Net zero and beyond

Our Net Zero commitment

At UBS, our approach to sustainability is a constant expression of our purpose[1]. For more than two decades, our firm has been at the forefront of sustainable finance. We've led the way as one of the first financial services firms to sign the United Nations (UN) Environment Programme's Statement by Financial Institutions on the Environment and Sustainable Development. In 2000, we were among the first companies to endorse the UN Global Compact, a United Nations pact by CEOs of businesses to adopt sustainable and socially responsible policies. And, in 2002, we were a founding signatory of the CDP, a not-for-profit organization that helps corporations make environmental disclosures. We became a founding member of the Task Force on Climate-related Financial Disclosures (TCFD) in 2015, a founding signatory of the Principles for Responsible Banking in 2019, a founding member of the Net Zero Asset Managers initiative in 2020 and a founding member of the Net Zero Banking Alliance in 2021.

As the world continues to develop a definition of net zero, as well as the necessary implementation toolkit to help guide a path to the Paris Agreement objectives, we'll set science-based targets for 2025, 2030 and 2035 to progress toward our net zero goal. In what follows, we highlight the key signposts of our journey – covering both areas where we're already taking climate action at UBS as well as our ambitions for the future. Our comprehensive climate strategy, introduced fifteen years ago, firmly supports the orderly transition to a net zero economy and we're formalizing that commitment today. In particular, the focus of our ambitions is to:

- achieve net zero greenhouse gas emissions resulting from all aspects (Scope 1, 2, 3) of our business by 2050, with intermediate milestones established to ensure progress
- mobilize capital toward investments in a low-carbon economy
- assist our financing clients with their transition to a low-carbon economy
- provide our investing clients with the choice they need to meet their sustainability and impact objectives, including climate where that is their priority
- as the leading universal bank in Switzerland, support the transition in our home market across all our client segments
- share our lessons learned and best practices as the world seeks solutions to the sustainability challenges ahead of us

[1] Please see the UBS Sustainability Report 2020 for further details and explanations for our broader sustainability strategy, achievements and goals.

Our company

We're committed to leading by example in order to be a credible partner to our clients.

- **Environmental footprint.** We'll continue to enhance transparency and accountability in the environmental management of our firm. To this end, we're building on our achievements. Since 2020, 100% of our electricity globally has been drawn from renewable sources. This has been a key driver in reducing our greenhouse gas (GHG) emissions by 79% against our 2004 baseline. In addition, we've been offsetting all of our $CO2$ emissions from business travel since 2007 and expect our associated footprint to remain substantially lower than pre-pandemic levels. We've added the following ambitious targets for the future.
  - By 2025, we'll target net zero direct (scope 1) and energy indirect (scope 2) emissions by replacing owned fossil fuel heating systems, and purchasing and producing 100% renewable electricity. Moreover, we commit to identifying and investing in credible carbon removal projects (including negative emissions technology) supporting innovation.
  - We'll work toward offsetting our historical emissions back to the year 2000. This will be based on transparent carbon offsets and investments in nature-based solutions.
  - We'll continue to reduce our absolute greenhouse gas footprint and will cut our own energy consumption by 15% from today's levels by 2025.
- **Suppliers and contributors.** Our robust Responsible Supply Chain Management framework has been driving sustainable procurement since 2008, and we've started to engage with key vendors about moving toward net zero greenhouse gas emissions by 2035. We'll engage with partners and contributors to our product shelf and client offerings regarding their plans around sustainability.
- **Treasury portfolio.** We'll mobilize capital through the investment choices of our company, and commit to invest in sustainable funds and assets where we have the discretion to do so. We'll develop and implement a comprehensive Environmental, Social, and Corporate Governance (ESG) Investment Framework for our Group Treasury operations. We thereby aim to meaningfully grow sustainable assets that are under our direct control while being mindful of regulatory as well as operational requirements that significantly determine the composition of our Treasury assets. We target issuing an inaugural UBS green bond in due course in 2021, building

on our existing and evolving green funding framework. And we'll encourage our employee pension funds to be sustainably aligned and climate aware where allowed by local regulations.

