Climate and Nature Report 2023

Extracted from the UBS Group Sustainability Report 2023 and its Supplement

UBS

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Introduction

Climate and nature are deeply intertwined. Just as in the financial world, where assets give rise to revenue flows, the natural environment consists of stocks of assets (i.e., natural capital) that provide benefits to people and the economy (i.e., ecosystem services). Biodiversity is an essential characteristic of nature, critical for maintaining the quality, resilience and quantity of ecosystem assets and the provision of ecosystem services that businesses and society rely upon. This has been documented through a range of research initiatives, including the *Global assessment report on biodiversity and ecosystem services* from the Intergovernmental Science–Policy Platform on Biodiversity and Ecosystem Services and the UK Government-sponsored *The Economics of Biodiversity: The Dasgupta Review*.

We recognize the importance of understanding human dependencies and impacts on nature, to better understand the transmission channels through which our clients and UBS may face risks and opportunities. We view nature, alongside climate, as a risk driver that may manifest in transition and physical risks that both we and our clients need to manage.

In 2023 we continued to progress on this journey, including through our continued implementation of the recommendations laid out by the Task Force on Climate-related Financial Disclosures (the TCFD). This UBS Group Climate and Nature Report has been developed to support our stakeholders in locating climate and nature-related information contained in the UBS Group Sustainability Report 2023 (including the Supplement to the Sustainability Report).

For further pertinent documents, refer to *ubs.com/sustainability-reporting*.

About this report

Overview

The reporting period for the UBS Group Sustainability Report and this Climate and Nature Report, which both also cover Credit Suisse, is 1 January to 31 December 2023, which is aligned with the financial reporting period of UBS Group AG. All 2023 data included in the report is therefore for this period. Historical data (for e.g., 2022 and 2021) pertains to Pre-acquisition UBS, unless otherwise stated. For UBS's own environmental footprint, the reporting period has changed from July to June (as applied in the UBS Sustainability Report 2022) to January to December (for this report) to align with the UBS financial reporting year. 2022 data is restated in the relevant tables. Data showing progress against our decarbonization sectorial targets, including net-zero ones, pertains to 31 December 2022 (due to the unavailability of relevant 2023 data, as explained in the respective section of this report).

Unless otherwise noted, the information included in this report is presented at the consolidated level for UBS Group AG, UBS AG and Credit Suisse AG.

› **Refer to "Note 29 Interests in subsidiaries and other entities" in the UBS Group Annual Report 2023 for supplementary information regarding certain significant subsidiaries**

The purpose of this report is to support our stakeholders in locating climate- and nature-related information contained in our UBS Group Sustainability Report (including the Supplement to the Report) in one document that follows the structure recommended by the Task Force on Climate-related Financial Disclosures (the TCFD)[1] and also leverages the framework of the Taskforce on Nature-related Financial Disclosures (the TNFD).

UBS is in the process of implementing a combined and aligned sustainability- and-climate-risk dataset across UBS Group and including Credit Suisse AG. For this reason, UBS will publish UBS Group and Credit Suisse AG sustainability and climate risk metrics required pursuant to FINMA Circular 2016/1 "Disclosure – banks", Annex 5, in a supplement to the UBS Group Annual Report and the UBS Group Sustainability Report in line with the publication timeline for the semi-annual Pillar 3 disclosures in the third quarter of 2024. The current inventory of quantitative sustainability and climate risk metrics, including exposure to carbon-related assets, climate-sensitive sectors and nature-related risks for UBS AG, is disclosed in this report.

Credit Suisse integration – explanations and related assumptions

On 12 June 2023, UBS Group AG acquired Credit Suisse Group AG, succeeding by operation of Swiss law to all assets and liabilities of Credit Suisse Group AG, and became the direct or indirect shareholder of all of the former direct and indirect subsidiaries of Credit Suisse Group AG. UBS Group AG is a holding company and conducts substantially all of its operations through UBS AG and Credit Suisse AG, and subsidiaries thereof. UBS aims to substantially complete the integration of Credit Suisse into UBS by the end of 2026. As part of the integration of Credit Suisse, UBS plans to simplify the legal structure, including the merger of UBS AG and Credit Suisse AG planned for 2024.

In compliance with applicable regulatory requirements, information on Credit Suisse AG has been included in the UBS Group Sustainability Report 2023. Climate- and nature-related information pertaining to Credit Suisse AG has also been included in this report.

› **Refer to "Appendix 3 – Entity-specific disclosures for Credit Suisse AG" in the appendices to the UBS Group Sustainability Report 2023 for more information about Credit Suisse AG disclosures**

Explanation of dependencies

Certain activities of UBS that pertain to the implementation of its sustainability and impact strategy are directly impacted by factors that UBS cannot influence directly or can only influence in part. These include pertinent governmental actions (e.g., when it comes to the achievement of the Paris Agreement and thus the achievement of our firm's net-zero ambitions); the quality and availability of (standardized) data (e.g., in such areas as emissions); the development and enhancement of required methodologies and methodological tools (e.g., on climate- and nature-related risks); the ongoing evolution of relevant definitions (e.g., sustainable finance); and the furthering of transparency (e.g., pertaining to company disclosures of data). Areas where these dependencies are of particular relevance (including in particular regarding the examples noted above) are explained in the relevant sections of this report.

1 In June 2023, the International Sustainability Standards Board (the ISSB) finalized its first set of requirements for corporate disclosures regarding sustainability matters: IFRS S1 and IFRS S2. The standards incorporate the recommendations of the Task Force on Climate-related Financial Disclosures (the TCFD).

28 March 2024
UBS Group AG

Contacts

Our Sustainability Chief Financial Officer (the sCFO) and our Corporate Responsibility (CR) teams manage UBS's sustainability disclosures. Information to stakeholders about the content of this report is provided by the CR team, part of the UBS Group Chief Sustainability Office (CSO).

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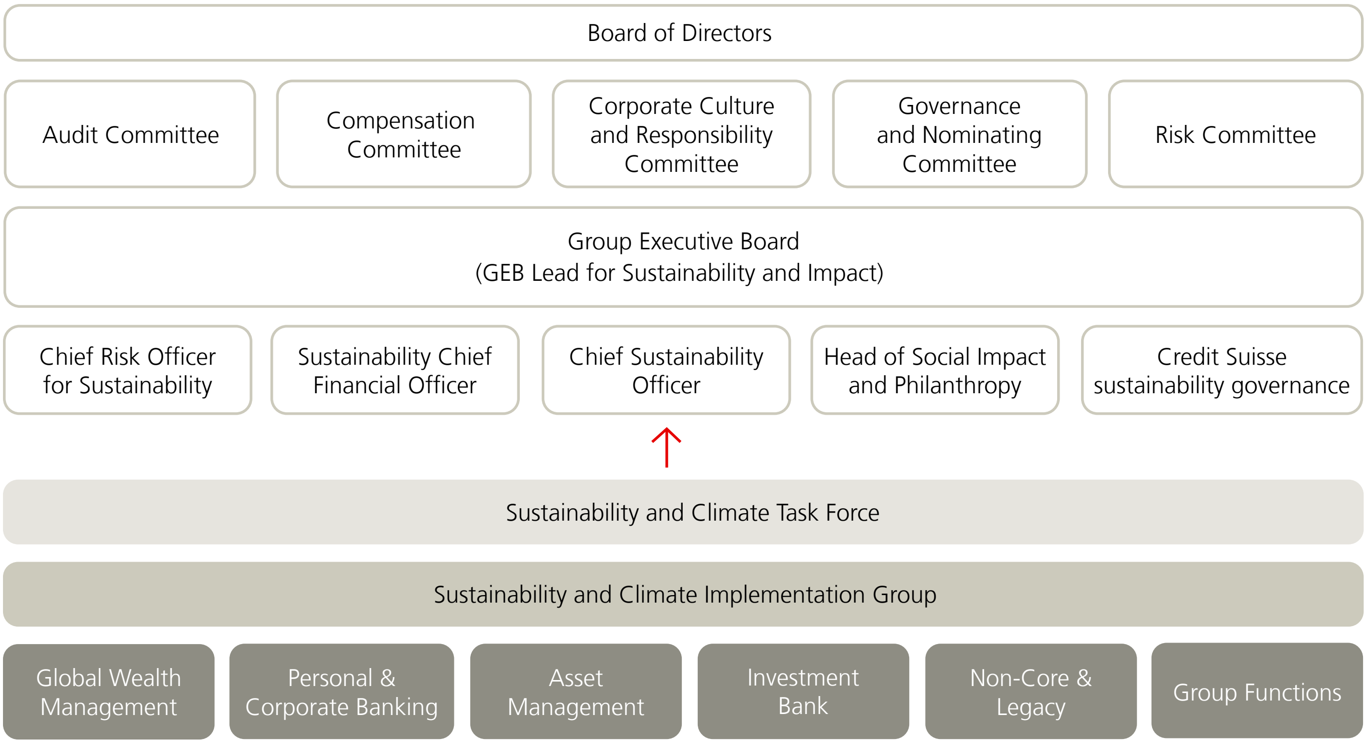
Terms used in this report, unless the context requires otherwise	Description
“UBS,” “UBS Group,” “UBS Group AG consolidated,” “Group,” “the Group”, “we”, “us” and “our”	UBS Group AG and its consolidated subsidiaries
“UBS Group excluding the Credit Suisse AG sub-group”	All UBS Group entities, excluding the Credit Suisse AG sub-group
"UBS Group excluding Credit Suisse”	All UBS Group entities, excluding Credit Suisse AG and its consolidated subsidiaries, Credit Suisse Services AG, and other small former Credit Suisse Group entities now directly held by UBS Group AG
“UBS AG” and “UBS AG consolidated“, “UBS AG sub-group“	UBS AG and its consolidated subsidiaries
“Pre-acquisition UBS”	UBS before the acquisition of the Credit Suisse Group
“Credit Suisse AG”, “Credit Suisse AG consolidated” and “Credit Suisse AG sub-group”	Credit Suisse AG and its consolidated subsidiaries
“Credit Suisse Group” and “Credit Suisse Group AG consolidated”	Credit Suisse Group AG and its consolidated subsidiaries, before the acquisition by UBS
“Credit Suisse”	Credit Suisse AG, its consolidated subsidiaries, Credit Suisse Services AG, and other small former Credit Suisse Group entities now directly held by UBS Group AG
“UBS Group AG” and “UBS Group AG standalone”	UBS Group AG on a standalone basis
“Credit Suisse Group AG” and “Credit Suisse Group AG standalone”	Credit Suisse Group AG on a standalone basis
“UBS AG standalone”	UBS AG on a standalone basis
“Credit Suisse AG standalone”	Credit Suisse AG on a standalone basis
“UBS Switzerland AG”	UBS Switzerland AG on a standalone basis
“UBS Europe SE consolidated”	UBS Europe SE and its consolidated subsidiaries
“UBS Americas Holding LCC”	UBS Americas Holding LLC and its consolidated subsidiaries
“Pre-acquisition Global Wealth Management”	The UBS Global Wealth Management business division before the acquisition of the Credit Suisse Group (data, if any, from before the date of the acquisition of the Credit Suisse Group)
“UBS AG Global Wealth Management”	The Global Wealth Management business division of UBS AG and its consolidated subsidiaries
“Wealth Management (Credit Suisse)”	The Wealth Management business division of Credit Suisse AG and its consolidated subsidiaries
“Pre-acquisition Personal & Corporate Banking”	The Personal & Corporate Banking business division before the acquisition of the Credit Suisse Group (data, if any, from before the date of the acquisition of the Credit Suisse Group)
“UBS AG Personal & Corporate Banking”	The Personal & Corporate Banking business division of UBS AG and its consolidated subsidiaries
“Swiss Bank (Credit Suisse)”	The Swiss Bank business division of Credit Suisse AG and its consolidated subsidiaries
“Pre-acquisition Asset Management”	The Asset Management business division before the acquisition of the Credit Suisse Group (data, if any, from before the date of the acquisition of the Credit Suisse Group)
“UBS AG Asset Management“	The Asset Management business division of UBS AG and its consolidated subsidiaries
“Asset Management (Credit Suisse)”	The Asset Management business division of Credit Suisse and its consolidated subsidiaries
“Pre-acquisition Investment Bank”	The Investment Bank business division before the acquisition of the Credit Suisse Group (data, if any, from before the date of the acquisition of the Credit Suisse Group)
UBS AG Investment Bank	The Investment Banking business division of UBS AG and its consolidated subsidiaries
Investment Bank (Credit Suisse)	The Investment Bank business division of Credit Suisse AG and its consolidated subsidiaries
“Non-core and Legacy”	The Non-core and Legacy Portfolio

Governance

Our sustainability governance

Our sustainability and corporate culture activities are grounded in our Principles and Behaviors and overseen at the highest level of our organization. These principles are laid down in our Code of Conduct and Ethics (the Code).

UBS Group AG sustainability governance



› **Refer to "Appendix 3 – Entity-specific disclosures for Credit Suisse AG" in the appendices to the UBS Group Sustainability Report 2023 for more details on how Credit Suisse sustainability governance was integrated into UBS Group**

Board of Directors and Group Executive Board

The Board of Directors of UBS Group AG (the BoD) has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls.

The BoD decides on the Group's strategy and the necessary financial and human resources, on the recommendation of the Group Chief Executive Officer (the Group CEO), and also sets the Group's values and standards to ensure its obligations to shareholders and other stakeholders are met. The BoD oversees the overall direction, supervision and control of the Group and its management. It also supervises compliance with applicable laws, rules and regulations. The Chairman of the BoD, together with the Group CEO, takes responsibility for UBS's reputation and is closely involved in, and responsible for, ensuring effective communication with shareholders and stakeholders, including government officials, regulators and public organizations.

Five committees support the BoD in fulfilling its duty through the respective responsibilities and authority given to them. All BoD committees have specific responsibilities pertaining to ESG matters. For example, the Compensation Committee is responsible for ESG-related compensation topics, the Risk Committee supervises the integration of ESG in risk management, the Governance and Nominating Committee supports the Board in establishing best practices in corporate governance and the Audit Committee has oversight of the control framework underpinning ESG metrics.

The BoD's Corporate Culture and Responsibility Committee (the CCRC) is the body primarily responsible for corporate culture, responsibility, and sustainability.

The CCRC oversees our Group-wide sustainability and impact strategy and key activities across environmental and social topics. This includes climate, nature, and human rights. Annually, it considers and approves our firm's sustainability (including climate) and impact objectives. As part of this process, it also considers the impact and financial materiality of climate-related risks and opportunities on UBS's business and strategy.

The CCRC's function is forward-looking in that it monitors and reviews societal trends and transformational developments and assesses their potential relevance for the Group. In undertaking this assessment, it reviews stakeholder concerns and expectations pertaining to the societal performance of UBS and to the development of its corporate culture. UBS has various mechanisms (including complaint and feedback procedures) in place to ensure that such concerns and expectations are received, managed and, where necessary, brought to the attention of the Group Executive Board (the GEB) and the BoD. The CCRC is also responsible for conducting the annual review process for the Code and for proposing amendments to the BoD. This process includes a prior review of the Code by the GEB and is led by the Group CEO.

› **Refer to *ubs.com/code* for the full UBS Code of Conduct and Ethics**

The GEB develops the Group strategy and is responsible for managing our assets and liabilities in line with that strategy and our regulatory commitments, and in the interests of our stakeholders.

As determined by the BoD's Risk Committee, the GEB manages the risk profile of the Group as a whole and has overall responsibility for establishing and implementing risk management and control. The Group CEO has delegated responsibility for setting the sustainability and impact strategy and developing Group-wide sustainability and impact objectives, in agreement with fellow GEB members, to the GEB Lead for Sustainability and Impact. Progress against the strategy and associated targets are reviewed at least once a year by the GEB and the CCRC.

The GEB Lead for Sustainability and Impact also manages the Group Sustainability and Impact (GSI) organization and, together with the Chief Sustainability Officer (the CSO), co-chairs the Sustainability and Climate Task Force (the SCTF). Both the GEB Lead for Sustainability and Impact and the CSO attend the CCRC meetings.

› **Refer to the "Supplement to Governance" section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for an explanation and depiction of the sustainability governance at UBS Group AG, including the main bodies involved in this governance**

Integration of Credit Suisse

The BoD is responsible for sustainability across the Group, including Credit Suisse. Until its acquisition by UBS Group in June 2023, Credit Suisse Group AG had an established sustainability governance system. It was exercised at its Board of Directors, Executive Board, and senior management levels, thus integrating sustainability into line processes and structures, as well as through boards and committees specifically focused on sustainability topics. With the integration of Credit Suisse into UBS Group in 2023, this governance was adapted for Credit Suisse and integrated into UBS Group, which included the successive retirement of certain CS governance bodies.

In 2023, alignment with the Group's strategies, objectives and guidelines has been ensured through representation of UBS personnel in the governance bodies of Credit Suisse. The governance of sustainability at Credit Suisse AG is exercised through its established governance bodies, thus integrating sustainability into operational processes and structures, as well as through those boards and committees specifically focused on sustainability topics. Certain Credit Suisse sustainability governance bodies have already been retired in 2023 and it is our aim to achieve full integration of the relevant bodies, together with their associated procedures and policies, into the overall UBS Group sustainability governance during 2024.

› **Refer to "Appendix 3 – Entity-specific disclosures for Credit Suisse AG" in the appendices to the UBS Group Sustainability Report 2023 for an explanation and depiction of the sustainability governance (including the main bodies involved) at Credit Suisse AG**

Group Sustainability and Impact

GSI (Group Sustainability and Impact) comprises the Chief Sustainability Office and the Social Impact Office, headed by the CSO and the Head of Social Impact respectively.

The CSO is responsible for driving implementation of the following: the Group-wide sustainability and impact strategy (including our approach to climate and nature), the approach to climate across all in-scope activities, and the ESG data strategy. In addition, the CSO has responsibility for supporting the business divisions and Group Functions in the design of sustainability frameworks, the implementation of sustainability regulations and the development of education and awareness programs in relation to sustainability. Furthermore, the CSO also manages external relationships, industry advocacy and the annual sustainability disclosure.

The Head of Social Impact is responsible for driving and implementing the Social Impact strategy, including Community Impact, Philanthropy Services and UBS Global Visionaries. Reporting to the Head of Social Impact, the regional Heads of Social Impact and Philanthropy are responsible for extending the reach and maximizing the effectiveness of our social impact activities locally, nationally and globally. In addition, they have responsibility for all our programs' operations and risk management, client engagement, and employee volunteering.

Progress made in implementing Group-wide sustainability and impact objectives is reported as part of UBS's annual sustainability disclosure. This reporting is reviewed and assured externally according to the requirements of the Sustainability Reporting Standards of the Global Reporting Initiative (the GRI Standards). UBS Group excluding Credit Suisse is also certified under the ISO 14001 standard for its products, services and activities in all business divisions and locations. To this degree, UBS seeks to continuously improve environmental and sustainability performance, as well as pollution prevention, where possible, across UBS. The GSI governance and framework document complements the Code, and together they govern UBS's Environmental Management System, according to ISO 14001.

› **Refer to the "Supplement to Governance" section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for additional information about our sustainability governance**

Sustainability and climate risk

Our management of sustainability and climate risk is steered at the GEB level. Reporting to the Group CEO, the Group Chief Risk Officer is responsible for developing and implementing control principles and an appropriate independent control framework for sustainability and climate risk within UBS, together with integrating it into the firm's overall risk management and risk appetite frameworks. The Chief Risk Officer for Sustainability supports the GEB by providing leadership on sustainability in collaboration with business divisions and Group Functions. Our Sustainability and Climate Risk Policy Framework is applied Group-wide to relevant activities, including client and supplier relationships.

Sustainability Chief Financial Officer

The Sustainability Chief Financial Officer (the sCFO) supports the new and expanding requirements that are being driven by our global sustainability agenda. Reporting to the Group Chief Financial Officer (the GCFO) and the GEB Lead for Sustainability and Impact, the sCFO also works closely with the Group Controller and the Chief Accounting Officer's team and is the primary lead on sustainability topics for the GCFO. The sCFO ensures that sustainability considerations are embedded into our financial decision-making processes and supports the expanding external sustainability disclosures arising from both new regulatory requirements and the voluntary commitments made by our firm. In addition, the sCFO ensures the continued development of the financial control environment that underpins our disclosures.

