



31 December 2020 Disclosure Report under Section 16 of the German Remuneration Ordinance for Institutions for Financial Year 2020

UBS Europe SE

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Compensation principles

UBS's compensation philosophy is to align the interests of our employees with those of our investors and clients, building on our three keys to success: our Pillars, Principles and Behaviours. UBS's approach to employee compensation globally is underpinned by the Total Reward Principles. The Total Reward Principles establish a framework that balances sustainable performance as well as supporting growth ambitions and prudent risk-taking with a focus on conduct and sound risk management.

In addition to the Total Reward Principles, UBS Europe SE has a dedicated Remuneration Policy that aims to provide sound procedures promoting remuneration practices and policies compatible with appropriate and effective risk management, in accordance with the Total Reward Principles of UBS Group, the German Remuneration Ordinance, its interpretation guidance, the Banking Act, the EBA Guidelines on Sound Remuneration Policies as well as any additional local regulatory requirements.

UBS Europe SE's compensation structure is aligned with the strategic priorities of the entity. The entity operates a compensation framework that applies equally to all employees and encourages them to develop a strong client franchise, create sustainable value and achieve the highest standards of performance. Moreover, it is designed to reward behaviours that help build and protect the firm's reputation – specifically integrity, collaboration and challenge – and supports appropriate risk taking.

UBS Europe SE applies a holistic approach to compensation. Its Total Reward approach consists of fixed compensation (e.g., base salary, benefits), reflecting employees' level of skill, role and experience, as well as local market practice, and variable compensation, where applicable, whose level generally depends on the firm's overall performance, the employee's business division, team and individual performance and behaviour, reflecting the employees' overall contribution to the firm's results. In addition to the firm's Pillars and Principles, behaviours related to integrity, collaboration and challenge are part of the performance management approach. Therefore, when assessing performance, UBS Europe SE takes into account not only what was achieved, but also how those results were achieved. Variable remuneration is awarded in line with applicable local employment conditions and at the discretion of the firm. Based on applicable regulatory requirements, variable compensation is limited to 100% of fixed compensation. However, this limit was increased to 200% of fixed compensation at the General Meeting of UBS Europe SE Shareholders (Hauptversammlung), and approved for all employees, with the exception of staff in control functions, who, pursuant to the German Remuneration Ordinance, are subject to a 50% limit.

Special consideration is given to individuals in Control Functions¹, whose compensation is determined independently from the revenue producers they supervise and support and their performance measures are based principally on the achievement of the objectives of their functions. In addition, junior members of staff in Group Functions (excluding Research) are subject to a structured incentive approach, whereby their performance awards are set globally as a percentage of base salary, subject to meeting behaviour and performance conditions and the entity meeting the requirements of section 7 of the Remuneration Ordinance. Finally, where collective labour agreements are in place, the compensation for affected employees is governed by such agreements and details around the way in which the provisions of these collective labour agreements affect the compensation structure are outlined in specific company agreements and policies.

Employees are not significantly dependent on variable compensation. For individuals with Total Compensation exceeding USD/CHF 300,000 (or EUR equivalent), a significant portion of their performance awards is deferred over a period of five years. Deferred compensation is delivered through a combination of equity-based plans and a contingent capital plan. The equity based plans are: (i) the Long-Term Incentive Plan (the LTIP), which is restricted to certain senior individuals and supports delivering profitable growth to drive higher returns and create long-term value for our shareholders; and (ii) the Equity Ownership Plan (the EOP), which is for all other employees, and which primarily aligns employees' interests with those of our shareholders. The Deferred Contingent Capital Plan (the DCCP) aligns employees' interests with those of debt holders.

The LTIP vests in year 3 after grant², EOP vests in equal instalments in years 2 and 3 after grant year. DCCP awards vest in full after five years unless there is a trigger event. DCCP awards are forfeited if a viability event occurs, i.e., if FINMA notifies the firm in writing that the DCCP awards must be written down to prevent an insolvency, bankruptcy or failure of UBS Group, or if the firm receives a commitment of extraordinary support from the public sector that is necessary to prevent such an event. All plans include provisions that allow the firm to reduce or fully forfeit the unvested deferred portion of a granted award if an employee commits certain harmful acts, and in most cases trigger forfeiture where employment has been terminated.

This deferral approach supports alignment of employee and investor interests, our capital base and the creation of sustainable shareholder value.

¹ As per the German Remuneration Ordinance, the Control Functions include Risk, Compliance, Internal Audit and Human Resources.