- **Engagement with standard setters.** We'll continue to share best practices and engage with regulatory authorities, central banks, policymakers, academia and peers to facilitate the development of robust methodologies and metrics that will help to leverage the financial services sector's potential to drive change. We'll engage with standard setters to help develop and support policies, standards and regulations that will enable the necessary transition of the whole economy.
- **Transparency.** Building on the sustainability disclosures in our Annual Report and Sustainability Report, we'll continue to advance our ambition to provide comprehensive sustainability disclosure, including full implementation of the TCFD recommendations by the end of 2022. We'll develop a comprehensive climate action plan, including interim targets as noted above and report annually on progress. We'll also continue supporting efforts to standardize broader sustainability disclosures including by the Sustainability Accounting Standards Board, the World Economic Forum and the International Accounting Standards Board.
- **Executive alignment.** ESG-related objectives have been embedded in our firm's Pillars and Principles since they were established in 2011. This long-term focus on ESG topics is reflected in our sustainability achievements, as set out in our annual reporting. For 2021, we've further enhanced our objective-setting and performance-evaluation disclosure approach for members of the Group Executive Board (GEB). One of the changes is the implementation of a new category with explicit reference to ESG-related objectives in the qualitative assessment. GEB members will be evaluated on ESG objectives aligned with our commitment to the UN Sustainable Development Goals to ensure we continue to stay at the forefront of sustainability.

Our clients

Like us, many of our clients are in a period of transition. We'll work to raise awareness among our clients about the risks and opportunities surrounding climate, and manage our financing relationships in line with social and environmental criteria.

What this means for our financing clients
Our established **Environmental and Social Risk (ESR) framework** is used to analyze potential transactions and client relationships to limit negative impact on the environment and our communities. Moreover, as one of the world's largest asset gathering businesses we're in a privileged position to leverage the experience from our Climate Aware framework, established in 2019 and used by our asset management business, to the benefit of our financing clients.

We believe that helping our clients with their transition to a lower carbon economy will help them access the capital markets more effectively. Accepting or maintaining client relationships will be subject to review against our ESR framework, including their progress toward stated company transition objectives. Some clients and transactions will not meet the criteria we set for our business and will therefore not be pursued.

Our exposure to carbon-related assets on our banking balance sheet is relatively low today, at 1.9% or USD 5.4 billion as at 31 December 2020. Our exposure to climate-sensitive sectors is also low, at 13.7% of our balance sheet. We'll set clear, science-based targets that further align our financing portfolio with the objectives of the Paris Agreement. For our global real estate financing activities, we're formulating a clear trajectory toward lower emissions-intensity. We'll align our efforts with the Net Zero Banking Alliance's (NZBA) sectoral approach as part of a comprehensive climate plan.

We already have a restricted risk appetite for those carbon-related assets that are deemed to be misaligned with the objectives of the Paris Agreement, and continuously review and adapt these restrictions. In order to meet nearer-term net zero emissions goals, we're making the following changes to our existing framework.

Activity	What we're changing
Coal-fired power plants	**Lower threshold.** Financing of existing coal-fired operators (changing threshold from >30% to >20% coal reliance) unless they have a transition strategy that aligns with the goals of the Paris Agreement, or the transaction is related to renewable energy or clean technology.
Coal mining	**New threshold.** Financing of existing thermal coal-mining companies (> 20% of revenues) unless they have a transition strategy that aligns with the goals of the Paris Agreement, or the transaction is related to renewable energy or clean technology.
Arctic oil, oil sands	**Lower threshold.** Financing to companies with significant reserves or production in arctic oil and/or oil sands (changing threshold from >30% to >20% of reserves or production) unless they have a transition strategy that aligns with the goals of the Paris Agreement, or the transaction is related to renewable energy or clean technology.

What this means for our investing clients

As a steward for our clients' wealth, we have a fiduciary responsibility to act in the best interests of our clients.

As a founding member of the **Net Zero Asset Managers** initiative, we've committed to reaching net zero emissions by 2050 or sooner across all of our Asset Management division's assets under management. We've also made **sustainable investments the preferred solution for clients of our Global Wealth Management** division investing globally and have transitioned our private pension product offering in Switzerland to sustainable investment solutions.