Sustainability and Climate Task Force

The SCTF is the cross-divisional and cross-functional authority for sustainability and climate governance, as well as the Group's sustainability and climate governance body. Its role includes agreeing on the actions required to achieve UBS's sustainability and impact strategy, monitoring progress against that strategy and providing assurances to the GEB that UBS is managing sustainability and climate risks and opportunities in an appropriate manner.

The SCTF relies on the Sustainability and Climate Implementation Group to ensure cross-divisional, cross-functional and cross-regional (if needed) alignment of sustainability and climate activities. It oversees the following cross-divisional and cross-functional workstreams: *Net Zero, Corporate Disclosures and Reporting, Regulatory and Market, Financial Risk Management, Non-Financial Risk, Investment Product Regulations, Commercial Opportunities, Data and Methodology,* and *Educate* workstreams.

Key topics and working groups

Net-zero workstream

Our approach to climate outlines our ambition to support clients through the world's transition to a low-carbon economy and embed considerations of climate change risks and opportunities across the bank for the benefit of our stakeholders. As part of this, it is our ambition to achieve net-zero greenhouse gas (GHG) emissions across our scope 1 and 2, and specified scope 3 activities by 2050. The net-zero workstream coordinates the implementation and execution of this ambition, in line with UBS's fiduciary responsibilities. It is one of the workstreams reporting into the SCTF and includes members from the business divisions and Group Functions.

Own operations: in-house environmental management

Our in-house environmental management is steered by Group Corporate Services (GCS). Reporting to the Group Head Human Resources and Corporate Services, GCS is responsible for driving the reduction in the environmental impact arising from our offices, technology and supply chain. GCS implements the sustainability and impact strategy within UBS's operations by ensuring compliance with local legislation, monitoring and measuring environmental and energy performance, and making continuous improvements in accordance with ISO 14001, the international environmental management standard, and ISO 50001 (EMEA region).

Nature

Our approach to nature and the environment is part of the group-wide sustainability and impact strategy overseen by the CCRC. The GEB is responsible for driving our nature-related efforts, as part of the measures to achieve our sustainability and impact strategy. The business divisions and Group Functions ensure that UBS's nature-related strategy and risk management frameworks are implemented. Through strategy management reports, GSI periodically updates the GEB and CCRC on our approach to nature. On an annual basis, the CCRC receives dedicated updates on nature and biodiversity, including the progress of the Taskforce on Nature-related Financial Disclosures (the TNFD) and UBS's own activities relating to the TNFD, as well as updates on the evolving frameworks and regulations, and potential nature-related risks and opportunities facing the firm.

› **Refer to the "Strategy" section in this report for more information on our approach to nature**

Our governance

Our sustainability activities, including nature-related matters, are overseen at the highest level of the firm and managed by the Group Sustainability and Impact organization. Our Chief Sustainability Office leads a cross-firm Nature Working Group that meets monthly to consider nature-related activities, including regulatory and market developments, and to coordinate activities across the firm.

› **Refer to the "Governance" section of this report and the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for more information about our sustainability governance, including on nature**

Strategy

Our sustainability and impact strategy

What climate and nature means to us

We all have a role to play in securing a more sustainable world, and the financial industry is no exception. At UBS, we reimagine the power of people and capital to create a better world for everyone, striving toward a fairer society, a more prosperous economy and a healthier environment. That is why we partner with our clients to help them mobilize their capital toward a more sustainable world and it is why we have made sustainability a significant part of our culture.

Group-wide application of sustainability and impact strategy

The sustainability and impact strategy of Pre-acquisition UBS now applies to UBS Group. Credit Suisse AG does not maintain a separate sustainability strategy, but its activities are integrated within the strategy of UBS Group. While certain sustainability-related policies, processes and activities continued at Credit Suisse AG, they are applied within the overarching strategy of UBS Group which is focused on three key priorities to achieve it: Planet, People and Partnerships.

› **Refer to "UBS Sustainability objectives and achievements 2023 and objectives 2024" section in the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting* for more information about our sustainability and impact key mid- and long-term aspirations.**

Supporting our clients' low-carbon transition

Helping our clients to navigate the orderly transition to a low-carbon economy and build climate-resilient business models is a key objective of our approach to climate, as is the mobilization of private and institutional capital toward this transition. Aligning our in-scope lending and investment portfolios to the objectives of the Paris Agreement is an important part of this approach and so are the products and services we offer.

Planet first

We acknowledge that achieving the orderly transition to a low-carbon economy is highly ambitious. Nonetheless, we are committed to doing our part, which is why the shift to a lower-carbon future is a priority for UBS and a key focus of our sustainability strategy.

In order to protect our clients' assets and those of our firm from the impacts of climate change and loss of biodiversity, we are focused on managing the risks related to climate and natural capital. However, at the same time, we recognize that the low-carbon transition also presents consequential opportunities.

› **Refer to the "Strategy" section of this report for more information about our approach to climate**

Our approach to climate

Ambition

We will support clients through the world's transition to a low-carbon economy and embed considerations of climate change risks and opportunities in our bank for the benefit of our stakeholders, now and in the future.

	Supporting our clients' low-carbon transition	Reducing our climate impact	Managing the risks of climate change to our business
Key objectives of our approach to climate	– Mobilizing capital toward an orderly transition to a low-carbon economy. – Aligning our in-scope lending and investment portfolios to the objectives of the Paris Agreement. – Supporting the transition of our financing and investing clients to low-carbon and climate-resilient business models. – Embedding climate considerations into our financing, investment and capital markets offering.	– Minimizing our own operational footprint and utilizing resources in an efficient and sustainable way. – Measuring and managing our travel footprint, including reduction of air-travel-related emissions. – Engaging our suppliers on emissions reductions and managing our supply chain responsibly.	– Identifying, measuring, monitoring, managing and reporting sustainability and climate risks (including nature-related risks). – Applying sustainability and climate risk appetite as codified in UBS Group's Sustainability and Climate Risks Policy. – Continue integrating sustainability and climate risk regulatory requirements into financial risk management and stress-test frameworks. – Ensuring the sustainability and climate risk framework is embedded into our activities at Group and legal entity level compliance, the Credit Suisse integration strategy and UBS's target operating model.
Current metrics and targets	– Address our financed emissions by aligning specified sectors to decarbonization pathways. – Aim to align, by 2030, 20% of UBS AG Asset Management's total assets under management with net zero.[1] – USD 400 billion invested assets in sustainable investments in UBS AG by 2025.[2] – Disclosure of facilitated emissions for selected carbon-intensive sectors.	– Minimize our scope 1 and 2 emissions through energy efficiencies and by switching to more sustainable energy sources. After which, procure credible carbon removal credits to neutralize any residual emissions down to zero by 2025.[3] – Reduction of our own energy consumption by 15% from 2019 levels by 2025. – 100% renewable electricity coverage. – Offset historical emissions from own operations back to 2000 by 2025.[4] – Engage with our GHG key vendors, for 100% of them to declare their emissions and set net-zero-aligned goals by 2026, and reduce their scope 1 and 2 emissions in line with net-zero trajectories by 2035.[5]	– Exposure to climate-sensitive sectors (transition and physical). – Exposure to nature-related risks. – Climate-related materiality assessment.

Key enablers: Governance and accountabilities — Engagement and partnerships — Training and culture — Climate data and analytics

1 This Pre-acquisition UBS aspiration will be reassessed in 2024. 2 As part of the integration of Credit Suisse, UBS has retired the Pre-acquisition UBS sustainable investing aspiration of USD 400 billion in SI invested assets. 3 Scope 2 emissions are market-based emissions. The remaining scope 1 and 2 emissions may be in excess of the approximately 5–10% residuals required for net zero (per the definition of a "net-zero target" by the ESRS E1 Climate Change per delegated act, adopted on 31 July 2023), which is our ambition for 2050. In 2024, we will be reviewing our 2025 scope 1 and 2 target for achievability for the combined organization and alignment with latest guidance. 4 Target applies to UBS Group excluding Credit Suisse. 5 In 2024, we may review our targets for GHG key vendors for the combined organization and alignment with the latest guidance. Our GHG key vendors are those vendors that collectively account for more than 50% of our estimated vendor GHG emissions.

Supporting our approach to climate: key enablers

Four key enablers support the implementation of our approach to climate, all of which are relevant across our three key objectives.

Governance and accountabilities

The UBS Group Sustainability and Impact (GSI) framework provides an overview of the governance and key Group-wide policies, guidelines, and key topics that apply to sustainability and impact at UBS, including climate.

› **Refer to the "Governance" section of this report for more information**

Engagement in partnerships

Partnerships within the financial services sector, as well as with standard-setters, regulators and clients, are a critical part of our sustainability strategy and approach to climate, underpinning our efforts to progress toward our stated ambitions. At the end of 2023, we were engaged in a variety of sustainability- and climate-related memberships and commitments, either at Group level or the level of business divisions or Group Functions. For example, UBS is a founding member or current signatory of groups such as the Task Force on Climate-related Financial Disclosures (the TCFD), the Net-Zero Banking Alliance (the NZBA), the Net Zero Asset Managers (the NZAM) initiative, the Glasgow Financial Alliance for Net Zero (GFANZ) and the Partnership for Carbon Accounting Financials (PCAF). Members of UBS senior management contribute to many of the working groups within these bodies and our Group CEO joined the GFANZ Principals Group in 2023. We have thorough processes in place for renewing existing memberships and vetting new ones.

› **Refer to the "Strategy" section of this report for details about our partnerships**

Training and culture

Helping our workforce understand why sustainability and sustainable finance is a strategic priority, both for the Group and for our stakeholders, is an important part of ensuring we meet our sustainability and climate ambitions. In 2023, we established a dedicated education workstream within the Sustainability and Climate Initiative, which supports the co-ordination of sustainability training and awareness across UBS. Through this workstream we delivered a Foundational Sustainability Training Program, developed and launched at the end of 2022, to all UBS staff. This training complements the specialist sustainability training delivered by the business divisions to targeted cohorts, such as client advisors and risk specialists.

In 2023, the number of headcount instances of specialized training totaled 54,364, while headcount instances of awareness training on sustainability and climate totaled 177,585. For example, in 2023 the Sustainability and Climate Risk unit delivered training and education focused on sustainability and climate risks as well as emerging risks, such as the greenwashing risk, to relevant staff.

In Global Wealth Management, we renewed and launched an extensive education curriculum covering Sustainable Investing (SI), developments around SI regulation, and sales-enabling training for SI. This training was completed by almost all impacted staff, comprising client advisors, relationship managers, sales staff, investment advisors, product specialists and other support staff in Switzerland and EMEA.

We expect sustainability training and education to become an increasing focus for regulators in the coming years. We keep abreast of this changing landscape through regular updates with our regulatory monitoring teams and strive to continue developing and prioritizing the roll-out of climate- and net-zero-specific training for employees and the Board of Directors.

› **Refer to the "Appendix 1 – Governance" in the appendices of the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for more information about training and culture**

Climate data and analytics

Data and technology provide the foundation of our sustainability client offering and are critical in supporting our clients' and our own low-carbon transition. UBS's strategic multi-year and Group-wide ESG data and technology strategy is managed by a seasoned team of data and technology experts, following the creation of an ESG Data team in 2022 under the Chief Sustainability Office.

As part of the integration of Credit Suisse, we are leveraging best-in-class solutions across the Group to further accelerate our strategic ESG ambitions. For example, we are transitioning our business users toward sourcing their ESG data from a single, trusted, state-of-the art cloud-based platform. This allows us to scale ESG data consumption and avoid fragmentation, while ensuring we provide consistent and controlled data.

We also developed a Group ESG (data) architecture to support our business users' ESG needs and meet our sustainability ambitions for the foreseeable future. This includes enhancing capabilities in the data science and analytics space. For our clients, we offer solutions such as portfolio analytics, ESG scoring, reporting or design and the development of platforms providing innovative ways to access markets.

Our approach to nature

We recognize the challenges of transitioning toward a society that can meet human needs while respecting the limits of our planet's natural resources. These challenges are reflected in stark numbers: for example, the World Economic Forum estimates that approximately USD 58 trillion of economic value depends on the natural world in some way, yet, according to a recent United Nations Environment Programme report, annual financial flows to nature-based solutions need to more than double by 2025 (from USD 200 billion to USD 436 billion) and nearly triple to USD 542 billion by 2030 to reach climate, biodiversity and land degradation targets[1]. However, challenges can represent opportunities. That is why we look forward to the setting of global policy objectives and goals through the Convention on Biological Diversity and welcome the milestone set of policy goals adopted by governments in the shape of the Kunming–Montreal Global Biodiversity Framework. This is a key enabler for setting critical direction for economy-wide transitions aimed at safeguarding global biodiversity. We firmly believe that public policy and frameworks have, and will continue, to play a critical role in steering and incentivizing markets to support the transition toward a sustainable economy.

Our approach to understanding impacts and dependencies related to natural capital and biodiversity, and managing the resulting risks and opportunities across our activities, reflects our commitment to mobilize capital toward achieving the SDGs. Nonetheless, we are aware that natural capital is inherently more challenging to define in financial terms due to a lack of easily available data and standardized methodologies. Therefore, we strive to play an active role in creating new global standards that can help clients, companies and the financial sector manage nature-related risks and develop opportunities, while also addressing potential adverse impacts and generating positive impacts. That is why we were honored to be part of the efforts of the Taskforce on Nature-related Financial Disclosures (the TNFD), including leading its financial sector working group, and contributing to the development of the recommendations it released in September 2023.

Building on our first integrated UBS Group Climate and Nature Report for 2022, we developed our activities and disclosures for 2023 by leveraging the recommendations set by the TNFD. We will continue to develop our disclosures on nature dependencies, impacts, risks and opportunities over the next few years, aligned with the TNFD recommendations and regulatory requirements.

During the course of 2023, we also contributed to the debate and improvement of knowledge and innovation in this area through our thought leadership activities and capacity building exercises. For instance, we ran a Nature Academy to train key staff about nature-related issues, frameworks, standards, risks and opportunities.

› **Refer to the "Strategy" section of this report and the "Risk" section in "Appendix 3 – Risk Management" in the appendices to this report for more information about our management of nature-related risks and opportunities**

1 Source : UN Environment Programme, State of Finance for Nature 2023

The Planet pillar of our overarching sustainability strategy encompasses our approach to nature, mirroring that for climate, and is underpinned by three key objectives:

– supporting our clients' low-carbon transition;

– reducing our climate impact;

– managing the risks of climate change to our business.

To address the needs of our clients, manage risks and contribute to positive impact, we have set standards for financing, investments and supply chain management decisions, including explicit aspects related to nature. Within our business divisions, we help our clients explore the opportunities related to natural capital and nature-positive solutions. We believe our work on nature is just beginning and will rapidly develop in line with market needs, regulations, data methodology developments and voluntary commitments.

Our strategy will further evolve as our understanding of the risks and opportunities connected to nature-related impacts and dependencies deepens. As data and methodologies continue to improve, this will support the further analysis of impacts and dependencies and the resulting risks and opportunities. We believe the release of the TNFD recommendations and the European Sustainability Reporting Standards on nature will encourage further developments in data and methodologies. We continue to engage with providers of nature-related data and methodologies that may support our own work.

As part of this effort in 2023, UBS joined a bank-specific working group aimed at addressing risks and opportunities in the agricultural sector. The working group is convened by the World Economic Forum's Tropical Forest Alliance (TFA) finance sector engagement team.

› **Refer to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for more information about our sustainability strategy**

Delivering our sustainability strategy, including our approach to climate

Integrating climate-related impacts in our financial planning

UBS operates a multi-year financial planning process. This process reflects our business position, corporate strategy and prospective economic environment. Sustainability is a core component of that strategy and planning process.

At divisional level, the underlying drivers of our sustainability investments are also considered. These include our own corporate commitments, regulatory and other external requirements, and client-servicing opportunities. The changing global outlook regarding sustainability, and climate change in particular, is reflected in the process, with the risks associated with climate change being reflected in our capital requirement planning calculations.

Our corporate positioning, in terms of balance-sheet exposure and contractual duration, our risk management activities and the nature of the underlying risk, mean we do not currently view climate change as a material risk factor. However, formal guidance on capital-framework calculations is subject to ongoing market and regulatory discussion, and we will continue to reflect this in our planning processes.

› **Refer to our UBS Group Annual Report 2023 for more information**

Environmental, social and governance (ESG) objectives in the compensation process

Our compensation determination process considers ESG objectives in objective-setting, performance award pool funding, performance evaluation and individual compensation decisions. ESG-related objectives have been embedded in our Pillars and Principles since they were established in 2011. In 2021, we introduced explicit sustainability objectives in the non-financial category of the Group CEO and GEB performance scorecards. In 2023, we further enhanced the GEB performance scorecard framework by establishing separate Environmental & Sustainability and People & Governance categories. The objectives in these categories are linked to our sustainability priorities, and their progress is measured via robust quantitative metrics and qualitative criteria. Sustainability objectives are assessed for each GEB member on an individual basis, directly impacting their respective performance assessments and compensation decisions.

The determination of the Group performance award pool funding also takes into account ESG factors. Aside from financial performance, an assessment of progress is made against objectives linked to our focus areas of Planet (including climate-related goals), People (including progress made against our diversity aspirations) and Partnerships, alongside other key non-financial considerations.

Therefore, ESG is taken into consideration when the Board of Directors' Compensation Committee assesses performance and compensation for GEB members. Additionally, the assessment impacts the overall performance award pool for the Group. Going forward, we will continue to review and refine the role of ESG considerations in our performance and compensation framework to ensure they remain aligned to our strategic priorities and the sustainable growth of shareholder value.

› **Refer to "GEB performance assessments" in the UBS Compensation Report 2023 for more information**
› **Refer to "Our focus on sustainability and climate," "Employees," and "Social impact" in our UBS Group Annual Report 2023 for more information**
› **Refer to *ubs.com/sustainability-reporting* for more information about ESG-related topics**

Sustainability education

Management indicators track the number of employees working on sustainability topics (including climate) across UBS, and participation in sustainability training sessions. Reflecting UBS's ongoing commitment to sustainability, the number of personnel fully dedicated to driving our sustainability agenda increased in 2023 compared to the previous year.

We distinguish between specialized and awareness trainings. Specialized trainings address sustainability topics required for certain employee profiles. For example, they cover the launch of sustainability products or focus on aspects such as climate risk. Awareness trainings are designed to provide a general understanding of Group Sustainability and Impact key principles and policies, to inform about internal activities and engage employees.

In 2023, we continued to promote our firm-wide *Sustainability and Sustainable Finance Foundational Training* (categorized as awareness), with uptake increasing steadily across our employee population. The training's three modules cover i) general sustainability and sustainable finance concepts and how they apply to a financial institution like UBS; ii) UBS's approach to sustainability, and iii) sustainable finance and investing, the UBS client offering and greenwashing risks. Promotion of the training to former Credit Suisse employees is planned for 2024.

Mandatory training increasingly incorporates a consideration of sustainability. This includes our *Reputational Risk and Environmental and Social Risk* specialized training.

UBS Sustainability and Impact management indicators

		UBS Group excluding Credit Suisse			
		For the year ended			% change from
		31.12.23	31.12.22	31.12.21	31.12.22
Personnel in specialized units / functions (full-time equivalents)	1	**373**	288	221	30
Participation in awareness raising training (headcount instances)	2,3	**177,585**	114,519	97,618	55
Participation in specialized training (headcount instances)	2,3,4	**54,364**	34,190	39,011	59

1 Employees that are part of the Group Sustainability and Impact organization and/or have specialized knowledge relevant for the Group Sustainability and Impact strategy. **2** Employees may complete multiple trainings in a year. **3** Training figures, on isolated occasions, include instances where Credit Suisse employees participated in UBS-administered trainings. **4** Specialized training is provided to employees in front-office and support functions who are dealing directly with sustainability-related aspects in everyday business processes.