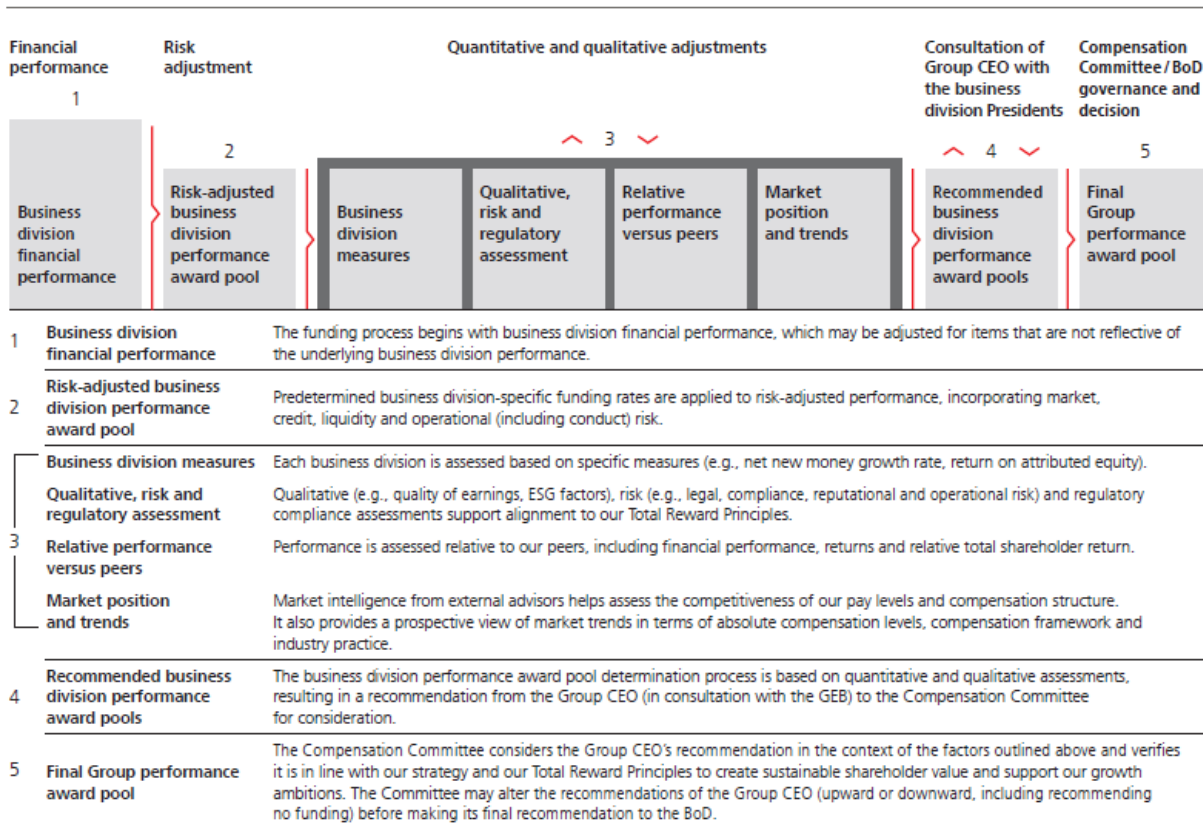
² A revised vesting schedule applies to LTIP recipients who are identified as Material Risk Takers.

Performance award pool funding

The performance award pool funding framework is based on Group and business division performance, including achievement against a set of performance targets. UBS Europe SE also considers performance relative to industry peers, general market competitiveness and progress against strategic objectives,

including returns, capital growth, as well as risk-weighted assets and cost efficiency. Furthermore, UBS Europe SE ensures that requirements of section 7 of the Remuneration Ordinance are met. Further information is provided in the illustrative overview below.

Performance award pool funding process – illustrative overview



Further information is available in the compensation report of UBS Group AG.

Governance structures

The corporate governance structure of the UBS Group ensures that the group's overall global compensation framework is governed appropriately at all levels. This is achieved through the following bodies: Group Executive Board, UBS Group AG Board of Directors Compensation Committee ("BoD CompCo"), UBS Group AG Board of Directors Risk Committee, and the overall UBS Group AG Board of Directors.

