6% in 2018 (% of total gross banking exposure across IB and P&C). Please see Our Climate Strategy 2019 page 8 and 9 for more details.
Listed equity	Weighted average carbon intensity	CO2e/\$M revenue	74.8	Weighted carbon intensity of the Climate Aware equities strategy (in tons CO2e per million of USD 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 2019 page 8 and 9 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)	1186	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: 1,186 (in USD m of total gross banking exposure across IB and P&C). Of which prod. / dist. electricity: USD 0.8 billion. Share of utilities of total exposure to all sectors 0.5%. Please see Our Climate Strategy 2019 page 8 and 9 for more details.
Energy	Exposure to carbon-related assets	\$M portfolio value	1435	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: USD 1,435m of total gross banking exposure across IB and P&C). Oil and gas: 1,415, coal mining: 20. Please see Our Climate Strategy 2019 page 8 and 9 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	Our climate strategy 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. Our climate strategy focuses on four pillars: – Protecting our own assets: 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. We have reduced carbon-related assets on our balance sheet to 0.8% or USD 1.9 billion as of 31 December 2019, down from 1.6% at the end of 2018 and 2.8% at the end of 2017. – Protecting our clients’ assets: 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 actively engage on climate topics with companies that we invest in; AM has implemented an engagement program with 50 companies from oil and gas and utilities sectors and we voted on 44 climate-related shareholder resolutions during 2019. – Mobilizing private and institutional capital: 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. In 2019, our climate-related sustainable investments rose to USD 108 billion from USD 87.5 billion at the end of 2018, 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 87.2 billion, from USD 56.5 billion in 2018. – Reducing our direct climate impact: We continue to reduce our greenhouse gas (GHG) emissions and increase the firm’s share in renewable energy. We have committed to using 100% renewable electricity by mid-2020. This will reduce our firm’s GHG footprint by 75% compared with 2004 levels. At the end of 2019, we had reduced our GHG emissions by 71% compared to baseline year 2004.
Investing (Asset manager)	Yes	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 50 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	

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 pledged ambitions of their host countries, as expressed in the Nationally Determined Contributions (NDCs). 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 (>30% 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 is 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).
Investing (Asset manager)	Yes, for some	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. AM offers several investment solutions within the Climate Aware framework, including equity and fixed income options. In addition, UBS has other funds also support the climate investment opportunities. For example, Clean Energy Infrastructure Switzerland (CEIS) has already launched two tranches. CEIS 2 closed in September 2019. It followed the successful launch of CEIS 1. This Investment solution focuses on companies in the infrastructure sector in Switzerland.
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	While sector-specific guidance provided by the Science-based Target Initiative is still largely under development, 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). 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 (>30% 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.
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

C-FI

(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

(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

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, submit Supply Chain Questions now

Please confirm below

I have read and accept the applicable Terms