› **Refer to "Group sustainability and impact management indicators" in the Supplement to the UBS Group Sustainability Report 2023 for more information**

Furthermore, we deliver internal training and development via our *UBS University* platform. Our offering includes client advisor certification and regulatory, business, and line manager training, alongside modules on topics such as culture, sustainable finance, data literacy, and well-being.

Our aspirations and progress – planet

We work with a long-term focus on providing appropriate returns to our stakeholders in a responsible manner. We are committed to providing transparent aspirations or targets and reporting on the progress made against them. Following the acquisition of the Credit Suisse Group, our exposure increased accordingly, so we reviewed our aspirations. Amendments that arose from this review process were considered by the GEB and the CCRC. This table reflects the overall outcomes of this process with more detailed information provided in the UBS Group Sustainability Report 2023 and in this report.

Our priorities	Our aspirations or targets	Our progress in 2023
Planet	Following the acquisition of the Credit Suisse Group, we refined the UBS Group lending sector decarbonization targets to reflect the activities of the combined organization and evolving standards and methodologies:[1] Reduce emissions intensity associated with UBS in-scope lending by 2030 from 2021 levels for: – Swiss residential real estate by 45%; – Swiss commercial real estate by 48%; – power generation by 60%; – iron and steel by 27%; and – cement by 24%. Reduce absolute financed emissions associated with UBS in-scope lending by 2030 from 2021 levels for: – fossil fuels by 70%. Continue disclosing in-scope ship finance portfolios according to the Poseidon Principles decarbonization trajectories with the aim of aligning therewith.[2]	Calculated progress against pathways for revised targets.[3] Changes in emissions intensity associated with UBS in-scope lending (end of 2022 vs. 2021 baseline): – Swiss residential real estate reduced by 6%; – Swiss commercial real estate increased by 2%; – power generation reduced by 13%; – iron and steel reduced by 4%; and – cement reduced by 1%. Changes in absolute financed emissions associated with UBS in-scope lending (end of 2022 vs. 2021 baseline) for: – fossil fuels reduced by 29%. In-scope ship finance portfolio remains below the existing International Maritime Organization (IMO 50) decarbonization trajectory.
	Aim, by 2030, to align 20% of UBS AG Asset Management's total assets under management (AuM) with net zero. This Pre-acquisition UBS aspiration will be reassessed in 2024.[4]	Aligned 2.9% of UBS AG Asset Management's total AuM with net zero.
	Minimize our scope 1 and 2 emissions through energy efficiencies and switching to more sustainable energy sources. After which, procuring credible carbon removal credits to neutralize any residual emissions down to zero by 2025.[5]	Reduced net GHG footprint for scope 1 and 2 emissions by 21% and energy consumption by 8% (compared with 2022); continued replacing fossil fuel heating systems and monitored delivery of contracted carbon removal credits; achieved 96% renewable electricity coverage in line with RE100 despite challenging market conditions.
	Offset historical emissions back to the year 2000 by sourcing carbon offsets (by year-end 2021) and by offsetting credit delivery and full retirement in registry (by year-end 2025). The scope is UBS Group excluding Credit Suisse.	Continued to follow up on credit delivery and retirement of sourced portfolio.
	Engage with our greenhouse gas (GHG) key vendors, for 100% of them to declare their emissions and set net zero-aligned goals by 2026, and reduce their scope 1 and 2 emissions in line with net-zero trajectories by 2035.[6]	We invited the vendors that accounted for 67% of our annual vendor spend to disclose their environmental performance through CDP's Supply Chain Program, with 70% of the invited vendors completing their disclosures in the CDP platform. 65% of GHG key vendors (defined as those vendors that collectively account for more than 50% of our estimated vendor GHG emissions) have declared their emissions on CDP and set net-zero-aligned goals.

1 While we continue to take steps to align our business activities to our targets, it is important to note that progress towards our targets may not be linear and that the realization of our own targets and aspirations is dependent on various factors which are outside of our direct influence. We will continue to adjust our approach in line with external developments and evolving best practices for the financial sector and climate science. Refer to the Supplement to the UBS Group Sustainability Report 2023 for parts of the value chain within sectors covered by metrics and targets. Metrics are based on gross exposure, which includes total loans and advances to customers, fair value loans and guarantees as well as irrevocable loan commitments. Exclusions from the scope of analysis primarily include financial services, credit card and other exposure to private individuals. 2 As part of our ship finance strategy, ships in scope of Poseidon Principles (PP) are assessed on criteria which aim at aligning portfolios to the PP decarbonization trajectories. The PP are a framework for assessing and disclosing, on an annual basis, the climate alignment of in-scope ship finance portfolios to the ambition of the International Maritime Organization (the IMO), including its 2023 Revised GHG Strategy for GHG emissions from international shipping to decrease to net zero by or around 2050 (compared with 2008 levels). 3 Refer to the "Environment" section of the UBS Group Sustainability Report 2023, available at ubs.com/sustainability-reporting, for further information. The inherent one-year time lag between the as-of date of our lending exposure and the as-of date of emissions can be explained by two factors: corporations disclose their emissions in annual reporting only a few months after the end of a financial year; and specialized third-party data providers take up to nine months to collect disclosed data and make it available to data users. Consequently, the baselines for our decarbonization targets are calculated on year-end 2021 lending exposure and 2020 emissions data. Our 2022 emissions actuals are based on year-end 2022 lending exposure and 2021 emissions data. For asset financing (e.g., real estate, shipping) there is no time lag, and exposure and emissions actuals refer to the same year. 4 The 20% alignment goal amounted to USD 235 billion at the time of Pre-acquisition Asset Management's commitment in 2021. By 2030, the weighted average carbon intensity of funds is to be 50% below the carbon intensity of the respective 2019 benchmark. 5 Scope 2 emissions are market-based emissions. The remaining scope 1 and 2 emissions may be in excess of the approximately 5–10% residuals required for net zero (per the definition of a "net-zero target" by the ESRS E1 Climate Change per delegated act, adopted on 31 July 2023), which is our ambition for 2050. In 2024, we will be reviewing our 2025 scope 1 and 2 target for achievability for the combined organization and alignment with latest guidance. 6 In 2024, we may review our targets for GHG key vendors for the combined organization and alignment with latest guidance. Our GHG key vendors are those vendors that collectively account for more than 50% of our estimated vendor GHG emissions.

Cautionary note: We have developed methodologies that we use to set our climate-related targets and identify climate-related risks and which underly the metrics that are disclosed in this report. Standard-setting organizations and regulators continue to provide new or revised guidance and standards, as well as new or enhanced regulatory requirements for climate disclosures. Our disclosed metrics are based upon data available to us, including estimates and approximations where actual or specific data is not available. We intend to update our disclosures to comply with new guidance and regulatory requirements as they become applicable to UBS. Such updates may result in revisions to our disclosed metrics, our methodologies and related disclosures, which may be substantial, as well as changes to the metrics we disclose.

Supporting opportunities

Total Sustainable Investments (SI) of UBS AG reached USD

292 billion

representing an increase of 10% year on year[1]

The SI proportion of UBS AG total invested assets reached

6.5%

In the Investment Bank we facilitated

102

green, social, sustainability, or sustainability-linked (GSSS) bond transactions globally[2]

UBS Group retained our

1st rank position in

Swiss franc-denominated GSSS bond issuance in our home market of Switzerland, with a 50% market share[3]

UBS Group is the

2nd

largest manager of open-ended funds and ETFs by SI invested assets using Morningstar's classification[4]

1 UBS AG Sustainable Investing invested assets (IA). This figure does not contain any Credit Suisse products and associated IA classified under the Credit Suisse Sustainable Investing Framework (SIF). Credit Suisse IA in accordance with the SIF are reported separately and are not directly comparable with the UBS figures due to material differences in the underlying sustainable investment frameworks and definitions being applied. Refer to Appendix 3 – Entity-specific disclosures for Credit Suisse AG for further details. 2 Investment Bank figure is 102 of which UBS AG figure is 93 and Credit Suisse figure is 16. The metrics include transactions such as, but not limited to, Investment Bank Global Banking bonds issued under the voluntary ICMA Green Bond Principles, Sustainability Bond Principles, and Sustainability-Linked Bond Principles. The principles include a recommendation that the issuer appoints an external review provider to undertake an independent external review (e.g., second-party opinion). This is consistent with market practice. The metrics also include sustainability-themed bonds (e.g., Transition). Transactions are counted only once, there is no double counting (e.g., if and where UBS AG and Credit Suisse were involved in the same transaction). UBS performed an assessment for Credit Suisse green, social, sustainability and sustainability-linked bonds reported in the 2023 Sustainability Report and deemed them to be aligned to UBS sustainable bond guidelines. 3 Bloomberg. 4 Morningstar. Rank represents invested assets stated under the branding names of UBS and Credit Suisse combined. UBS AG standalone ranks 3rd.

Sustainable finance metrics listed above and throughout this chapter are either for UBS Group, including Credit Suisse entities, or UBS AG (referenced accordingly), depending on data availability and the degree to which sustainable product frameworks could already be brought into alignment in 2023. For 2024 it is our intention to fully incorporate Credit Suisse data into our disclosures.

Our sustainable finance ambitions

Finance has an important role to play as companies and individuals consider how best to approach the transition to a more sustainable, lower-carbon world. At the same time, the regulatory environment continues to evolve, as do the associated capital-raising and investment opportunities. Against this backdrop, we are committed to supporting our clients' sustainability ambitions, whether their focus is on reducing the carbon emissions footprint of their business or portfolio, or encouraging a fairer and more prosperous society.

Through our sustainable finance product and service offerings, we target four key objectives in serving our clients:

- The power of choice: we want to give our investing clients the choices they need to meet their specific sustainability objectives.
- An orderly transition: we aim to support our clients through the world's transition to a low-carbon economy, for instance, by offering innovative sustainable *financing and investment* solutions.
- Managing risks and identifying opportunities: we offer *research* and thematic insights, as well as data and analytics services. Combined with targeted *advice*, these are designed to help clients better understand and mitigate risks and identify new opportunities.
- Making sustainable finance an everyday topic: we want to make sustainability topics tangible throughout our *interactions with clients*. To help us do that, we provide support in the form of *tools, platforms, and education*.

In accordance with our ambitions, our sustainable finance product offering is evolving across four areas:

Investing
Sustainable investing solutions for private and institutional investors

Financing
Sustainable financing solutions for real estate and corporate purposes

Research and advisory
Solutions guiding our clients on their sustainability transition journey

Data, platforms and client Interactions
ESG analytics, scoring, reporting, tools and client support through our interactions

Our approach to sustainable finance

It is important to set out how we define sustainable finance, as no uniformly accepted definition currently exists in the industry. We consider sustainable finance to include any financial product or service (including both investing and financing solutions) that aims to explicitly align with and/or contribute to sustainability-related objectives, while targeting market-rate risk-adjusted financial returns. Sustainability-related objectives may include, but are not limited to, the Sustainable Development Goals identified in the United Nations' 2030 Agenda for Sustainable Development.

This approach to sustainable finance is also reflected in our UBS AG sustainable investing framework, which specifically defines "sustainability focus" and "impact investing" strategies. Both categories reflect a defined and explicit sustainability intention of the underlying investment strategy. This intentionality differentiates them from traditional investment products, or those that consider sustainability-related aspects but do not actively and explicitly pursue any specific sustainability objective, such as ESG integration or exclusions-only approaches. The way we define sustainable investments is reviewed on a regular and ongoing basis in order to ensure that it appropriately considers evolving market practice, client expectations and relevant regulatory guidance.

Investment approaches

UBS's definition of sustainable investments

Traditional investing
- No explicit sustainability objectives
- Manage sustainability and all risks related to investment performance
- May use ESG tools, but these do not drive the strategy

Sustainability focus
- Target market-rate investment returns
- Have explicit sustainable intentions or objectives that drive the strategy
- Underlying investments may contribute to positive sustainability outcomes through products, services and/or proceeds

Impact investing
- Target market-rate investment returns
- Have explicit intentions to generate measurable, verifiable, positive sustainability outcomes
- Impact attributable to investor action and / or contribution

› **Refer to the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting,* for more on ESG integration and exclusion**
› **Refer to the "Sustainability and climate risk policy framework" or "Key terms and definitions" section of this report for our definitions of sustainable bonds and loans**

Seeking nature-related opportunities

We already support our clients in identifying climate-related opportunities and look to provide similar support in relation to nature, albeit that work is at an early stage.

As part of this effort, the UBS Sustainability and Impact Institute (the Institute) has published various thought-leadership reports focusing on the topic of nature. These include *From Ozone to Oxygen – Opportunities and Risks in Natural Capital,* published in 2022, which offered a detailed review of the importance of nature and made a number of recommendations for key stakeholders to help address nature-related issues through financing, investing and advising. More recently, in July 2023, the Institute published *Taking root – Mainstreaming natural capital accounting to meet global biodiversity goals*. That report suggests that natural capital accounting (NCA) could be integral to reversing biodiversity loss by 2030 if its development speeds up and presents a set of strategies that investors and financers, NGOs, corporations and other stakeholders could pursue to help mainstream NCA. Also in 2023, the Credit Suisse Research Institute contributed to the dialogues on a global plastic treaty by publishing *Plastic pollution: Pathways to net zero*. Highlighting the challenges of ever-increasing plastic waste, including for biodiversity, this report discussed strategies for mitigation and adaptation, including waste management and the possibility of a global plastics treaty.

Mobilizing capital for nature

In order to support our investing clients, we continue to explore products and solutions that have a significant nature-related sustainability focus or may even be able to generate more net nature-positive impacts. In Global Wealth Management, for example, an investment solution that was launched in 2021 and aligns to our Future of Earth publication promotes environmental objectives built around the themes of sustainable land use, sustainable water use, the shift to clean energy and provision of health solutions that may help mitigate the impacts of environmental degradation on human health.

We also have the opportunity to add certain environmental and nature-aligned products solutions to the GWM offering as a result of the acquisition of the Credit Suisse Group. One example is an ocean engagement fund strategy, focused on public company engagement to drive ocean health. We continue to explore ways to develop further products and solutions in our wealth and asset management businesses.

We also continue to look for ways in which clients may be able to have more direct impact. This work is centered in the UBS Optimus network of foundations and other philanthropic services that provide opportunities for high net worth clients who may wish to undertake net-positive nature activities and are willing to do so in a way that generates less-than-market returns.

The work of the UBS Optimus network of foundations on mangrove conservation and blue carbon continued in 2023, as the UBS Optimus network of foundations believes that mangrove restoration can not only be a form of climate action through carbon sequestration but can also provide broader natural capital benefits through flood protection, and even have social co-benefits by supporting ecotourism in critical areas.

Further exploring the power of philanthropy to deliver change at scale, the UBS Climate Collective, an impact network for philanthropists and organizations, addresses the issue of climate mitigation and adaptation globally by tackling problems locally and enabling replication and scale to other countries. The Collective supports and invests in mangrove conservation and blue carbon projects in Southeast Asia, which is particularly vulnerable to climate change, through a portfolio of nine impact-led organizations in Vietnam and Indonesia focused on building coastal resilience to mitigate climate change and maximize social and biodiversity benefits. In 2023, the Collective established 42 partnerships, including with local and national governments, as well as private sector, local and international NGOs and funding partners, with the aim of generating systemic impact through collective action.

Social Impact

In 2023, the UBS Optimus network of foundations agreed to fund its nature-based solutions partner, Terratai, over a three-year period. Terratai is creating and supporting businesses that are tackling the systemic food system challenges contributing to nature and biodiversity loss in Asia.

This fits squarely with the UBS Optimus network of foundations' ecosystem development approach to supporting and fostering the incubation, growth and scaling of impactful enterprises and fills a gap we have identified for investment opportunities in innovative nature-based solutions.

The UBS Optimus network of foundations has also been exploring the use of blended finance structures to mobilize capital for nature. In 2022, it closed its first impact and blended deals in nature: one of them supporting marine protected area governance, sustainable fisheries and ecotourism, with Blue Alliance in the Philippines. Blue Alliance works across a network of nine Marine Protected Areas (MPAs) in the Philippines covering 5,200 hectares of coastal and marine ecosystems.

In 2023, Credit Suisse Group helped facilitate a foreign debt conversion by the government of Ecuador replacing USD 1.62 billion of external debt with new debt of USD 652 million on better terms. Associated with that, Ecuador agreed to provide an estimated USD 323 million for marine conservation in the Galápagos Islands over the next 18.5 years by endowing an independent Galapagos Life Fund.

Finally, in 2023, Credit Suisse Group hosted the 10th annual Conservation Finance Conference in conjunction with longstanding partners at Cornell University and The Nature Conservancy. The 2023 conference focused on nature action catalyzed across the private and public sectors and explored how institutional investors and businesses are stepping up to protect nature.

Market developments in 2023

2023 was dominated by persistently high inflation and interest rates across many key jurisdictions, correspondingly high energy prices and significant geopolitical volatility and uncertainty. These challenges also negatively contributed to tensions associated with sustainability-related industries and political discussions. Notwithstanding these challenges and tensions, sustainable finance business opportunities continued to broaden and deepen. Interest in sustainable investing (SI) and financing solutions continued to be robust. This was bolstered by major legislative initiatives, including the Inflation Reduction Act in the United States and the European Union's Green Deal Industrial Plan, as well as various ongoing regulatory initiatives.

At the same time, investors, corporations, and regulators have continued to pay close attention to greenwashing risks. Sustainable product frameworks have evolved, and it is widely expected that standards will be subject to further amendments, given that certain frameworks are still under review and subject to further development or in the early stages of implementation (e.g., the EU Sustainable Finance Disclosure Regulation and the UK Sustainability Disclosure Regulation).

Throughout the year investors took advantage of higher interest rates by moving to income-producing asset classes and money market products, with the latter attracting over USD 1.1 trillion[1] in net inflows. Increased investor appetite for fixed income products was accompanied by corresponding outflows from equity funds.

Investor appetite for sustainability-oriented funds and ETFs continued. Once again, after 2022 and 2021, inflows into sustainable investment funds in 2023 outpaced those into their non-SI counterparts, albeit at more modest levels compared to the highs seen in 2021. Throughout the year, investors expanded their sustainable investment allocations into alternative asset classes, including hedge funds, real estate or infrastructure.

This was also reflected in our clients' continued interest in SI solutions. Over the course of 2023, UBS AG's SI invested assets rose to USD 292.3 billion as of 31 December 2023, compared with USD 266 billion at the end of 2022, representing a year-on-year increase of 10%. A combination of factors contributed to this growth, including new product launches, net new money inflows as well as market performance. SI invested assets accounted for 6.5% of UBS's total invested assets at year-end 2023.

We expect the acquisition of the Credit Suisse Group to provide UBS with additional sustainability-focused assets and clients, a wider selection of products and services and even greater in-house expertise. However, there are areas of variance between the two organizations' reporting and product standards that we are actively working to analyze and harmonize. UBS sustainable product standards will be the benchmark going forward, with Credit Suisse's sustainable financing and investment products undergoing a detailed assessment to ensure compliance with our standards, frameworks and expectations.

1 Morningstar

The table below provides additional detail on SI invested assets for UBS AG. As stated before, this table and section do not contain any values related to Credit Suisse sustainable investment products.