In addition to the above, and, specifically, to ensure compliance with the provisions of the German Remuneration Ordinance, the responsibility of the design, implementation and supervision of UBS Europe SE's remuneration system is split as follows:

- Management Board, with overall responsibility for ensuring the appropriate organisation of the remuneration systems for UBS Europe SE staff and that the annual cycle for compensation and promotion decisions adheres to the compensation principles and framework;
- Supervisory Board, that advises and supervises the Management Board and is responsible for the design of the remuneration systems for Management Board members as well as the monitoring of the appropriate structuring of the compensation framework for the employees;
- Remuneration Committee, that supports the Supervisory Board in the design and monitoring of the remuneration system for Management Board members, and in monitoring the appropriate structuring of the compensation framework for employees. The Remuneration Committee consists of 3 members of the Supervisory Board and includes both employer and employee representatives. In the financial year 2020, a total of 7 meetings of the Remuneration Committee were held;
- Remuneration Officer, who supports the Supervisory Board and the Remuneration Committee in their supervision and monitoring of the remuneration systems for all employees. In the 2020 performance year the Remuneration Officer was involved in the ongoing monitoring of the application and appropriateness of the compensation framework, as well as in the design or review of compensation-related processes or policies;
- Human Resources, who are responsible for the design, implementation and monitoring of the compensation framework in compliance with UBS's Total Reward Principles as well as applicable regulatory requirements. The Human Resources function is also responsible for the regular review of the compensation framework and the related Remuneration Policy;
- Control Functions, which are appropriately involved in reviewing the compensation framework and the remuneration policy, including through the relevant expert committees. Other group functions (e.g., Finance and Legal) are also involved in these reviews as appropriate.
- Incidents, Negative Performance and Consequences Committee is responsible for ensuring that any inappropriate conduct, behaviour and instances of negative performance are identified, monitored and appropriately taken into account (where relevant) when making both performance and reward decisions. In addition, the Committee is responsible for producing an independent control report on the remuneration system in compliance with section 12 of the German Remuneration Ordinance.

Compensation of Risk Takers

Pursuant to section 25a paragraph 5b of the Banking Act, UBS Europe SE conducted a risk assessment to identify categories of staff whose professional activities have a material impact on UBS Europe SE's risk profile, based on the qualitative and quantitative criteria contained in the Commission Delegated Regulation No 604/2014. Under the 2020 Risk Assessment, a total of 141 individuals were identified as Risk Takers (including 9 members of the Supervisory Board), of which 116 were directly employed by or assigned to UBS Europe SE out of a total UBS Europe SE employee base of 2,187 individuals as of 31 December 2020, including all subsidiaries.

Pursuant to section 20 of the German Remuneration Ordinance, at least 60% of the variable compensation awarded to members of the Management Board, their direct reports or to Risk Takers with variable compensation awards of a particularly high amount is deferred over 5 years. For all other Risk Takers, variable compensation awards are deferred at a rate of 40% over the same time period. Risk Takers whose variable compensation is below the de minimis threshold of EUR 50,000 were not subject to the deferral requirements of Section 20 of

the Remuneration Ordinance; however, where their total compensation was above CHF/USD 300,000 (or EUR equivalent), they were still subject to deferrals as determined under UBS's global compensation framework.

For Risk Takers, at least 50% of any upfront portion of the annual variable compensation award is paid in the form of UBS shares, while their deferred awards are delivered entirely in instruments via the LTIP/EOP (as applicable) and the DCCP awards. All awards made in instruments are subject to an appropriate post-vest retention policy and no dividends nor interests in relation to outstanding remuneration are paid during the deferral period.

Throughout the vesting period, deferred awards are subject to malus provisions, which foresee the forfeiture of all, or part of, unvested awards in certain circumstances. In addition, the total amount of variable compensation awarded to Risk Takers is subject to clawback, thus giving UBS Europe SE the ability to recover any variable compensation which is already paid in certain cases of negative performance.

Significant changes of the remuneration system

No significant changes were introduced in the remuneration system in 2020.

Compensation data disclosure under Section 16 of the Remuneration Ordinance for Institutions

The tables below provide quantitative data regarding remuneration in relation to the financial year 2020, broken down by Supervisory Board, Management Board and Business Units. The tables include data in relation to individuals employed by UBS Europe SE subsidiaries (UBS Fiduciaria and UBS Gestión). Please note: one Material Risk Taker individual in Asset Management has been reported under Investment Bank to protect confidentiality. Also, employees in Group Research and Analytics are reported under Investment Bank.

Firm-wide remuneration data.