As such, we will:

- provide institutional and private clients with information and analytics on net zero emissions investing and climate risk and opportunity
- implement a stewardship and engagement strategy consistent with our commitment to net zero emissions, including escalation strategies for companies failing to make progress against objectives
- include ESG factors wherever practical and appropriate in a proxy voting framework for both passive and active holdings, to support the long-term effect of management actions upon our clients' positions
- engage with industry actors including exchanges, proxy advisors, ratings companies, auditors and data and service providers to further develop market standards around disclosure, reporting and data
- integrate sustainability into our investment processes for institutional clients and private clients where appropriate, including on alternative investments
- support private clients with their sustainability- and climate-related objectives

- work collaboratively across our industry and with our clients, ensuring that our clients have access to best practices, robust and science-based approaches, standardized methodologies, and improved data for measuring and mitigating climate change risks

Our planet – collaborating with peers and expert bodies
In addition to our efforts launching the Net Zero Asset Manager initiative (NZAM) in 2020 and our established work in the UNEP FI-led TCFD and climate risk program for banks, we're a founding member of the Net Zero Banking Alliance (NZBA) launched in April 2021. The NZAM and NZBA constitute two key commitments to working collectively with our peers and expert bodies with the aim of learning from and leveraging each other's efforts. This collaboration bolsters the broader work we undertake within the framework of the Principles for Responsible Banking.

Beyond net zero

We're advancing toward 2030, the designated deadline to reach the 17 United Nations (UN) Sustainable Development Goals (SDGs). The SDGs focus on the major challenges for our world now and over the coming years. Traditional financing mechanisms, such as grants and overseas development aid, are insufficient to tackle these growing challenges. Financial institutions have a big part to play, notably when it comes to explaining to clients the importance of the SDGs and mobilizing their assets toward the achievement of these UN goals. While climate action is the critical focus today among many stakeholders, we pledge to continue our progress across the full set of 17 UN SDGs beyond those dedicated to the health of our planet.

Our communities

How we interact with the larger world matters. We'll work to address wealth inequality through a sharpened focus of our client and corporate philanthropy as well as employee-led community affairs activities on health and education – two key levers in forging a fairer, more prosperous society. We have set some ambitious goals to reach by 2025: to raise USD 1 billion in donations to our client philanthropy foundations and funds, to reach 25 millionbeneficiaries, and to support one million beneficiaries in learning and developing skills for employment, decent jobs and entrepreneurship through our community investment activities.

Our award-winning client philanthropy offering began more than two decades ago and we've come a long way since. The UBS Optimus Foundation connects clients with inspiring entrepreneurs, new technologies and proven models that seek to make a measurable, long-term difference to the most serious and enduring social and environmental problems. In 2020, we expanded our offering. To make sure clients maximize the environmental impact of their philanthropy engagements, we, together with experts, conducted an extensive analysis of existing efforts. The outcome is a systematic approach for clients to assess where to invest philanthropically and how to best contribute to accelerate environmental and climate action.

At UBS, we're committed to supporting the communities in which we work. We want to continue to play our part in addressing social issues. We believe this is the right thing to do and we deliver on this commitment through our community affairs program. This includes connecting our employees to our local communities through volunteering activities that promote the development of a positive business culture.

Our employees

Our strategy is to continue to shape a diverse and inclusive organization that is innovative, provides outstanding service to our clients, offers equitable opportunities and is a great place to work for everyone. We take a broad approach that encompasses gender, race and ethnicity, LGBTQ+, disability, veterans, mental health and other aspects.

We hold ourselves accountable for progress. We have stated an aspiration to increase the percentage of women in our director level and above population to 30% by 2025. In mid-2020, we set aspirations to have a 26% representation of underrepresented ethnicities at the director level and above by 2025 in the US and to increase our ethnic minority senior management (directors and above) headcount by 40% in the UK in the same timeframe.

We're a strong supporter of the UN Standards of Conduct for Business anti-discrimination guidelines, and are a signatory to the UN-backed Women's Empowerment Principles, the UK government's Women in Finance Charter, and the Race at Work Charter.