› **Refer to the "Appendix 3 – Entity-specific disclosures for Credit Suisse AG" in the UBS Group Sustainability Report for more information about the Credit Suisse Sustainable Investment Framework (SIF)**

Sustainable Investments[1]

	For the year ended			% change from
USD billion, except where indicated	**31.12.23**	31.12.22	31.12.21	31.12.22
Total invested assets (UBS Group)	**5,714.1**	3,980.9	4,614.5	44
of which: total invested assets (UBS AG)	***4,504.7***	*3,980.9*	*4,614.5*	*13*
Sustainable investments (UBS AG)[2]				
Sustainability focus[3]	**270.4**	246.9	222.7	10
Impact investing[4]	**21.8**	19.2	28.1	14
Total sustainable investments[5,6,7]	**292.3**	266.0	250.8	10
SI proportion of total invested assets (%)[8]	**6.5**	6.7	5.4	

1 The table above details UBS AG Sustainable Investing Invested Assets (IA) and the evolution thereof. This table does not contain any Credit Suisse products and associated IA classified under the Credit Suisse Sustainable Investing Framework (SIF). Credit Suisse IA in accordance with the SIF are reported separately as figures are not directly comparable with the UBS figures due to material differences in the underlying sustainable investment frameworks and definitions being applied. Please refer to the "Appendix 3 Entity-specific disclosures for Credit Suisse AG" of the UBS Group Sustainability Report 2023, available at ubs.com/sustainability-reporting, for further details. 2 We focus our sustainable investment reporting on those investment strategies exhibiting an explicit sustainability intention. 3 Strategies that have explicit sustainable intentions or objectives that drive the strategy. Underlying investments may contribute to positive sustainability outcomes through products / services / use of proceeds. 4 Strategies that have explicit intentions of generating measurable, verifiable and positive sustainability outcomes. Impact generated is attributable to investor action and/or contributions. 5 Certain products have been reclassified during 2023 for reasons including, but not limited to, an evolving regulatory environment, periodic monitoring of the product shelf, and developing internal classification standards. Impact of these movements on sustainable investment invested assets was a net reduction by USD 7 billion in UBS AG Global Wealth Management Americas and a net reduction by USD 6 billion in UBS AG Asset Management. 6 In line with general market practice, IA reported for sustainable investments include limited amounts of instruments not classified as sustainable investment, including cash and cash-like instruments that each fund and portfolio hold for liquidity management purposes, as well as, subject to clear, limiting restrictions, client-directed investments included in sustainable investing mandates managed by UBS Asset Management. 7 The impact investing and total sustainable investments (UBS AG) disclosures for 31.12.22 and 31.12.21 reporting periods have been restated to remove investments that were duplicated in the disclosed values. As a result, the values disclosed for 31.12.22 and 31.12.21 for both categories have each decreased by USD 1.6 billion and USD 0.4 billion, respectively. 8 Total invested assets (UBS AG) are used to calculate the SI proportion.

Following a year of subdued debt market issuance activity in 2022, green, social, sustainability, and sustainability-linked (GSSS) bond supply rebounded in 2023, rising 7% year-on-year (YoY).[2] The growth was driven by bonds with green (+15% YoY) and sustainability (+7% YoY) labels. We saw banks and corporate issuers favoring green bonds, while sovereign, supranational and agency (SSAs) issuers primarily opted for the latter, given a broader mix of green and social assets. Sustainability-linked issuance dropped 25% year-on-year driven by heightened market scrutiny around the materiality and ambition of the key performance indicators (KPIs) used, compounded by SLB issuers failing to reach their annual targets. Regionally, EMEA issuers accounted for 52% of 2023 FY global supply, while APAC issuers were responsible for 29%. In line with the overall GSSS bond market dynamics, the number of transactions facilitated by the Investment Bank in 2023 increased to 102.[3]

2 Bloomberg, all market figures in this paragraph.
3 Investment Bank figure is 102 of which UBS (AG) figure is 93 and Credit Suisse figure is 16. The metrics include transactions such as, but not limited to, Investment Bank Global Banking bonds issued under the voluntary ICMA Green Bond Principles, Sustainability Bond Principles, and Sustainability-Linked Bond Principles. The principles include a recommendation that the issuer appoints an external review provider to undertake an independent external review (e.g., second-party opinion). This is consistent with market practice. The metrics also include sustainability themed bonds (e.g., Transition). Transactions are counted only once, there is no double counting (e.g., if and where UBS AG and Credit Suisse were involved in the same transaction). UBS performed an assessment for Credit Suisse green, social, sustainability and sustainability-linked bonds reported in the 2023 Sustainability Report and deemed them to be aligned to UBS sustainable bond guidelines.

Global Wealth Management

Building on our unrivalled global scale and footprint in wealth management, with USD 3.8 trillion in assets under management, we aim to help private clients and family offices achieve their sustainability objectives in line with their targeted financial performance. We do this via an end-to-end research-driven investment value chain. The starting point is dedicated sustainability-focused investment research, including strategic asset allocation, thematic and asset-class views. These then translate into high-conviction instrument selection and advice.

This approach aims to provide insights for clients about sustainability risks and opportunities and how to consider them within a portfolio context. These research views inform our sustainable and impact investing solutions, which include multi-asset investment portfolios and a suite of advisory options across equities, bonds, and alternative investments.

Integration of Credit Suisse

The acquisition of Credit Suisse Group offers Global Wealth Management several discrete opportunities to enhance our existing sustainable investing offering with potentially complementary capabilities and resources. These opportunities include enhancement of transparency and reporting on the sustainability characteristics of investments and portfolios; as well as the addition of more subject-matter experts who bring a focus on client engagement and internal capacity building. We also look forward to bringing select Credit Suisse sustainable and impact investing solutions onto the merged platform during 2024 and 2025. These solutions will be subject to existing UBS AG Global Wealth Management sustainable investing frameworks, diligence, and instrument selection approaches. Deviations in these approaches have already been identified, with findings integrated into the migration planning. During the migration of solutions, clients, and assets, we will phase down dual governance, with the aim of aligning under the existing UBS AG Global Wealth Management sustainable investing governance.

2023 highlights

Our UBS AG Global Wealth Management clients' impact investing assets reached USD

11.2 billion[1]

Our UBS AG Global Wealth Management clients' discretionary assets aligned to SI Strategic Asset Allocation reached USD

22.5 billion[2]

Our UBS AG Global Wealth Management clients could invest in

7

private-market impact vehicles aligned with the SDGs

1 Figures include limited amounts of instruments not classified as sustainable investment, including cash and cash-like instruments that each portfolio holds for liquidity management purposes. 2 Figures include limited amounts of instruments not classified as sustainable investment, including cash and cash-like instruments that each portfolio holds for liquidity management purposes, as well as, subject to clear, limiting restrictions, client-directed investments included in sustainable investing mandates.

Our investing clients and client assets

In our wealth management business, it has been our long-standing view that sustainable investing strategies look beyond environmental, social and governance (ESG) integration. Thus, integrating material ESG information into investment analysis and decisions is increasingly seen as a requirement for the investment management industry. Exclusions, ESG integration and stewardship are a set of effective tools that can be incorporated not only in sustainable but also in conventional investment strategies: they could also be paramount in addressing nature as part of investments more broadly.

To facilitate a better use of these tools, our wealth management Chief Investment Office has identified six sustainability topics that encompass the major challenges that both impact and are impacted by corporations and governments, and can help inform investment decisions where relevant:

- pollution and waste
- climate change
- water
- people
- governance
- products and services

These topics are selected on the basis of industry best practices, relevance to company financial outcomes, data availability and reliability, and client feedback on the issues they care most about. Five of the topics (pollution and waste, climate change, water, people, and governance) focus on how well companies manage these issues within their operations and, therefore, reflect a company's operational footprint. This is where issues such as the advancement of corporate policies and practices on biodiversity preservation and pollution reduction would be captured and subsequently inform investment decisions where relevant. The sixth topic (products and services) focuses on whether the company's offering and its supply chain management address sustainability challenges directly and it therefore captures a company's delivery of solutions that directly mitigate environmental (and social) challenges, for instance within climate change mitigation and adaptation, pollution management and addressing water scarcity.

The six-topic framework is designed to offer a more simplified and targeted approach to sustainability challenges, including those related to nature, and specifically to inform the decisions of private investors. They represent universal sustainability challenges, although the priority of each topic may differ across industries. Additionally, the companies that manage these topics well are not necessarily those with the least-adverse environmental or social impact. In fact, sectors with the greatest exposure to sustainability risk factors often have a greater imperative (regulatory or reputation-driven) to work to minimize their negative impact.

Global Wealth Management uses these topics to score companies, inform investment analysis, allocate discretionary capital where relevant, and provide targeted advice to private and family office clients based on their stated sustainability preferences. For example, when considering nature-related information, the portfolio managers, and subsequently investors, would turn towards the topics of climate change, pollution and waste, water, and products and services to identify potential nature-related risks or opportunities that were not apparent from their financial analysis. Investors could also use the scores to assess the sustainability profile of their portfolios, to better understand their exposure to potential sustainability risks and opportunities, as well as to evaluate whether their investments are aligned with their personal values and interests. UBS also sources indicators of whether companies are involved in a range of activities, including environmental ones, such as use of genetically modified organisms or involvement in severe pollution actions, that some investors may wish to exclude.

Continued expansion of sustainable investing offering

During 2023, Global Wealth Management expanded its sustainable investing (SI) solutions shelf across major asset classes, including alternative investments. Notable solutions available to Global Wealth Management clients included seven impact private-market solutions, a low-carbon transition direct equities module and several long-only equity and fixed income solutions. Examples on the long-only solutions shelf included multi-thematic equity strategies as well as carbon-credit-related ETFs. The range of additional solutions was geared toward helping our clients further diversify their sustainable and traditional portfolios amid a volatile market environment.

› **Refer to *ubs.com/global/en/wealth-management/sustainable-investing* for more information about our Global Wealth Management's sustainable investing insights**

› **Refer to the UBS Group Annual Report 2023 available on *ubs.com/annualreport* for more information on the overall business and financial profile of UBS Global Wealth Management as important context for the product and financial information provided here**

Asset Management

Sustainable Investing (SI) has been an integral part of our Asset Management business for over 20 years, grounded in the clear belief that, from our products and services to the way we work and operate in society, sustainability means thinking and acting with the long term in mind. The array of sustainable investment (SI) strategies we offer aims to drive financial returns and sustainability outcomes.

Integration of Credit Suisse

In our combined organization, there is a continued focus on sustainability and innovation. We believe the integration brings opportunities for an expanded client offering and a more influential "seat at the table" for stewardship and engagement activities, given our increased asset base.

The existing UBS AG Asset Management SI product classification framework will remain in place and will be applied to the Asset Management (Credit Suisse) products when onboarded to the UBS shelf, starting in 2024. Separate governance structures remain in place as of end 2023, while, concurrently, progress has been made to align policies, methodologies and frameworks. A joint governance forum has been put in place to support this alignment.

2023 highlights

At the end of 2023 UBS AG Asset Management managed Sustainable Focus and Impact Investing assets of USD

203 billion

At the end of 2023 UBS AG Asset management had

35

net-zero ambition portfolios available for our clients

Active Ownership

Asset Management corporate engagements on ESG topics achieved

56.5%

positive progress against stated objectives

Asset Management actively engaged with

373

companies on ESG topics

Asset Management conducted

536

engagement meetings on ESG topics with investee companies

We are convinced that taking a focused, investment-led and outcomes-driven approach to active ownership brings benefits to companies, their shareholders, and wider society. Effective engagement can help companies contribute to value creation and protection at the company-specific and systemic levels, addressing both risks and opportunities.

Climate

UBS AG Asset Management has been running a Climate Engagement Program for more than five years. In 2023, we sharpened the program's focus on engaging with companies to adopt targets and transition planning in line with a net-zero pathway and increased the number of companies covered by the program. In addition to our direct engagement, we continued to use collaborative initiatives to scale our impact, especially through our membership of Climate Action 100+.

We believe we can support industry leaders in accelerating the early adoption of transformative decarbonization technologies. By way of example, in September 2023, we hosted an engagement event designed to accelerate decarbonization in the shipping sector. Cargo owners, commodity shippers, marine engine manufacturers and low-carbon fuel providers, as well as recognized experts, used the event to discuss key barriers to alternative fuels, such as supply, technical complexities, and pricing. The event supported one of the main objectives of our Climate Action fund. Launched in December 2022, the fund invests in attractively valued companies in emission-intensive industries that need to decarbonize over time. We actively engage with these companies one-on-one, and across the value chain, to monitor and support such efforts.

We also engage with companies to set climate targets in line with net-zero pathways, which we see as critical for credible climate risk management and achieving the transition to a low-carbon economy. We were a signatory to a campaign led by the Carbon Disclosure Project, encouraging over 2,000 companies to adopt science-based climate targets. We were also co-signatories to two investor-led letters to policymakers, calling on them to accelerate decarbonization goals at state-owned companies.

Linking our climate engagement with voting action is key to ensuring a continued clear alignment across our active ownership approach. To support this, we have aligned our voting policy with our climate engagement efforts and objectives in our policy framework and clarified our climate and net-zero expectations of companies. We have a clearly defined set of criteria which we use to evaluate companies' say-on-climate proposals.

We will further evaluate climate proposals against the following six key factors: climate governance, net-zero ambition and targets, quality of decarbonization strategy, net-zero performance alignment, lobbying and policy engagement, and use of offsets. We will also support shareholder proposals that seek information about issuers adopting or adhering to relevant norms, standards, codes of conduct or universally recognized international initiatives, including the recommendations of the TCFD.

We have a fiduciary duty and fundamental objective to act in the best financial interests of our clients to enhance the long-term value of their investments. We exercise our voting rights in a manner which we believe is in the companies' long-term financial interests.

Nature

To support our increasing focus on natural capital, Asset Management became a founding member of the Nature Action 100 collaborative engagement initiative and joined the Principles for Responsible Investment's Advisory Committee for its stewardship initiative on nature.

How we approach natural capital risks in our investments

As an asset manager, we recognize that biodiversity loss and degradation is a source of material financial risk, and managing this risk is integral to fulfilling our fiduciary duties toward our clients. We also recognize that investing sustainably can promote actions that contribute to the preservation and restoration of natural capital of our planet.

Currently, we manage nature-related risks as part of our ESG integration processes. We use a proprietary ESG risk dashboard that combines multiple data sources to identify companies with material ESG risks. Natural capital risks, such as water and forest risks, are embedded in the methodologies of these underlying data sources, and our investment teams utilize these ESG factors alongside traditional financial metrics and proprietary ESG sector materiality maps to assess the risk-return profile in the investment process.

In 2023, we built on efforts started in 2022 to develop an investor thematic engagement program that works with investee companies to encourage actions that ensure natural capital is accounted for and included in their financial and economic decision-making. We developed this program by consulting with our clients, investment teams and a wide array of external experts to shape our priorities and approach to natural capital. In addition to our proprietary ESG sector materiality maps, we also conducted a heatmap assessment, mapping ENCORE data to our listed equity and fixed income corporate investments to understand exposure to biodiversity risks at the industry level. This process has led us to identify three specific areas that form the basis of our engagement program on natural capital risks and opportunities: forests, water, and the climate-diversity nexus.

In 2023, we also joined Nature Action 100 and PRI's Stewardship Initiative *Spring* to support the Asset Management stewardship strategy. Nature Action 100 is a global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss. The initiative engages companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. UBS is also one of the members of the Advisory Committee.

Natural capital risks are considered across our real estate and private market investments. For example, our farmland business is a founding member of Leading Harvest, an outcomes-based sustainability standard that addresses economic, environmental, social, and governance matters through farm management. The Leading Harvest Farmland Management Standard comprises 13 objectives, 33 performance measures and 71 indicators that are core to farmland sustainability. Such nature-based objectives and performance measures include biodiversity conservation through species protection, wildlife habitat conservation, avoided land conversion, and crop diversity.

Since 2020, the inaugural year of the standard, 100% of the farmland acres we manage have been enrolled and as of 2023, 100% of the farmland acres we manage are certified. Conformance to the standard is assured through independent, third-party certification.

Thought leadership research

Asset Management launched a special Sustainable Investing edition of its *Panorama series* during 2023. The publication focused on the opportunities and risks of sustainable investing, enhancing the effectiveness of stewardship by asset owners and asset managers, showing how to customize sustainability through active and index investing, and the role that natural capital plays in sustainability investing approaches.

During 2023, we also published several thought leadership pieces, including articles focused on natural capital, chemical pollution, embodied carbon, physical risk, impact investing and active ownership. They included:

Chemical pollution and the need to transition to sustainable chemistry;

No false starts: The race to reduce embodied carbon;

China and net zero; A recipe for alpha?;

Finding our voice: Active owners need to bring something to the table; and

Green premium.

We also conducted extensive thematic research on emerging sustainability topics such as biodiversity, to facilitate engagement activities and portfolio investment decision-making.

› **Refer to the UBS Group Annual Report 2023 available on *ubs.com/annualreport* for more information on the overall business and financial profile of UBS AG Asset Management as important context for the product and financial information provided here**

› **Refer to the "Strategy" section of this report for more information on the proportion of sustainable investment assets as part of UBS Group's total invested assets**

Investment Bank

Our Investment Bank offers clients global advice and access to the world's primary, secondary and private capital markets, through an extensive array of sustainability-focused services, products, research and events. The Investment Bank has incorporated sustainability expertise from Credit Suisse to strengthen UBS Group's offering across Global Markets, Global Banking and Research. New sustainable finance content, products and other services taken over from Credit Suisse follow UBS Group standards and approval process. As of the end-of-year 2023, the Investment Bank has been operating under a single consolidated governance. In 2023, we honed our capabilities through initiatives across Global Markets, ESG Research, Global Banking and data-led offerings.

2023 highlights

In the Investment Bank we facilitated

102

green, social, sustainability, or sustainability-linked (GSSS) bond transactions globally[1]

The Investment Bank retained the

1st rank position in

in Swiss Franc-denominated GSSS bond issuance in our home market of Switzerland, with a 50% market share[2]

Themes identified by UBS Evidence Lab, favored by family offices for impact investing:

- education,
- climate change,
- healthcare,
- economic development and poverty alleviation,
- agriculture,
- broad theme covering alternative food sources, clean water and sanitation

1 Investment Bank figure is 102 of which UBS AG figure is 93 and Credit Suisse figure is 16. The metrics include transactions such as, but not limited to, Investment Bank Global Banking bonds issued under the voluntary ICMA Green Bond Principles, Sustainability Bond Principles, and Sustainability-Linked Bond Principles. The principles include a recommendation that the issuer appoints an external review provider to undertake an independent external review (e.g., second-party opinion). This is consistent with market practice. The metrics also include sustainability-themed bonds (e.g., Transition). Transactions are counted only once, there is no double counting (e.g., if and where UBS AG and Credit Suisse were involved in the same transaction). UBS performed an assessment for Credit Suisse green, social, sustainability and sustainability-linked bonds reported in the 2023 Sustainability Report and deemed them to be aligned to UBS sustainable bond guidelines. 2 Bloomberg.

Global Research

In 2023, ESG Research delivered thematic reports on topics including energy transition materials, EV charging, the EU and global sustainability-related regulatory landscape, PFAS (per-and polyfluoroalkyl substances, also known as "forever chemicals"), battery recycling in China, biodiversity, and alternative fuels. More generally, through our research, we addressed ways in which ESG factors connect to individual markets, sectors and companies in our coverage, for example in an expanded ESG Sector and Company Radar product.

ESG research is supported by the UBS Evidence Lab. It provides data-driven insights into ESG-relevant questions and in 2023, it identified six themes favored by family offices for impact investing: education; climate change; healthcare; economic development and poverty alleviation; agriculture; and a broad theme covering alternative food sources, clean water, and sanitation.

Sustainable finance at conferences and other events

Throughout the global calendar, ESG and sustainability-related topics are frequently integrated into proprietary investor conferences run by the Investment Bank, and into other industry events. These include targeted events focusing on sustainable finance topics such as transition finance, regulatory developments, impact technology and green equity.

We also incorporate sustainability topics into sector- or market-specific conferences including our Energy Transition Conference, Global Real Estate CEO/CFO Forum and our Greater China Conference. In September 2023 we held our annual Investment Bank-wide Sustainable Finance Conference, which addressed areas such as the development of supportive regulation and products to support the ongoing journey to net zero and the development of transition finance.