31.12.2020	Supervisory Board	Management Board	Investment Bank	Wealth Management	Asset Management	Group Functions	Independent control functions
Number of Members (Headcount)	9	6					
Total number of staff in FTE			245.84	1,015.04	35.10	636.50	161.55
Total remuneration (in mEUR)	1.0	11.6	92.9	136.7	6.8	61.3	17.4
<i>Of which: variable remuneration (in mEUR)</i>	<i>0.0</i>	<i>5.8</i>	<i>40.6</i>	<i>28.1</i>	<i>2.2</i>	<i>5.5</i>	<i>2.3</i>
Personnel with variable compensation	0	6	238	987	36	617	153

Information regarding the remuneration of Risk Takers directly employed by or assigned to UBS Europe SE or its subsidiaries.

31.12.2020	Supervisory Board	Management Board	Investment Bank	Wealth Management	Asset Management	Group Functions	Independent control functions
Number of Risk Takers (Headcount)	9	6					
Number of Risk Takers (in FTE)			34.00	39.65	0.00	6.90	24.80
<i>Of which: Risk Takers in senior management positions</i>			10.00	25.82	0.00	4.90	10.00
Total fixed remuneration (in mEUR)	1.0	5.8	19.9	9.6	0.0	2.4	4.1
<i>Of which: in cash (in mEUR)</i>	<i>1.0</i>	<i>5.8</i>	<i>19.9</i>	<i>9.6</i>	<i>0.0</i>	<i>2.4</i>	<i>4.1</i>
<i>Of which: in instruments (in mEUR)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Total variable remuneration (in mEUR)	0.0	5.8	18.1	5.9	0.0	0.9	1.1
<i>Of which: in cash (in mEUR)</i>	<i>0.0</i>	<i>0.5</i>	<i>3.1</i>	<i>1.5</i>	<i>0.0</i>	<i>0.2</i>	<i>0.6</i>
<i>Of which in shares / share linked instruments (in mEUR)</i>	<i>0.0</i>	<i>3.1</i>	<i>10.2</i>	<i>3.2</i>	<i>0.0</i>	<i>0.5</i>	<i>0.4</i>
<i>Of which in instruments acc. to sec. 20 para 4 InstitutsVergV (in mEUR)</i>	<i>0.0</i>	<i>2.1</i>	<i>4.7</i>	<i>1.2</i>	<i>0.0</i>	<i>0.2</i>	<i>0.2</i>
Total amount of variable remuneration which has been deferred	0.0	4.7	11.9	3.1	0.0	0.6	0.4
<i>Of which: in cash (in mEUR)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Of which in shares / share linked instruments (in mEUR)</i>	<i>0.0</i>	<i>2.6</i>	<i>7.1</i>	<i>1.8</i>	<i>0.0</i>	<i>0.4</i>	<i>0.2</i>
<i>Of which in instruments acc. to sec. 20 para 4 InstitutsVergV (in mEUR)</i>	<i>0.0</i>	<i>2.1</i>	<i>4.7</i>	<i>1.2</i>	<i>0.0</i>	<i>0.2</i>	<i>0.2</i>
Total amount of outstanding deferred variable remuneration awarded in previous periods (in mEUR)	0.0	9.3	38.5	7.2	0.0	1.4	1.1
<i>Of which: vested, not yet paid portion (in mEUR)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.4</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
<i>Of which: unvested portion (in mEUR)</i>	<i>0.0</i>	<i>9.3</i>	<i>38.0</i>	<i>7.1</i>	<i>0.0</i>	<i>1.4</i>	<i>1.1</i>
Total amount of deferred variable compensation awarded in previous periods, that							
<i>vested in during the fiscal year (in mEUR)</i>	<i>0.0</i>	<i>1.7</i>	<i>9.9</i>	<i>1.4</i>	<i>0.0</i>	<i>0.2</i>	<i>0.1</i>
<i>paid out during the fiscal year (in mEUR)</i>	<i>0.0</i>	<i>1.7</i>	<i>10.7</i>	<i>1.6</i>	<i>0.0</i>	<i>0.2</i>	<i>0.1</i>
<i>reduced during the fiscal year through performance adjustments (in mEUR)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Sign-on payments made during the fiscal year (in mEUR)	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Severance payments made during the fiscal year (in mEUR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Severance payments awarded during the fiscal year (in mEUR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The number of staff³ whose compensation in the financial year 2020 was 1 million EUR or more is shown below.

31.12.2020	Number of individuals
Between EUR 1m and under EUR 1.5m	15
Between EUR 1.5m and under EUR 2m	7
Between EUR 2m and under EUR 2.5m	3
Between EUR 3.5m and under EUR 4m	1
Between EUR 4m and under EUR 4.5m	1

³ including Management Board members

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