A summary of our key ESG certifications/commitments, external rewards and recognition

We've long gained industry recognition, including from leading sustainability indices and rating agencies, for our commitment to advancing sustainability in the financial services sector and for continuously improving our sustainability performance. In 2020, we again gained industry recognition for our commitment to improving performance under ESG criteria and for our efforts in offering clients world-class expertise and sustainable products. For the sixth year running, we were named the best performer in the Diversified Financial Services and Capital Markets Industry of the Dow Jones Sustainability Index (DJSI), the most widely recognized corporate sustainability rating. MSCI ESG Research maintained our rating at AA and CDP moved our firm into its top ranking, the A List.

Rating and recognitions[1]	Scope	UBS results
Dow Jones Sustainability Indices (DJSI)	ESG performance	Industry leader Index member of DJSI World and DJSI Europe
CDP	Climate change	Climate A List
Sustainalytics	ESG performance	ESG Risk Rating of 24.8 (Medium Risk)
MSCI	ESG performance	AA rating Top three among primary peer group[2]
ISS-ESG	ESG performance	Corporate responsibility prime status
FTSE4Good Index	ESG performance	Index member

Cautionary Statement Regarding Forward-Looking Statements | This document contains statements that constitute "forward-looking statements," including but not limited to management's outlook for UBS's financial performance, statements relating to the anticipated effect of transactions and strategic initiatives on UBS's business and future development and goals or intentions to achieve climate, sustainability and other social objectives. While these forward-looking statements represent UBS's judgments, expectations and objectives concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's expectations. The outbreak of COVID-19 and the measures taken in response to the pandemic have had and may continue to have a significant adverse effect on global economic activity, and an adverse effect on the credit profile of some of our clients and other market participants, which has resulted in and may continue to increase credit loss expense and credit impairments. In addition, we face heightened operational risks due to remote working arrangements, including risks to supervisory and surveillance controls, as well as increased fraud and data security risks. The unprecedented scale of the measures taken to respond to the pandemic as well as the uncertainty surrounding vaccine supply, distribution, and efficacy against mutated virus strains create significantly greater uncertainty about forward-looking statements.

Factors that may affect our performance and ability to achieve our plans, outlook and other objectives also include, but are not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), liquidity coverage ratio and other financial resources, including changes in RWA assets and liabilities arising from higher market volatility; (ii) the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (iii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions; (iv) developments (including as a result of the COVID-19 pandemic) in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions, and changes to national trade policies on the financial position or creditworthiness of UBS's clients and counterparties as well as on client sentiment and levels of activity; (v) changes in the availability of capital and funding, including any changes in UBS's credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (vi) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, net stable funding ratio, liquidity and funding requirements, heightened operational resilience requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS's business activities; (vii) the degree to which UBS is successful in implementing further changes to its legal structure to improve its resolvability and meet related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions or to other external developments; (viii) UBS's ability to maintain and improve its systems and controls for the detection and prevention of money laundering and compliance with sanctions to meet evolving regulatory requirements and expectations, in particular in the US; (ix) the uncertainty arising from the UK's exit from the EU; (x) changes in UBS's competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS's ability to compete in certain lines of business; (xi) changes in the standards of conduct applicable to our businesses that may result from new regulations or new enforcement of existing standards, including measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (xii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA as well as the amount of capital available for return to shareholders; (xiii) the effects on UBS's cross-border banking business of tax or regulatory developments and of possible changes in UBS's policies and practices relating to this business; (xiv) UBS's ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xv) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xvi) UBS's ability to implement new technologies and business methods, including digital services and technologies, and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xvii) limitations on the effectiveness of UBS's internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xviii) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks and systems failures, the risk of which is increased while COVID-19 control measures require large portions of the staff of both UBS and its service providers to work remotely; (xix) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS's operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xx) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS's ability to maintain its stated capital return objective; (xxi) uncertainty over the scope of actions that may be required by UBS, governments and others to achieve goals relating to climate, environmental and social matters as well as the evolving nature of underlying science and industry and governmental standards, and (xxii)the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences.

Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS's Annual Report on Form 20-F for the year ended 31 December 2020. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

UBS