Global Banking

ESG Advisory Group

Increasingly, consideration of ESG is seen as a central component of any corporate business strategy and a key tool in achieving sustainability in business and corporate operating models. A recent Bloomberg Intelligence-run survey of senior corporate executives confirmed this trend.[1] As pressure from regulators and other key stakeholders, such as customers, investors and employees, grows, so too does the need for transformation. The ESG Advisory Group supports UBS's clients in assessing ESG topics throughout the corporate lifecycle.

Our approach is underpinned by a profiling framework with carefully developed modules to critically analyze a corporation's ESG profile from a business and investor perspective. The framework lies at the heart of all Global Banking transactions and addresses four core components (with examples of analytical modules in parentheses):

– what you do (stakeholder engagement framework);

– how you do it (ESG performance analysis, PAI[2] as a product explaining investor needs to corporates);

– how you talk about it (corporate sustainability report diagnostics); and

– what others say about you (outside-in stakeholder analysis via artificial intelligence (AI) platform).

Leveraged and debt capital markets

The Investment Bank arranged USD 53.7 billion[3] in green, social, sustainability and sustainability-linked (GSSS) bonds through 102 bond deals during 2023[4]. Our deal activity was particularly strong in EMEA and Australia while also solidifying our market-leading position in the Swiss-franc-denominated market with the Investment Bank's market share at nearly 50%[5]. In addition, we have built a strong position in Brazil's local labelled ESG debt market.

Deal highlights included the structuring and execution of the Western Australia Treasury Corporation's (WATC) inaugural AUD 1.9 billion green deal, and winning the structuring mandate for the Australian government. The funds for WATC will support government projects targeting environmental outcomes, such as investments to decarbonize the main electricity grid. This includes batteries and wind farms, EV charging infrastructures as well as rebates and standalone power systems. Meanwhile, the establishment of the Australian government's green bond framework highlights its key priorities, by referencing its aim for upcoming green bonds to finance projects that will help Australia achieve its ambition to be net zero by 2050.

In July 2023, we acted as a joint global coordinator, physical bookrunner and sustainability coordinator on a debut EUR 270 million green senior secured notes issuance in support of the leveraged buy-out (LBO) of Amara Nzero by a consortium led by Cinven. This was the first green bond to be issued in EMEA with LBO use of proceeds. In August 2023, we facilitated an innovative senior non-preferred sustainability-linked loan (SLL) note from Nordea. This transaction represented the first banking SLL note issued across core currency markets globally.

› **Refer to the UBS Group Annual Report 2023 available on *ubs.com/annualreport* for more information on the overall business and financial profile of UBS Investment Bank as important context for the product and financial information provided here**

1 bloomberg.com/company/press/bioomberg-intelligence-survey-finds-investors-and-c-suite-embrace-esg-despite-concerns
2 Principal adverse impacts, as defined by the EU Sustainable Finance Disclosure Regulation
3 Notional value. Investment Bank figure is USD 53.7 billion of which UBS AG figure is USD 51.5 billion and Credit Suisse figure is USD 4.6 billion. The metrics include transactions such as, but not limited to, Investment Bank Global Banking bonds issued under the voluntary ICMA Green Bond Principles, Sustainability Bond Principles, and Sustainability-Linked Bond Principles. The principles include a recommendation that the issuer appoints an external review provider to undertake an independent external review (e.g., second-party opinion). This is consistent with market practice. The metrics also include sustainability themed bonds (e.g., Transition). Transactions are counted only once, there is no double counting (e.g., if and where UBS AG and Credit Suisse were involved in the same transaction). UBS performed an assessment for Credit Suisse green, social, sustainability and sustainability-linked bonds reported in the 2023 Sustainability Report and deemed them to be aligned to UBS sustainable bond guidelines.
4 Investment Bank figure is 102 of which UBS AG figure is 93 and Credit Suisse figure is 16.
5 Bloomberg

Personal & Corporate Banking

In our home market of Switzerland, our aim is to be the most progressive financial institution when it comes to offering sustainable and sustainability-linked financial advice and products. As Switzerland sets course for a successful transition to a low-carbon future, we are developing innovative advisory, lending, basic banking, and transition financing solutions, while also offering our clients access to sustainable investment solutions.

Integration of Credit Suisse

UBS Switzerland AG and Credit Suisse (Schweiz) AG currently remain separate entities. However, the sustainable products of Credit Suisse (Schweiz) AG have been reviewed and vetted against the UBS sustainable product frameworks. Based on this, Credit Suisse (Schweiz) AG continues to offer its sustainable products to its clients but paused developing new products in 2023.

2023 highlights

Private clients

The SI share of UBS AG P&C assets under custody in Personal Banking reached

46.5%[1]

41.5%

of net new investment products in UBS AG P&C Personal Banking were sustainable[2]

1,2 Figures can include limited amounts of instruments not classified as sustainable investment, including cash and cash-like instruments that each portfolio holds for liquidity management purposes.

Supporting our clients to meet their sustainability ambitions remained a focus in 2023. Our private clients continued to allocate to sustainable investment solutions during the year, helped by easy access to the relevant product offerings across both sustainable funds and sustainable pension solutions using our mobile banking app, UBS key4.

Launching the carbon tracker

In 2023, we took a step forward in providing our personal banking clients with greater transparency and sustainability insights by launching a carbon tracker in UBS key4. The tracker allows clients to track the CO_2 emissions footprint of their transactions using UBS credit and debit cards and through UBS TWINT in the mobile banking app. This helps them understand and manage the carbon emission footprints of those transactions in a simple fashion. The footprint is calculated using carbon intensities of corresponding merchant categories. The carbon tracker also provides comparative data and examples so as to help make the concept of carbon emissions footprinting easier to understand.

Corporate and institutional clients

To systematically drive our interactions with corporate clients, we developed a client centricity framework spanning data, products and client engagement. Our focus is on advising clients as part of a strategic dialogue and partnering with them to implement new solutions best suited to their particular business models and value chains.

We hosted several sector-focused roundtables across Switzerland, not only to better understand corporate client needs but also to offer a platform for partnership and networking.

Leasing bonus for corporate clients

Through the UBS Energy Bonus, we support small and medium-sized enterprises (SMEs) that are aiming to improve their ecological footprint. We reward SMEs in Switzerland that invest in projects supporting higher energy efficiency, renewable energies or sustainability-focused projects (e.g., in the areas of mobility, transportation, production, infrastructure, communication and research). Eligible SMEs are reimbursed with a bonus of up to CHF 3000 of their lease amount. These investments are financed by UBS Leasing.

Supporting SME decarbonization

We are leveraging our partnership with *esg2go* to help support the decarbonization efforts of Swiss SMEs. esg2go offers KPI scores and overall ESG scores based on a methodology developed by the University of Fribourg's Center for Corporate Responsibility & Sustainability, including a CO_2 emissions calculator. We introduced additional features to the tool, providing clients with sustainability performance data that they can pass on to their own key stakeholders.

Continuing to support investing needs of institutional clients

Pension funds and insurance companies continued benefiting from tailored sustainable investment solutions made available by UBS AG Asset Management. We provide these clients with intelligent tools in order to obtain the greatest possible transparency about their portfolio with regards to sustainability aspects.

Swiss real estate

We further enhanced our Swiss real estate offering by launching a number of new advisory tools to support clients in retrofitting their properties.

Introducing the renovation journey and calculator

Our comprehensive online renovation journey and calculator for owner-occupied real estate allows our clients to work out expected renovation costs and timelines, as well as calculating their CO_2 emissions footprint and energy consumption levels before and after renovation.

Rolling out a subsidies calculator

We continued to build on the products and solutions we offer clients with Swiss real estate investments, by rolling out a subsidies calculator covering all cantons and municipalities. The tool is designed to provide clients with an estimate of sustainability-related subsidies available for their real estate investment properties.

Offering an enhanced key4 Energy Check

In collaboration with real estate advisory company *pom+*, we went live with the key4 Energy Check 2.0 (Supplier Network). This service helps real estate investment clients to analyze their investment properties and access a network of suppliers that can help implement energy efficiency measures.

Forming sustainable partnerships and thought leadership

Partnerships continue to play a key role in our efforts. In 2023, UBS entered into a new partnership with the Ecole Polytechnique Fédérale Lausanne (EPFL) to support innovation in sustainability and collaboration through joint projects. In addition, we became the first bank to join the Swiss Green Fintech Network, actively supporting the development of innovative and scalable technology solutions, and the development of Switzerland as a global leader in green fintech. We continued publishing articles in order to deepen client dialogue and engagement. Jointly with the business and group functions, we have participated in various sustainability-related seminars and events.

- **Refer to *ubs.com/sustainability-ch* for information on sustainability at UBS in Switzerland**
- **Refer to the UBS Group Annual Report 2023 available on *ubs.com/annualreport* for more information on the overall business and financial profile of Personal & Corporate Banking as important context for the product and financial information provided here**

Group Treasury activities

In 2023, Group Treasury continued to invest its high-quality liquid assets portfolios under a dedicated ESG Investment Framework as described in UBS's net-zero ambition statement of 2021. This framework integrates ESG considerations in the investment process alongside more traditional economic and risk dimensions. It supports investments in ESG-labelled securities that have a direct link to sustainable projects, promotes investments in issuers with positive ESG characteristics and flags potential risks.

At year-end 2023, Group Treasury held more than USD 8 billion of green, social and sustainability bonds in its high-quality liquid assets (HQLA) portfolios, up 20% from the USD 6.7 billion it held in 2022. In comparison, global GSSS bond issuance increased 7%[1] in 2023.

Non-core and Legacy

In 2023, we created Non-core and Legacy, which includes positions and businesses not aligned with our strategy and policies. Those consist of the assets and liabilities reported as part of the former Capital Release Unit (Credit Suisse) and certain assets and liabilities of the former Investment Bank (Credit Suisse), Wealth Management (Credit Suisse), Swiss Bank (Credit Suisse) and Asset Management (Credit Suisse) divisions, as well as of the former Corporate Center (Credit Suisse). Non-core and Legacy also includes the remaining assets and liabilities of UBS's Non-core and Legacy Portfolio, previously reported in Group Functions (now renamed to Group Items), and smaller amounts of assets and liabilities of UBS's business divisions that we have assessed as not strategic in light of the acquisition of the Credit Suisse Group. We are actively reducing the assets of Non-core and Legacy in order to reduce operating costs and financial resource consumption, and to enable us to simplify infrastructure.

› **Refer to the UBS Group Annual Report 2023 for more information about the Non-core and Legacy business division**

Upon the legal close of the acquisition of the Credit Suisse Group, we have applied existing UBS prudent risk management practices to material risks of Credit Suisse. Positions and businesses not aligned with the core strategy and policies of UBS have been ring-fenced in the Non-core and Legacy business division, with the aim of ensuring a timely and orderly wind-down.

› **Refer to the "Risk management" section of this report for a description of sustainability- and climate-related de-risking activities**

1 Bloomberg

Risk management

Introduction

Managing sustainability and climate risk is a key component of our corporate responsibility. We define sustainability and climate risk as the risk that UBS negatively impacts, or is impacted by, climate change, natural capital, human rights and other environmental, social and governance (ESG) matters. Sustainability and climate risks may manifest as credit, market, liquidity, business or non-financial risks for UBS, resulting in potential adverse financial, liability or reputational impacts.

Group Risk Control (GRC) is responsible for our firm-wide sustainability and climate risk framework and the management of exposure to sustainability and climate (financial) risks on an ongoing basis as a second line of defense, while our Group Compliance, Regulatory & Governance (GCRG) function monitors the adequacy of our control environment for non-financial risks (NFR), applying independent control and oversight. We manage sustainability and climate risk within a dedicated risk management framework.

In 2023 we worked to revise this framework and our processes across UBS, following the acquisition of the Credit Suisse Group. Recognizing that it is imperative to have a consistent approach to managing sustainability and climate risk across the consolidated banking group, we have merged the Sustainability and Climate Risk (SCR) units under the Chief Risk Officer (CRO) for Sustainability. We also developed a combined Group policy for sustainability and climate risks, including risk appetite standards. Furthermore, we continued to work toward consolidating our sustainability and climate risk metrics and quantitative approaches across the combined entity, while enhancing our analytical capabilities and further integrating sustainability and climate risk considerations into traditional financial and non-financial risks, for example by enriching our risk management processes and reporting around nature-related risks.

At the same time our sustainability and climate risk framework continued to mature through our multi-year initiative focused on addressing regulatory requirements and enhancing core processes, such as reporting and disclosures. This chapter presents our approach to managing sustainability, climate and nature-related risk, while highlighting those areas where further work is ongoing to align the Credit Suisse approach to the overall Group approach. The current inventory of quantitative sustainability and climate risk metrics, including exposure to carbon-related assets, climate-sensitive sectors and nature-related risks for UBS Group excluding Credit Suisse, is disclosed later in this section. UBS is in the process of implementing a combined and aligned sustainability- and climate-risk dataset across UBS Group and including Credit Suisse AG. For this reason, UBS will publish UBS Group and Credit Suisse AG sustainability and climate risk metrics required pursuant to FINMA Circular 2016/1 "Disclosure – banks", Annex 5, in a supplement to the UBS Group Annual Report and the UBS Group Sustainability Report in line with the publication timeline for the semi-annual Pillar 3 disclosures in the third quarter of 2024.

› **Refer to the "Appendix 3 – Risk management" in the appendices of this report for more information about the UBS Group sustainability and climate risk policy framework**

Sustainability and climate risk management framework

Our firm-wide sustainability and climate risk management framework and related policies, standards and guidelines underpin our management practices and control principles. They enable us to identify and manage potential adverse impacts on the climate, the environment and human rights, as well as the associated risks affecting us and our clients, while supporting the transition to a low-carbon world.

Overseen by senior management, the framework applies to the balance sheet, our own operations and our supply chain. It consists of four different phases: (i) risk identification and measurement; (ii) monitoring, and risk appetite setting; (iii) risk management and control; and (iv) risk reporting and disclosure.

› **Refer to "Our investment management approach to sustainability and climate risks" in this section for a description of our sustainability and climate risk investment approach**

Sustainability and climate risk management framework

1 Identification and measurement

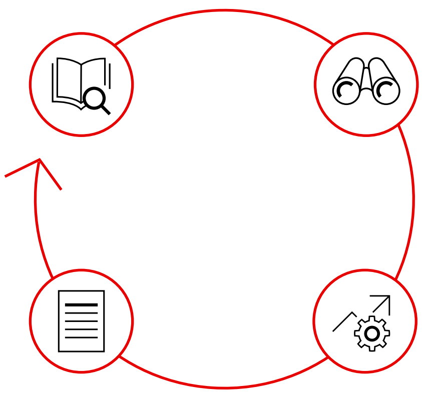
Sustainability and climate risks are identified and their materiality is measured

- Annual sustainability and climate risk materiality assessment[1]
- Sustainability and climate risk heatmaps, sector-level[1]
- Scenario-based climate and nature-related analysis and stress-testing exercises, including the development of a stress-testing framework[2]
- Sustainability and climate risk scorecards, company-level[3]

2 Monitoring and risk appetite setting

Sustainability and climate risk exposures, emerging risks and regulations are monitored and metrics reported internally to enable risk appetite setting

- Monitoring of sustainability and climate risks (including regulatory monitoring)
- Sustainability and climate risk metrics[1]
- Qualitative sustainability and climate risk appetite[1]
- Quantitative sustainability and climate risk appetite[1]



3 Risk management and control

Management and control processes ensure that material sustainability and climate risks are identified, measured, monitored and escalated in a timely manner

- Integrate sustainability and climate risk considerations into decision-making processes and related policies[1]
- Build in-house capacity to enhance risk management, including specialized training and further research and development of tools[1]
- Centralize and execute ESG data strategy[1]

4 Risk reporting and disclosure

Key sustainability and climate risks considerations are included in internal reporting and external disclosures

- Sustainability and climate risk content included in the UBS Group, divisional and relevant regional and legal entity risk reports[1]
- External disclosures of sustainability and climate risk in annual and sustainability reports[1]

Related toolkit

1 Implemented, further development underway. 2 Overview of scenario analysis and stress-testing exercises disclosed, further development underway. 3 Under development.

The Group Chief Risk Officer (GCRO) is responsible for the development of the sustainability and climate risk framework and risk appetite, along with its integration into those of the Group. The CRO for Sustainability supports the GEB by providing leadership on sustainability in collaboration with business divisions and Group Functions and is supported by the Sustainability and Climate Risk unit (SCR unit). In addition, the BoD Risk Committee monitors the progress of UBS's efforts to address sustainability and climate risk.

› **Refer to the "Supplement to Governance" section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for further details on the sustainability governance at UBS**

Our multi-year Sustainability and Climate Risk Initiative (the SCR Initiative), launched in 2020 by Pre-acquisition UBS's SCR unit, continues to build capacity through expertise, collaboration, technology and data. This initiative was created to integrate sustainability and climate risk considerations into the firm's traditional financial and non-financial risk management frameworks, which address these traditional risks across the firm's business divisions and legal entities, against a continuously evolving regulatory context.

In 2023, the SCR Initiative further advanced efforts toward the goal of fully integrating qualitative and quantitative sustainability and climate risk considerations into the firm's traditional risk management and stress-testing frameworks. 2023 developments include introducing climate-driven risk analytics into the credit decision-making process for select portfolios, introducing climate-driven quantitative risk appetite for specific legal entities, expanding climate and nature-related risk monitoring internally, and further refining processes and governance and methodologies to drive forward more comprehensive ESG reporting and disclosures.

Like that of UBS, Credit Suisse's approach to the management of sustainability and climate risk consists of four phases, (1) risk identification, (2) monitoring, (3) management, and (4) reporting.

› **Refer to "Appendix 5 – Entity-specific disclosures for Credit Suisse AG" in the appendices to this report for a description of Credit Suisse's approach to sustainability and climate risk management**

Sustainability and climate risk management activities conducted in 2023 are described below, across the four phases of the sustainability and climate risk framework. These activities laid the foundation for the creation of a sustainability and climate risk management framework for the combined organization.

› **Refer to the "Appendix 3 – Risk management" in the appendices to this report for more details about our sustainability and climate risk policy framework**

Risk identification and measurement

On an annual basis, an assessment of the materiality of sustainability and climate-driven risks is carried out in accordance with the ISO 14001 standard for environmental management systems.[1] In 2023, we further advanced our materiality assessment methodology to integrate documented transmission channels that may drive new forms of sustainability and climate-driven financial and non-financial risks, leveraging internal and external expert guidance.

We aim to identify sustainability and climate risks at divisional and cross-divisional levels, both through the sustainability and climate risk-driven materiality assessment mentioned above and, increasingly, by integrating them into the firm-wide traditional risk identification and measurement processes. This is also applied to significant Group entities under UBS Group AG.

› **Refer the "Appendix 2 – Strategy" in the appendices to this report for details about our climate-related materiality assessment and the underlying methodology**

Our risk identification methodologies collectively define UBS's materiality-driven approach, focus areas and key risk drivers. The outputs of these efforts define our sustainability and climate risk management strategy by:

- identifying concentrations of climate and nature-sensitive exposure that may make UBS vulnerable to financial and non-financial risks, enabling the prioritization of resources towards enhanced risk quantification and subsequent management actions;
- supporting delivery of a client-centric business strategy, where the firm supports clients with their sustainability transition, e.g., by low-carbon transition finance, identifying clients that may benefit from sustainability-focused UBS products and services.

1 For the financial year 2023, the materiality assessment covered UBS Group excluding Credit Suisse.

This provides information to senior management to support more informed decision-making on sustainability and climate-driven risks, along with providing decision-useful information to stakeholders, through our external disclosures.

Transition risk

Climate-driven transition risks arise from global efforts to mitigate the effects of climate change. They cover the financial impact on our clients or on UBS itself through the creditworthiness of UBS counterparties or the value of collateral held by UBS. Financial impacts from climate-driven transition risks could materialize through several key risk factors:

- climate policies: affecting operating expenses (e.g., carbon taxes), analyzed both directly and indirectly;
- low-carbon technologies and their potential for disruption: affecting capital expenditure requirements and/or market share due to low-cost competition; or
- shifts in consumer or investor sentiment: affecting revenues (consumer demand shifts) or market perceived value.

To arrive at UBS Group excluding Credit Suisse exposure to climate-driven transition risks, we have analyzed economic sectors within UBS's classification taxonomy, with a view to defining sub-sectors (hereafter referred to as "segments") that share similar characteristics in their vulnerability to the risk factors identified above. The approach consists of grouping companies into these segments under an adverse risk scenario. This scenario is defined as an immediate and disorderly approach toward meeting the well-below-2°C Paris goal over the zero-to-three-year time horizon (reflecting the business planning horizon). The outcome of this process is a sector-level transition risk heatmap, where risk ratings range from low to high, and "climate-sensitive sectors" include the top three ratings (high, moderately high and moderate).

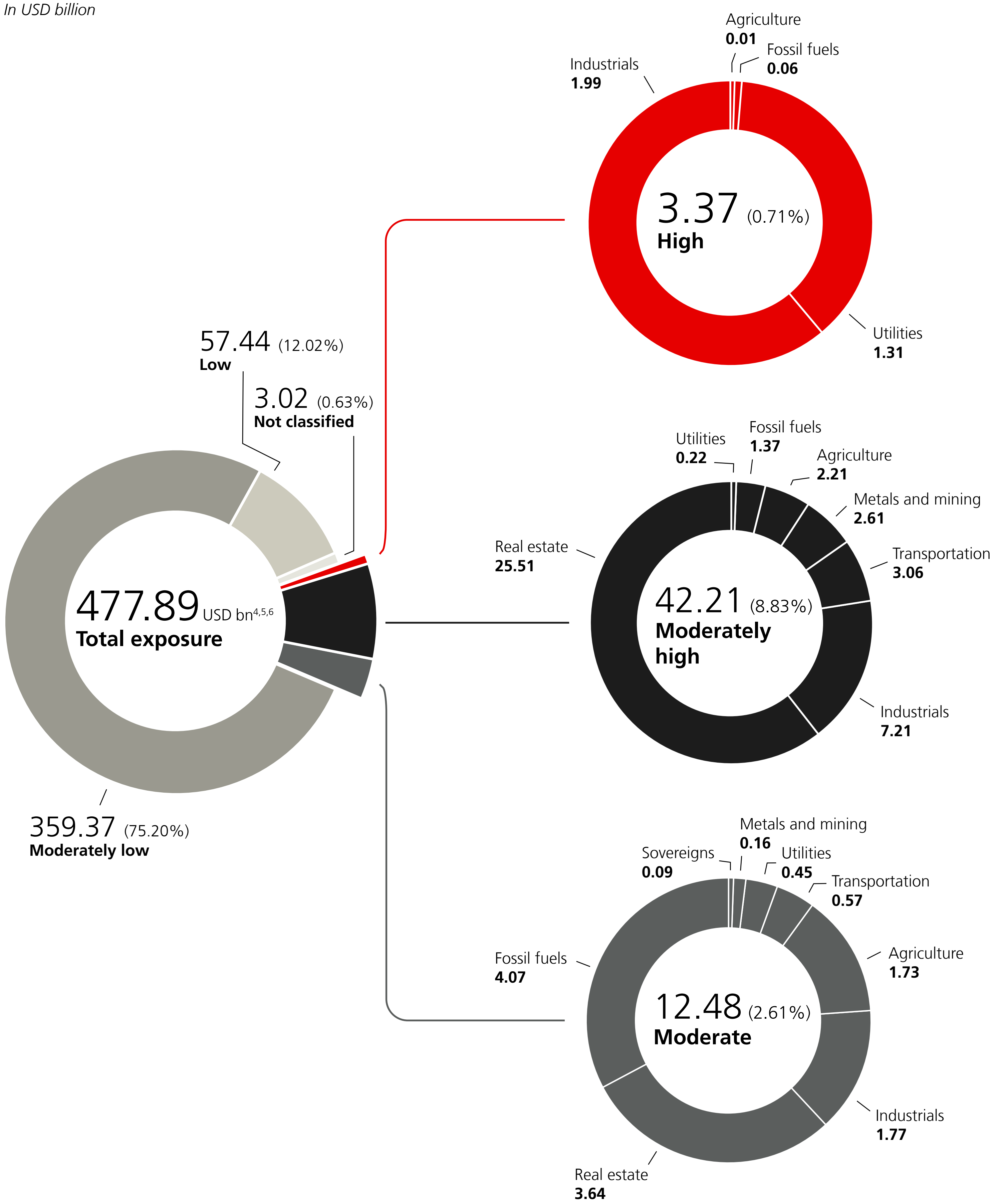
In 2023, methodology enhancements on the sector-level heatmap provided for the incorporation of the additional "disorderly" component (in line with the NGFS immediate and disorderly definition and UBS's in-house scenario developments). Here, disorderly is defined as a differentiation between industrialized and emerging market countries: in the short term, industrialized economies are rated relatively riskier than emerging economies due to faster acceleration in implementing programs to meet national commitments made within the Paris Agreement framework. These policies and programs are executed primarily through more stringent climate transition policies, larger investments in advanced low-carbon technologies, and the effects in delivering affordable and more climate-friendly products (analyzed through price elasticity in demand for these products).

The transition risk heatmap below shows that, at year-end 2023, our exposure to climate-sensitive sectors and related activities remains relatively stable. Climate-driven transition risk-sensitive exposure now represents 12.1% (up from 11.7% in 2022) of total customer lending exposure, mainly driven by an increase in exposure to commercial real estate in Switzerland. This risk exposure can be associated with the passage of the Climate and Innovation Act in Switzerland and the expected zero-to-three-year impact on energy-efficiency rules in the commercial real estate sector. A slight reduction in exposure can be observed in the fossil fuels trading and mining conglomerates sectors.

› **Refer to the "Supplement to Managing sustainability and climate risks" and the "Basis of reporting" sections of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for details on methodologies**

Climate risk heatmap (transition risk) for UBS Group excluding Credit Suisse[1,2,3]

In USD billion



High

Industrials **1.99**
1.64 Chemicals
0.35 Cement or concrete manufacture

Utilities **1.31**
1.31 Power production: regulated and high-carbon fuels

Fossil fuels **0.06**
0.04 Coal
0.02 Shale gas

Agriculture **0.01**
0.01 Livestock – beef extensive grazing

Moderately high

Real Estate **25.51**
23.12 Commercial real estate
2.40 Development and management of real estate

Industrials **7.21**
3.24 Machinery and related parts manufacturing
2.12 Pharmaceuticals
0.97 Consumer durables manufacturing
0.82 Plastics and petrochemicals manufacture
0.06 Chemicals

Metals and Mining **2.61**
2.06 Mining conglomerates (including trading)
0.28 Production of other mined metals and raw materials
0.28 Production of steel and iron

Agriculture **2.21**
2.21 Food and beverage production

Transportation **3.06**
1.66 Airlines – cargo
0.64 Transportation parts and equipment supply
0.51 Land-based shipping high-carbon (trucks)
0.09 Sea-based shipping (high-carbon fuels)
0.09 Automobile manufacture (high-carbon fuels)
0.07 Airlines – commercial

Fossil Fuels **1.37**
0.81 Wholesale and trading: crude oil and natural gas
0.32 Integrated oil and gas
0.16 Conventional oil (on-/offshore)
0.08 Gas processing (including LNG)

Utilities **0.22**
0.16 Wastewater treatment
0.06 Power production: regulated and high-carbon fuels

Moderate

Fossil Fuels **4.07**
3.74 Wholesale and trading: refined petroleum products
0.17 Transportation and storage (gas)
0.16 Downstream oil and gas distribution

Real Estate **3.64**
1.91 Construction – non-infrastructure
1.63 Commercial real estate
0.07 Development and management of real estate
0.03 Construction of buildings and related activities

Industrials **1.77**
0.98 Other consumer goods manufacturing
0.67 Clothing manufacture
0.09 Plastics and petrochemicals manufacture
0.02 Machinery and related parts manufacturing

Agriculture **1.73**
1.50 Food and beverage wholesale/retail
0.15 Crops – high emissions intensity
0.07 Other agricultural services
0.01 Food and beverage production
0.01 Livestock – other

Transportation **0.57**
0.55 Passenger ships
0.02 Automobile manufacture (high-carbon fuels)

Utilities **0.45**
0.33 Grid operation and transmission
0.11 Waste disposal and recycling
0.01 Wholesale and trading: electricity and power

Metals and Mining **0.16**
0.12 Metal ore mining not elsewhere classified
0.03 Production of other mined metals and raw materials
0.01 Production of steel and iron

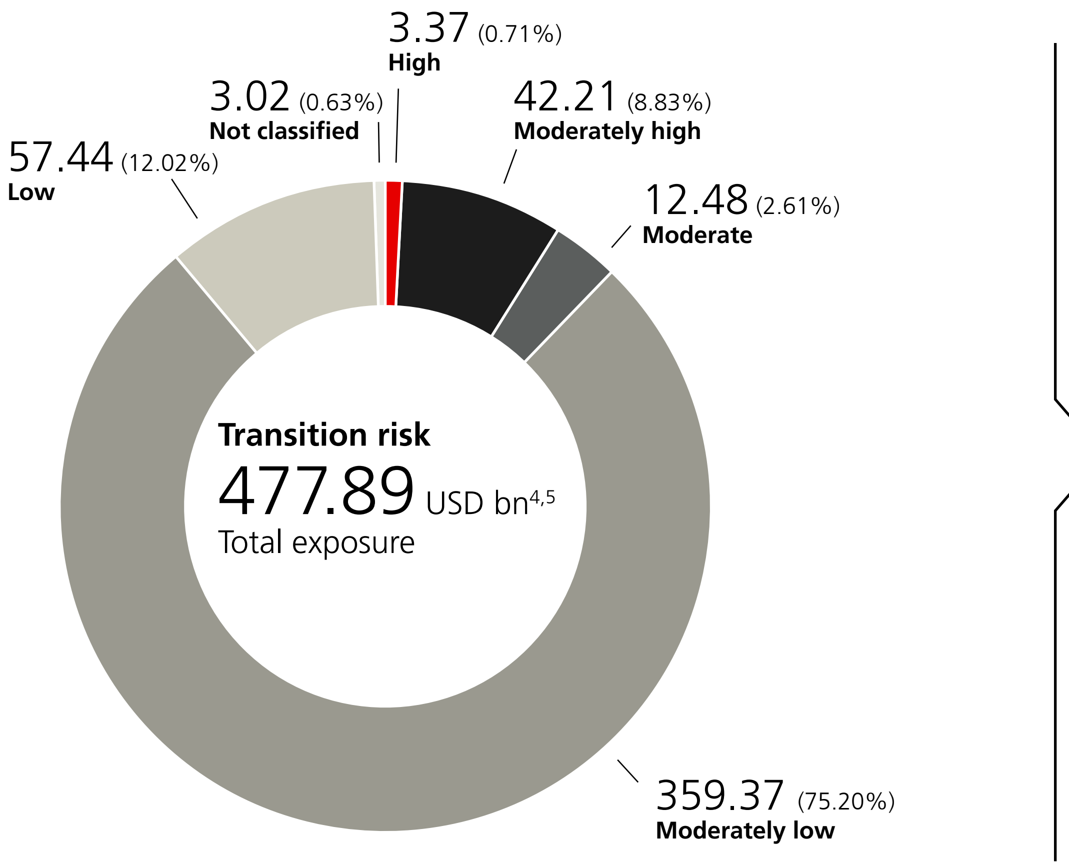
Sovereigns **0.09**
0.09 Sovereigns

1 Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss) and is based on consolidated and standalone IFRS numbers. Total and subtotal exposure calculation is subject to rounding to two decimal places, hence potential deviation from actual. 2 UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both impacts to and dependency on a changing natural and climatic environment, in how it evaluates risks and opportunities. 3 Climate- and nature-related risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report 2023. Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- or nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. 4 Methodologies for assessing climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. 5 The credit exposure includes portfolio adjustment bookings, which are either directly impacting the metrics, and have been reflected in the heatmaps, or are impact assessed and immaterial to the metrics representation.
6 Not classified represents the portion of UBS's business activities where methodologies and data are not yet able to provide a rating, e.g. private Individuals.

The graph below shows that the majority of UBS Group excluding Credit Suisse exposure is rated moderately low, and climate-sensitive exposure accounts for 12.1% of the total customer lending exposure, driven by UBS's lending footprint in industrialized countries. The majority of exposure is concentrated in lower-risk sectors, such as residential real estate and financial services.

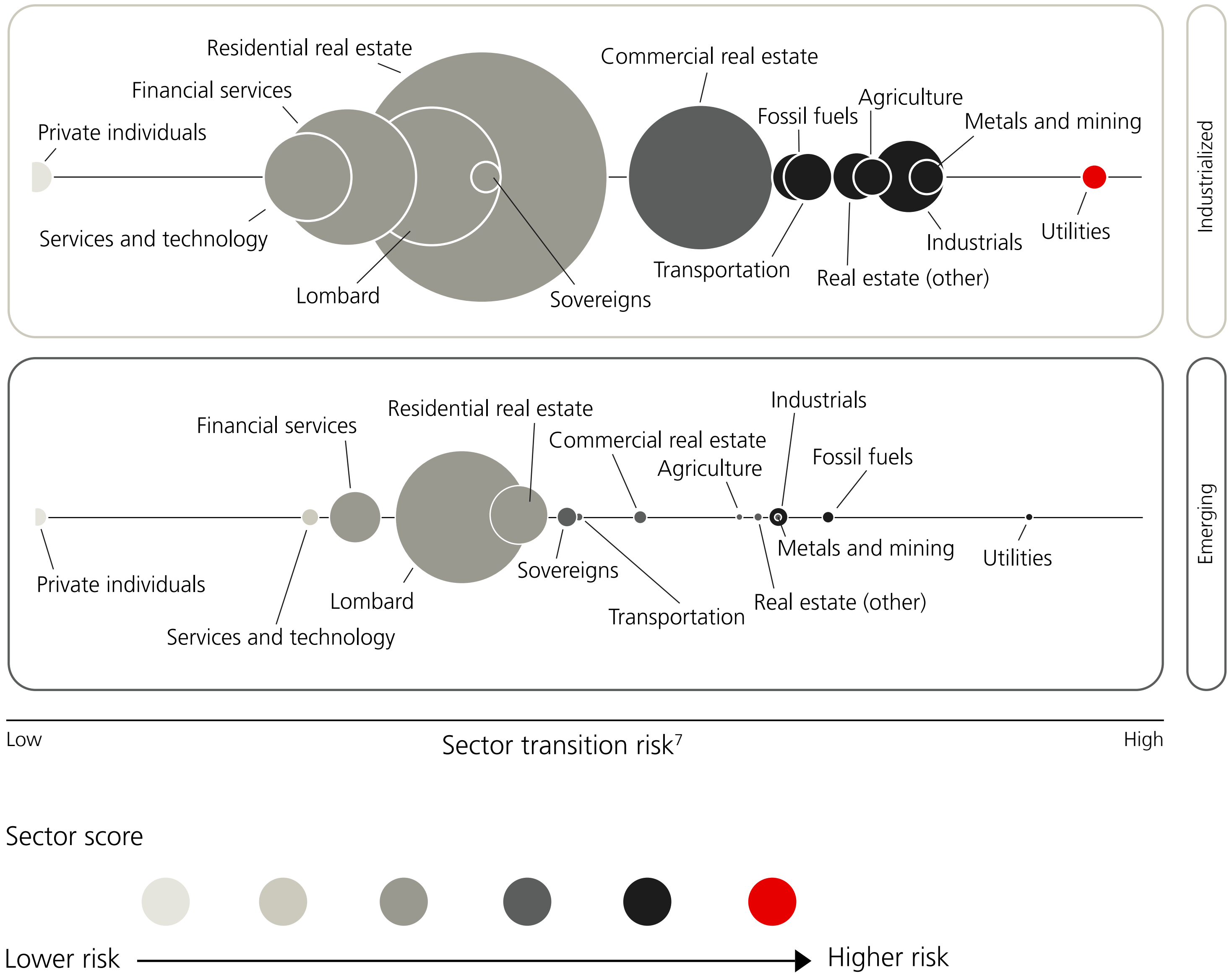
Climate risk heatmap (transition risk) for UBS Group excluding Credit Suisse[1,2,3]

In USD billion



Transition risk, by sector and geographic classifier of market maturity[6]

Marker size indicates relative exposure magnitude
Colour indicates transition risk level



1 Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss) and is based on consolidated and standalone IFRS numbers. Total and subtotal exposure calculation is subject to rounding to two decimal places, hence potential deviation from actual. 2 UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both impacts to and dependency on a changing natural and climatic environment, in how it evaluates risks and opportunities. 3 Climate- and nature-related risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report 2023. Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- or nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. 4 Methodologies for assessing climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. 5 Not classified represents the portion of UBS's business activities where methodologies and data are not yet able to provide a rating, e.g. private Individuals. 6 Market maturity is reflected in the internal country classification to facilitate identification of diversification of policy stringency across developing and industrialised countries. 7 Displayed ratings represent exposure-weighted averages for a given sector scope.

Physical risk

Climate-driven physical risks arise from acute hazards, which are increasing in severity and frequency, while chronic climate risks arise from an incrementally changing climate. These effects may include increased temperature and sea-level rise, and the gradual changes may affect productivity and property values and increase the severity and frequency of acute hazards.

Our physical risk heatmap methodology groups together corporate counterparties based on exposure to key physical risk factors (risk segmentation), by rating sectoral, sub-sectoral, and geographical vulnerabilities to climate-driven physical risks. These vulnerabilities were identified using a proprietary in-house UBS model. The model, developed in 2023, is a significant advance on the historical physical risk heatmapping methodology which Pre-acquisition UBS published in 2021 and 2022. By leveraging over 1 billion data points, UBS analyzed cross-sector information on asset-level data (sub-company level), third-party climate hazard ratings through geospatial datasets, and academic insights into how hazards and production methods may be aggravated or complementary (transmission channels). The analyses are then quantitatively aggregated across assets, transmission channels (including value chains) and hazards at a sub-sector/country or sub-country level of granularity.

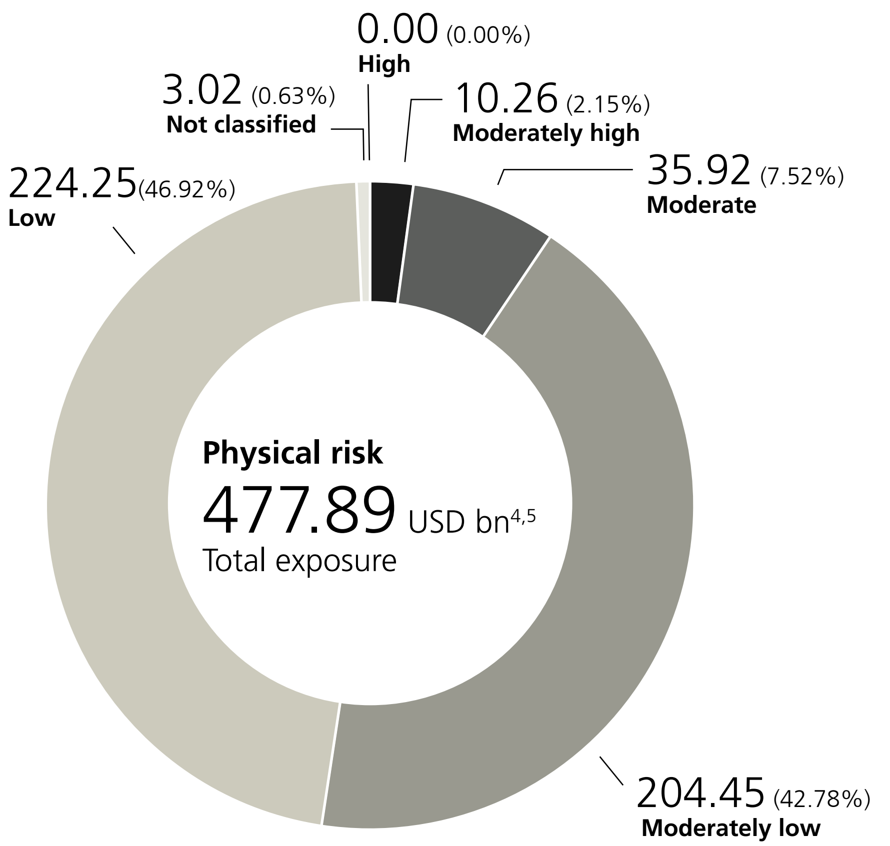
The refined heatmap methodology shows that UBS Group excluding Credit Suisse physical risk vulnerability remains, on average, moderately low (below the sensitivity threshold of moderate). Given UBS's business profile, the key drivers for our climate-sensitive lending (physical risk) are financial intermediation activities, and collectively the services, agriculture, and transportation sectors. In its current state, the model takes a conservative approach in its key assumptions, limiting full incorporation of geographical and sectoral sources of variability (which may either further amplify or mitigate financial vulnerability). We are committed to addressing these and other limitations by continuously improving the modeling approach alongside the industry, as it continues to standardize the disclosure of physical climate risk data, integrates regionalized scientific climate models, specializes in its impact on sectors and assets, and collaborates with a view to more informed decision-making.

More specifically, in 2024 and beyond, UBS will seek to expand its use of vendor data through both diversification and refinement, further address the limitations presented due to key assumptions in the model, and develop approaches to address data limitations in other types of assets (e.g., real estate). We will also explore the link between a changing climate and nature-related financial risks, which may result in intensified compounding vulnerabilities. Notably, companies that depend on natural capital assets may be adversely affected by climate change, which presents further risks to the environment and the provision of ecosystem services.

The physical risk heatmap below shows that UBS Group excluding Credit Suisse exposure to climate-sensitive sectors was at 9.7% (up from 8.4%). This increase is driven by exposure to the services sector, which includes financial services activities in emerging markets. Most of the climate-sensitive physical risk exposure is located within countries that have high adaptive capacity to physical risk hazards; which is an important aspect to consider when interpreting the 9.7% exposure to physical risk.

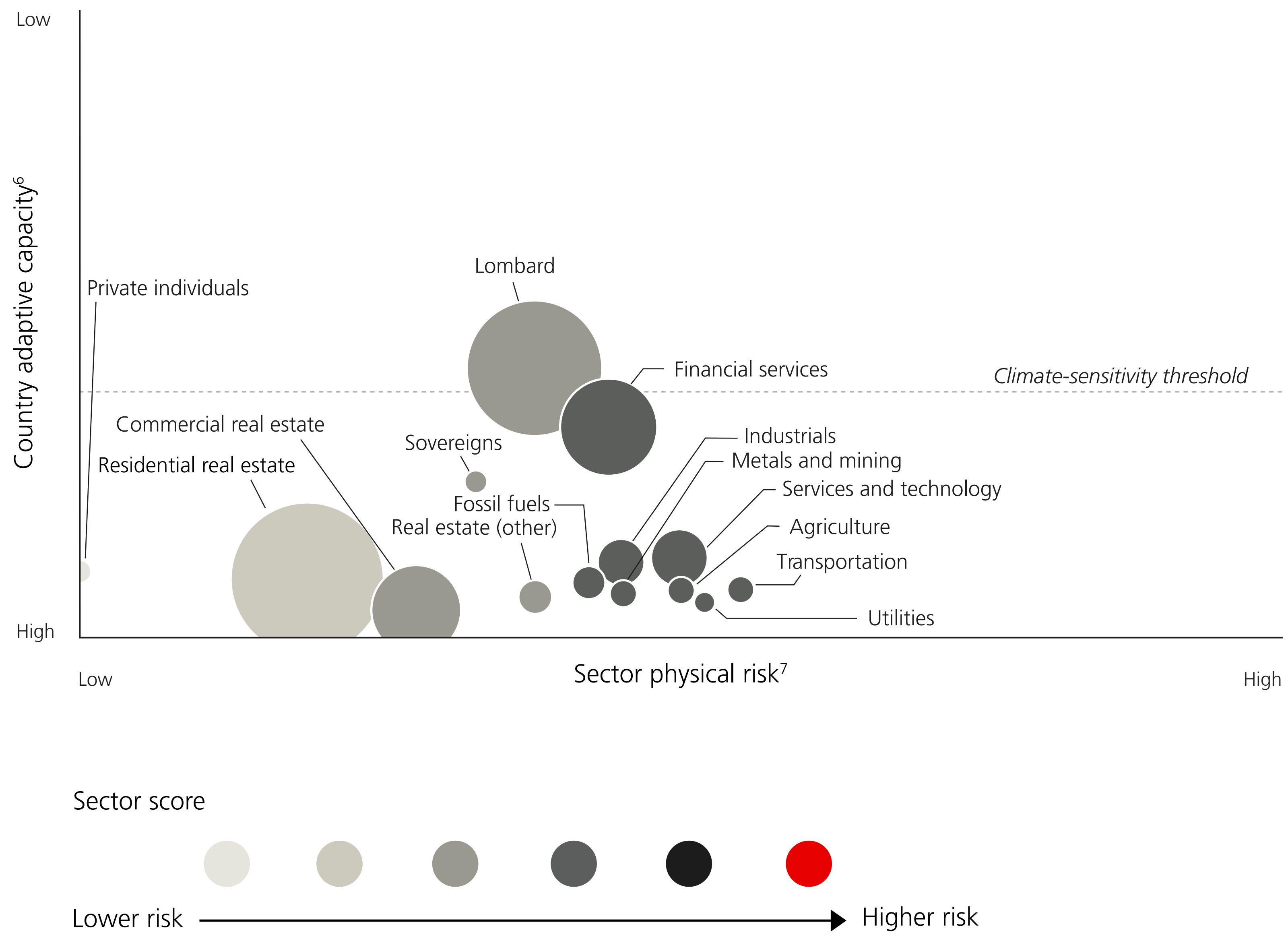
Climate risk heatmap (physical risk) for UBS Group excluding Credit Suisse[1,2,3]

In USD billion



Physical risk, by sector and country adaptive capacity

Marker size indicates relative exposure magnitude
Colour indicates physical risk level



1 Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss) and is based on consolidated and standalone IFRS numbers. Total and subtotal exposure calculation is subject to rounding to two decimal places, hence potential deviation from actual. 2 UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both impacts to and dependency on a changing natural and climatic environment, in how it evaluates risks and opportunities. 3 Climate- and nature-related risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report 2023. Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- or nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. 4 Methodologies for assessing climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. 5 Not classified represents the portion of UBS's business activities where methodologies and data are not yet able to provide a rating, e.g. private Individuals. 6 Country adaptive capacity is represented by a sector exposure weighted-average based on the sovereign's segment score for the country of risk. 7 Displayed ratings represent exposure-weighted averages for a given sector scope.

Nature-related risk

Nature-related risk refers to how humans and organizations depend on and impact the natural environment. Natural resources are referred to as natural capital which, in combination, provides the ecosystem services which benefit people and the planet. In the following we describe our understanding of how UBS's business model may depend on or impact those services, resulting in financial and non-financial risk for UBS.

Biodiversity is presented as a function of various natural capital assets providing life on earth with a range of services (ecosystem services), categorized and rated for their role in the development of medicines, technologies, and more. UBS's development of insights in biodiversity, among other nature-related risks, is discussed in the context of improving data and methodology. Like the collaborative effort that UBS made on climate-related risks in earlier years, we have contributed to global efforts to raise awareness and exchange knowledge on nature-related risk assessment methodologies. UBS has made these contributions through its role as a member of the Taskforce on Nature-related Financial Disclosures (the TNFD, since 2021) and the United Nations Environment Programme Finance Initiative (the UNEP-FI) working group on nature-related risks (since 2018).

As a key member of the UNEP-FI working group, UBS supported the development of a methodology to assess nature-related risks from both the dependency and impact perspectives (to the natural environment). UBS took part in the collaborative work to develop the Exploring Natural Capital Opportunities, Risks and Exposure toolkit (ENCORE), central to UBS's initial nature-related risk analysis. The UNEP-FI coordinated this working group in partnership with the World Conservation Monitoring Centre (the WCMC), Global Canopy, the Swiss State Secretariat for Economic Affairs (SECO), and the Swiss Federal Office for the Environment (FOEN).

In 2022 we initially piloted a quantification approach for nature-related risks solely based on the dependency of our clients on the natural environment, using the ENCORE methodology. This approach allowed us to assess our vulnerability to nature-sensitive economic activities by our clients, which may drive financial risks for UBS, such as reduced creditworthiness of our clients, or the value of companies' debt, or of equity posted as collateral for lending activities. In 2023 we expanded the definition of our "nature-sensitive metric" to now include both dependency on, and impact on, nature, its assets, and the ecosystem services that nature provides to sustain human activities. Our methodology assigns ratings on the same scale and granularity as our climate-driven sector-level heatmaps. As in the case of the climate-driven heatmap assumptions, UBS takes a conservative approach in assigning the overall nature-sensitive risk rating to each of the UBS industry codes. The key assumption here is driven by taking the higher of the two values between the ENCORE-defined impact and dependency ratings.

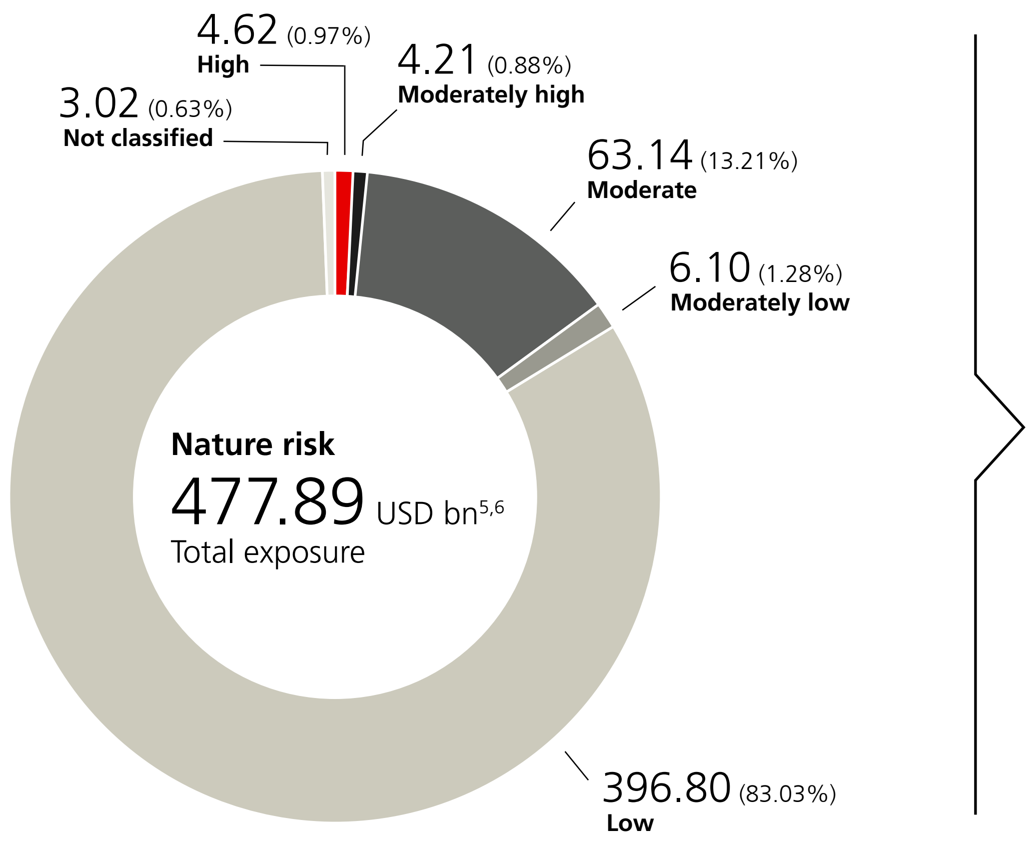
› **Refer to the "Appendix 2 – Strategy" in the appendices to this report for further information on our methodology**

Our enhanced nature-related risk heatmap below shows that at year-end 2023 UBS Group excluding Credit Suisse exposure to nature-sensitive sectors is at 15.1% (up from 14.4% in 2022) of our total customer lending exposure. Sensitivity is driven by sectors that either have a high impact or a high dependency on the natural environment. These include metals and mining, utilities and agriculture. Our business activities are concentrated in Lombard lending and the financial services sector which are rated as relatively low. A strong correlation can be observed between climate risk sensitivity (both transition and physical) and nature-related risks, showing a heightened correlation identified in climate-sensitive sectors.

› **Refer to the "Strategy" section in this report for further information on our approach to nature.**

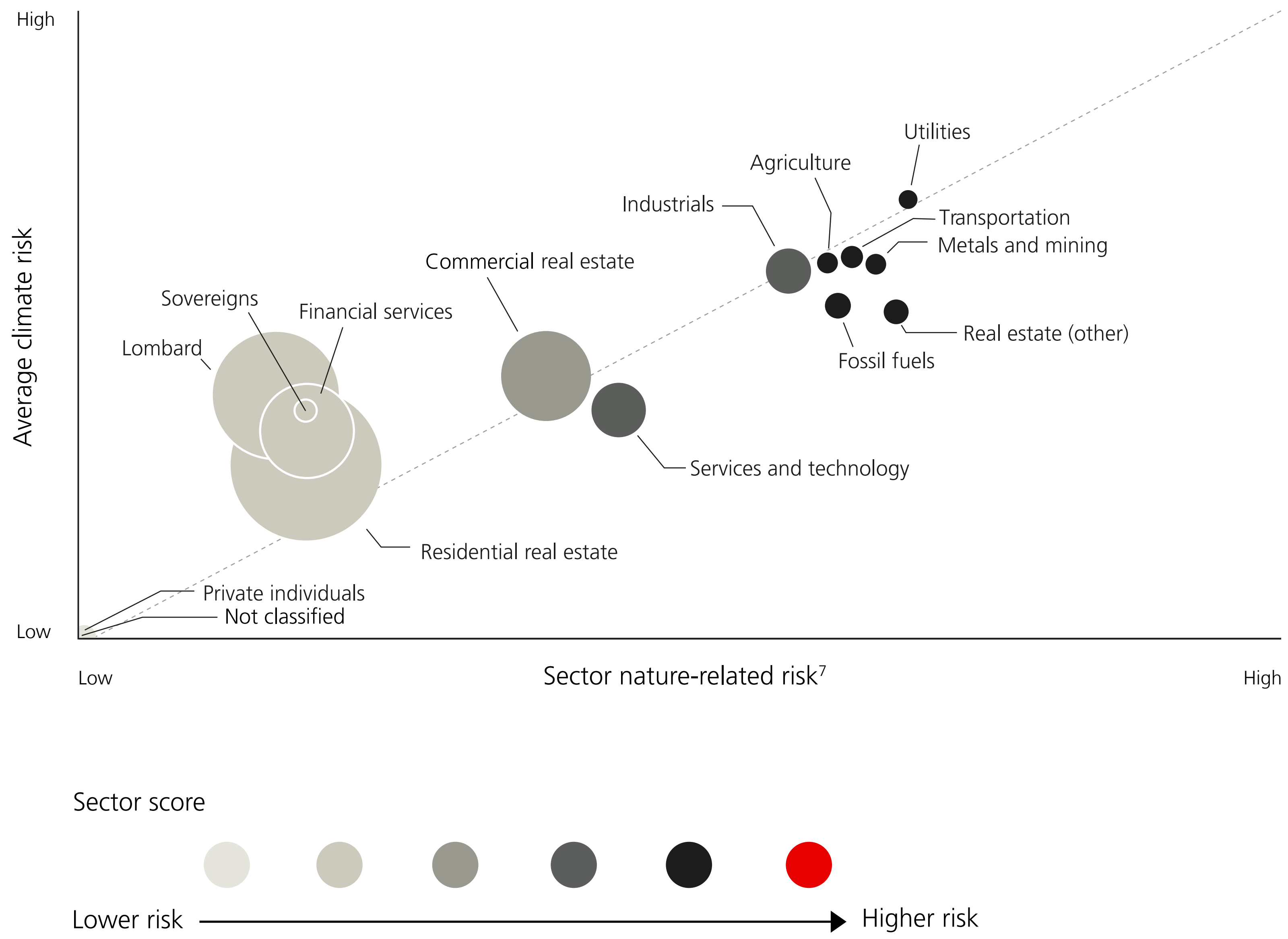
Climate risk heatmap (nature risk) for UBS Group excluding Credit Suisse[1,2,3,4]

In USD billion



Nature-related risk, by sector and alignment to average of transition and physical risk

Marker size indicates relative exposure magnitude
Color indicates Nature-related risk level



1 Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss) and is based on consolidated and standalone IFRS numbers. Total and subtotal exposure calculation is subject to rounding to two decimal places, hence potential deviation from actual. **2** UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both impacts to and dependency on a changing natural and climatic environment, in how it evaluates risks and opportunities. **3** Climate- and nature-related risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report 2023. Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- or nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. **4** Nature-related risk metric methodology has been further strategically enhanced, as part of an ongoing collaboration between UBS and UNEP-FI. **5** Methodologies for assessing climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. **6** Not classified represents the portion of UBS's business activities where methodologies and data are not yet able to provide a rating, e.g. private Individuals. **7** Displayed ratings represent exposure-weighted averages for a given sector scope.

Climate scenario analysis

We use scenario-based approaches to assess our exposure to physical and transition risks stemming from climate change. We have introduced a series of assessments facilitated by industry collaborations to harmonize approaches for addressing methodological and data gaps. We have performed top-down balance-sheet stress testing (across Pre-acquisition UBS), as well as targeted, bottom-up analysis of specific sector exposures covering short-, medium- and long-term time horizons.

The work performed includes regulatory scenario analysis and stress test exercises such as the Climate Risk Stress Test (CST) of the European Central Bank (the ECB), which assesses banks' preparedness for dealing with financial and economic shocks stemming from climate risk; and the Bank of England (BoE) 2021 Climate Biennial Exploratory Scenario (CBES). These exercises enabled the identification of financial risks from climate change and allowed Pre-acquisition UBS to assess management actions in response to different scenario results, as well as perform counterparty-level analysis. While these exercises showed mild losses and low exposure to climate risk for the entities in scope, the analysis allowed UBS to enhance climate risk scenario analysis and stress testing, further developing our capabilities for assessing risks and vulnerabilities from climate change.

In 2023, we further advanced our capabilities surrounding internal climate risk scenario analysis and stress testing for UBS Group excluding Credit Suisse. We enhanced and refined our climate risk scenarios with a focus on both transition and physical risk projections across 30 years. Further, we have been developing additional corresponding climate risk models to amend the coverage of major risk types and have enhanced consistent modelling approaches in the context of real estate energy performance and location-specific physical risk.

Over the last years we also leveraged industry-wide initiatives, such as the Paris Agreement Capital Transition Assessment (PACTA) exercise launched by the Swiss Federal Office for the Environment (FOEN) in 2020 and 2022. Through this exercise, we assessed the climate alignment of our listed investments (including equities and bonds), mortgages and direct real estate portfolios. The assessment allowed us to compare our results with the aggregated performance of all participating banks' portfolios, showing progress made over time and efforts still needed.

The following chart shows the evolution of our scenario-based analysis and stress-testing over time.

› **Refer to "Appendix 5 – Entity-specific disclosures for Credit Suisse AG" in the appendices to this report for a description of Credit Suisse's scenario analysis**

Since 2021

Regulatory stress-testing exercises
- European Central Bank (ECB) climate risk stress test
- Bank of England Climate Biennial Exploratory Scenario (CBES): financial risks from climate change
- Swiss Financial Market Supervisory Authority (FINMA) / Swiss National Bank (SNB) climate risk assessment: focus on measurement of climate-related transition risks

Since 2017

Scenario analysis informed by industry collaboration
- 2 Degrees Investing Initiative (2DII); Paris Agreement Capital Transition Assessment (PACTA)
- Collaboration with the UNEP-FI TCFD projects for banks
- Collaboration with the Natural Capital Finance Alliance / UNEP-FI

Since 2014

In-house scenario analysis
- A top-down stress test to assess the firm-wide vulnerability to climate change
- Bottom-up climate transition risk impacts on oil, gas and electric utilities credit portfolio
- Bottom-up (asset level) physical acute climate hazard potential impacts on mortgage portfolios

Note: Climate risk analysis is a novel area of research, and, as the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. For further information please refer to the UBS Sustainability Report 2021 and 2022.

› **Refer to the "Appendix 3 – Risk management" in the appendices to this report for details about our climate scenario analysis at UBS and Credit Suisse**

Monitoring and risk appetite setting

Our sustainability and climate risk policy framework defines the qualitative risk appetite for sustainability and climate risk and is subject to periodic updates and enhancements. Following the acquisition of the Credit Suisse Group, the sustainability and climate risk appetites of UBS and Credit Suisse were revised to define combined standards for the new combined organization, aimed at supporting mitigation and de-risking of the joint risk profile.

› **Refer to the "Appendix 3 – Risk management" in the appendices to this report for further details about our combined risk appetite**

As part of the sustainability and climate risk monitoring process, we have developed methodologies and metrics to assess our ongoing exposure to carbon-related assets and climate-sensitive sectors. In developing our metrics, we consider the inputs and guidance provided by standard-setting organizations as well as new or enhanced regulatory requirements for climate disclosures. In 2023 we continued working on methodologies covering climate-driven transition, physical and nature-related risks. Examples of such enhancements include adding issuer and traded products in our risk monitoring and reporting capabilities. The table below includes climate risk metrics for UBS Group excluding Credit Suisse and UBS AG on a standalone basis, as well as for UBS Switzerland AG and UBS Europe SE, both on a standalone basis. UBS will publish UBS Group and Credit Suisse AG sustainability and climate risk metrics in a supplement to the UBS Group Annual Report and the UBS Group Sustainability Report in line with the publication timeline for the semi-annual Pillar 3 disclosures in the third quarter of 2024.

Carbon-related assets proportion of total customer lending exposure for UBS Group excluding Credit Suisse decreased to 7.2% in 2023 from 7.5% in 2022. In 2023, the share of climate-sensitive sectors for UBS Group excluding Credit Suisse was 12.1% for transition risk and 9.7% for physical risk of our total customer lending exposure.

The main driver for transition risk was an increase in exposure to commercial real estate in Switzerland. This risk exposure was associated with the passing of the Climate and Innovation Act in Switzerland and the expected zero-to-three-year impact on energy-efficiency rules in the commercial real estate sector. The key driver for physical risk was exposure to the services sector, which includes financial services activities in emerging markets. Most of the climate-sensitive physical risk exposure was located in countries that have high levels of capacity to adapt to physical risk hazards.

The year-end 2023 exposure to nature-sensitive sectors of the UBS Group was 15.1% of the total customer lending exposure. For nature-related risk, sensitivity was driven by sectors that either have a high impact or a high dependency on the natural environment. These include metals and mining, utilities, and agriculture. Our business activities are concentrated in Lombard lending and the financial services sector, which are rated as having relatively low sensitivity to nature risk. A strong correlation can be observed between climate risk sensitivity (both transition and physical) and nature-related risks, with a heightened correlation in climate-sensitive sectors.

	For the year ended			% change from
	31.12.23	31.12.22	31.12.21	31.12.22
Climate- and nature-related metrics (USD billion)[1, 2]				
Carbon-related assets UBS Group excluding Credit Suisse[1, 2, 3, 4, 5]	**34.2**	33.6	36.0	1.7
Carbon-related assets proportion of total customer lending exposure, gross (%)[1, 2, 3, 4, 5]	***7.2***	*7.5*	*7.8*	
Carbon-related assets: UBS AG (standalone)[1, 2, 3, 4, 5]	***8.5***	*8.6*	*9.9*	*(1.5)*
Carbon-related assets: UBS Switzerland AG (standalone)[1, 2, 3, 4, 5]	***26.6***	*24.6*	*25.6*	*8.0*
Carbon-related assets: UBS Europe SE (standalone)[1, 2, 3, 4, 5]	***0.0***	*0.0*	*0.0*	*(25.7)*
Exposure to climate-sensitive sectors, transition risk UBS Group excluding Credit Suisse[1, 2, 4, 5, 6]	**58.1**	52.5	52.4	10.6
Climate-sensitive sectors, transition risk, proportion of total customer lending exposure, gross (%)[1, 2, 4, 5, 6]	***12.1***	*11.7*	*11.4*	
Exposure to climate-sensitive sectors, transition risk: UBS AG (standalone)[1, 2, 4, 5, 6]	***9.9***	*9.2*	*9.6*	*7.8*
Exposure to climate-sensitive sectors, transition risk: UBS Switzerland AG (standalone)[1, 2, 4, 5, 6]	***47.5***	*41.2*	*41.1*	*15.1*
Exposure to climate-sensitive sectors, transition risk: UBS Europe SE (standalone)[1, 2, 4, 5, 6]	***0.0***	*0.0*	*0.0*	*(0.1)*
Exposure to climate-sensitive sectors, transition risk: Traded products, UBS Group excluding Credit Suisse[1, 2, 4, 5, 6, 7]	**0.9**			
Exposure to climate-sensitive sectors, transition risk: Issuer risk, UBS Group excluding Credit Suisse[1, 2, 4, 5, 6, 8]	**4.6**			
Exposure to climate-sensitive sectors, physical risk UBS Group excluding Credit Suisse[1, 2, 4, 5, 6]	**46.2**	38.0	36.7	21.4
Climate-sensitive sectors, physical risk, proportion of total customer lending exposure, gross (%)[1, 2, 4, 5, 6]	***9.7***	*8.4*	*8.0*	
Exposure to climate-sensitive sectors, physical risk: UBS AG (standalone)[1, 2, 4, 5, 6]	***52.7***	*44.8*	*42.1*	*17.7*
Exposure to climate-sensitive sectors, physical risk: UBS Switzerland AG (standalone)[1, 2, 4, 5, 6]	***15.7***	*14.8*	*16.0*	*5.8*
Exposure to climate-sensitive sectors, physical risk: UBS Europe SE (standalone)[1, 2, 4, 5, 6]	***0.0***	*0.0*	*0.0*	*122.3*
Exposure to climate-sensitive sectors, physical risk: Traded products, UBS Group excluding Credit Suisse[1, 2, 4, 5, 6, 7]	**7.2**			
Exposure to climate-sensitive sectors, physical risk: Issuer risk, UBS Group excluding Credit Suisse[1, 2, 4, 5, 6, 8]	**15.7**			
Exposure to nature-related risks UBS Group excluding Credit Suisse[1, 4, 5, 6, 9]	**72.0**	64.6	67.3	11.4
Exposure to nature-related risks, proportion of total customer lending exposure, gross (%)[1, 4, 5, 6, 9]	***15.1***	*14.4*	*14.7*	
Exposure to nature-related risks: UBS AG (standalone)[1, 4, 5, 6, 9]	***14.4***	*12.0*	*12.7*	*20.1*
Exposure to nature-related risks: UBS Switzerland AG (standalone)[1, 4, 5, 6, 9]	***56.3***	*49.8*	*49.7*	*13.0*
Exposure to nature-related risks: UBS Europe SE (standalone)[1, 4, 5, 6, 9]	***0.1***	*0.0*	*0.0*	*205.1*
Exposure to nature-related risks: Traded products, UBS Group excluding Credit Suisse[1, 5, 7, 9]	**1.2**			
Exposure to nature-related risks: Issuer risk, UBS Group excluding Credit Suisse[1, 5, 8, 9]	**3.5**			

1 Methodologies for assessing climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. 2 Metrics are calculated and restated based on the 2023 methodology, across three years of reporting, 2021–2023. 3 As defined by the Task Force on Climate-related Financial Disclosures (the TCFD), in its expanded definition published in 2021, UBS defines carbon-related assets through industry-identifying attributes of the firm's banking book. UBS further includes the four non-financial sectors addressed by the TCFD, including, but not limited to, fossil fuel extraction, carbon-based power generation, transportation (air, sea, rail, and auto manufacture), metals production and mining, manufacturing industries, real estate development, chemicals, petrochemicals, and pharmaceuticals, building and construction materials and activities, forestry, agriculture, fishing, food and beverage production, as well as including trading companies that may trade any of the above (e.g., oil trading or agricultural commodity trading companies). This metric is agnostic of risk rating, and therefore may include exposures of companies that may be already transitioning or adapting their business models to climate risks, unlike UBS climate-sensitive sectors methodology, which takes a risk-based approach to defining material exposure to climate impacts. 4 Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss) and is based on consolidated and standalone IFRS numbers. The credit exposure includes portfolio adjustment bookings, which are either directly impacting the metrics, and have been reflected in the heatmaps, or are impact assessed and immaterial to the metrics representation. 5 UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both impacts to and dependency on a changing natural and climatic environment, in how it evaluates risks and opportunities. 6 Climate- and nature-related risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report 2023. Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- or nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. 7 Traded products are newly disclosed for FY 2023. Risk exposures consist of receivables from securities financial transactions, cash collateral receivables on derivative instruments and financial assets measured at amortised cost. 8 Issuer Risk is newly disclosed for FY 2023. Risk exposures consist of HQLA assets, debt securities, bonds, liquidity buffer securities. 9 Nature-related risk metric methodology has been further strategically enhanced, as part of an ongoing collaboration between UBS and UNEP-FI.

The table below presents a view of UBS's risk profile and changes year-on-year, within sectors and across climate- and nature-related risks. It first shows UBS's total exposure, and trend, to each sector, followed by an exposure-weighted risk rating, the trend in the underlying quantitative score year-on-year, and finally shows the total absolute exposure rated as moderate or higher within that sector. This is presented for all three risk types. Exposures may appear under one or more of the risk types and therefore may not be added together; this is because the methodologies are distinct in their approach and application.

Overall, UBS Group excluding Credit Suisse has a moderate or moderately low outlook across the three risk categories at the end of 2023. We found that most year-on-year fluctuations were driven by an increase in lending and changes in the risk profile relating to commercial real estate activities, especially in Switzerland. The changes in the risk profile can be attributed to regulatory action in Switzerland regarding climate policies.

› **Refer to our transition and physical risk heatmaps above**

Risk exposures by sector for UBS Group excluding Credit Suisse[1, 2, 3, 4, 5]

			Transition risk			Physical risk			Nature-related risk[8]		
Sector / Subsector	2023 exposure (USD bn)	2022-2023 exposure trend[6]	Weighted average transition risk rating 2023[7]	2022-2023 weighted average transition risk trend[6]	2023 transition risk climate sensitive exposure (USD bn)[5]	Weighted average physical risk rating 2023[7]	2022 risk-rating category[6]	2023 physical risk climate sensitive exposure (USD bn)[5]	Weighted average nature-related risk rating 2023[7]	2022-2023 weighted average nature-related risk trend[6]	2023 nature-related risk climate sensitive exposure (USD bn)[5]
Agriculture											
Agriculture, fishing and forestry	0.30	↑	Moderate	→	0.23	Moderate	→	0.08	High	→	0.30
Food and beverage	3.72	↑	Moderately high	→	3.72	Moderate	→	2.08	Moderate	→	3.71
Financial services											
Financial services	60.72	↑	Moderately low	↓	0.00	Moderate	→	17.47	Low	→	0.06
Fossil fuels											
Downstream refining, distribution	0.25	↓	Moderately high	→	0.25	Moderate	→	0.16	Moderately high	→	0.24
Integrated oil and gas	0.32	↓	Moderately high	→	0.32	Moderately low	→	0.00	High	→	0.32
Midstream transport, storage	0.17	↑	Moderate	→	0.17	Moderate	→	0.17	Moderately low	→	0.00
Trading fossil fuels	4.55	↓	Moderately high	→	4.55	Moderate	→	0.57	Moderate	→	4.44
Upstream extraction	0.21	↑	High	→	0.21	Moderate	↓	0.18	High	→	0.21
Industrials											
Cement or concrete manufacture	0.35	↑	High	→	0.35	Moderate	→	0.13	High	→	0.35
Chemicals manufacture	1.71	↑	High	→	1.71	Moderate	→	0.39	Moderately high	↓	1.71
Electronics manufacture	2.08	↑	Moderately low	→	0.00	Moderate	→	0.53	Moderate	→	0.82
Goods and apparel manufacture	2.63	↑	Moderately high	→	2.63	Moderate	→	1.58	Moderate	→	2.55
Machinery manufacturing	3.73	↑	Moderately high	→	3.26	Moderate	→	0.59	Moderately high	→	3.72
Pharmaceuticals manufacture	2.12	↑	Moderately high	→	2.12	Moderate	→	0.89	Moderate	→	2.10
Plastics and petrochemicals manufacture	0.91	→	Moderately high	→	0.91	Moderate	→	0.28	Moderate	→	0.51
Metals and mining											
Mining conglomerates (incl. trading)	2.06	↓	Moderately high	→	2.06	Moderate	→	0.05	Moderate	→	2.06
Mining and quarrying	0.43	→	Moderate	→	0.12	Moderate	→	0.37	High	→	0.43
Production of metals	0.59	↑	Moderately high	→	0.59	Moderate	→	0.39	Moderately high	↓	0.25
Private lending											
Lombard	122.76	↓	Moderately low	→	0.00	Moderately low	→	0.00	Low	→	0.00
Private lending, credit cards, others[9]	2.90	↓	Not classified	→	0.00	Not classified	→	0.00	Not classified	→	0.00
Real estate											
Development and management	4.58	↓	Moderately high	→	4.40	Moderately low	→	0.42	Moderately high	→	4.58
Commercial real estate	55.09	↑	Moderate	→	24.75	Moderately low	→	2.87	Moderately low	→	26.71
Residential real estate	176.70	↑	Moderately low	→	0.00	Low	→	0.00	Low	→	0.00
Services and technology											
Services and technology	19.10	↑	Moderately low	→	0.00	Moderate	→	11.24	Moderate	→	10.49
Sovereigns											
Sovereigns	2.77	→	Moderate	→	0.09	Moderately low	→	0.04	Low	→	0.00
Transportation											
Air transport	1.72	→	Moderately high	→	1.72	Moderate	→	1.58	Moderately high	→	1.72
Automotive	0.41	↑	Moderate	→	0.11	Moderate	→	0.36	Moderate	→	0.41
Rail freight	0.50	↑	Low	→	0.00	Moderate	→	0.39	Moderate	→	0.49
Road freight	0.51	→	Moderately high	→	0.51	Moderate	→	0.43	Moderately high	→	0.51
Transit	0.59	→	Moderately low	→	0.00	Moderate	→	0.54	Moderate	→	0.23
Transportation parts and equipment supply	0.65	↑	Moderately high	→	0.65	Moderate	↓	0.34	Moderate	→	0.65
Water transport	0.64	↑	Moderately high	→	0.64	Moderate	→	0.64	Moderately high	→	0.64
Utilities											
Power generation	1.73	→	High	→	1.71	Moderate	↓	1.36	Moderately high	→	1.73
Waste treatment	0.27	↑	Moderately high	↑	0.27	Moderate	→	0.05	Moderately low	↓	0.02
Not classified[9]	**0.12**	↑	**Not classified**	→	**0.00**	**Not classified**	→	**0.00**	**Not classified**	→	**0.00**
Grand Total	**477.89**	↑	**Moderate**	→	**58.05**	**Moderately low**	→	**46.18**	**Moderately low**	→	**71.97**

1 Methodologies for assessing climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. 2 Metrics are calculated and restated based on the 2023 methodology, across three years of reporting, 2021–2023. 3 Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss) and is based on consolidated and standalone IFRS Accounting Standards numbers. The credit exposure includes portfolio adjustment bookings, which are either directly impacting the metrics, and have been reflected in the heatmaps, or are impact assessed and immaterial to the metrics representation. 4 UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both impacts to and dependency on a changing natural and climatic environment, in how it evaluates risks and opportunities. 5 Climate- and nature-related risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report 2023. Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- or nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. 6 A material change in risk profile (discrete risk score, weighted average per sub-sector) is considered as >5% shift up, or down year on year. Similarly, for absolute exposure. 7 Displayed ratings represent exposure-weighted averages for a given sector scope. 8 Nature-related risk metric methodology has been further strategically enhanced, as part of an ongoing collaboration between UBS and UNEP-FI. 9 Not classified represents the portion of UBS's business activities where methodologies and data are not yet able to provide a rating, e.g. private Individuals.

Risk management and control

In 2023, UBS continued to develop solutions to integrate sustainability and climate risks into traditional risk categories, such as UBS's credit, market, liquidity, treasury, and other non-financial risk frameworks. We progressively enhanced our four-stage approach (defined above in the sustainability and climate risk management framework) by leveraging research on how sustainability and climate risk drivers may be transmitted to our clients (and their assets) and ultimately to UBS in the form of financial and non-financial risks. Our approach supports the ongoing management of sustainability and climate risks as they manifest across traditional risk categories and has been built in line with principles outlined by the Basel Committee on Banking Supervision (the BCBS) and the Task Force on Climate-related Financial Disclosures (the TCFD, now organized under the ISSB).

› **Refer to the "Supplement to Strategy" section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for our materiality methodology diagram**

Our progress is summarized in the following table.

Managing sustainability and climate risks within traditional risk categories

Traditional risk category	Sustainability and climate risk transmission channels to UBS	Our progress in 2023 and looking ahead to 2024
Credit risk	Potential credit losses to UBS driven by risks from a changing physical climate, the transition to a low-carbon economy or impacts and/or dependencies on our natural environment (e.g., biodiversity, clean water and fresh air). Climate and nature risk drivers can impact household, corporate, or sovereign income and/or wealth. Physical and transition risk drivers increase potential losses to UBS as soon as they have a negative effect on a borrower's ability to repay and/or fully recover the value of a loan in the event of default.	Over the course of 2023, we further embedded climate and nature risks into our credit risk management frameworks. By collaborating across business divisions and between both the first and second lines of defense, we developed innovative solutions tailored to the risk profiles and material drivers of risk within our businesses: – **Investment Bank:** The current credit-granting process has been amended to identify and measure the potential for credit losses driven by climate and nature-related risks for corporate lending and leveraged finance, including counterparty credit risk across relevant portfolios. At the transaction level, this is achieved by integrating tools such as sector-level climate and nature heatmaps and company-level due diligence scorecards into the credit approval analysis and decision-making process. In addition, at the portfolio level, we have established concentration triggers for all relevant counterparties. Furthermore, efforts were made to enhance and automate reporting of the full Investment Bank lending portfolio, on a quarterly basis. Finally, further monitoring and reporting of lending to specific sectors under the firm's net-zero commitment were implemented as part of the risk control framework supporting UBS's decarbonization targets. – **Global Wealth Management:** The current credit-granting process has been amended to identify and measure the potential for credit losses driven by climate and nature-related risks for Lombard lending in Switzerland and international locations. This is achieved by integrating tools such as sector-level climate and nature heatmaps and company-level due diligence scorecards into the credit approval analysis and decision-making process, with a focus on loans to operating companies and those backed by concentrated equity posted as collateral. Furthermore, efforts were made to enhance and automate reporting of the full Global Wealth Management Lombard lending portfolio, on a quarterly basis, including the integration of heatmaps using the "jump-to-zero" analytical engine. – **Personal & Corporate Banking**: The current credit-granting process has been amended to identify the potential for credit losses driven by climate and nature-related risks within the multinationals portfolio (managed at the parent/group level). This is achieved by integrating tools such as climate risk heatmaps into credit due diligence towards supporting an informed subsequent decision-making process on financial risk. Furthermore, efforts were made to enhance and automate reporting of the full Personal & Corporate Banking lending portfolio, on a quarterly basis. Finally, further monitoring and reporting of lending to specific sectors under the firm's net-zero commitment were implemented as part of the risk control framework supporting UBS's decarbonization targets. **Looking ahead to 2024 and beyond**, we have identified three key areas for further development: – UBS will begin planning an expansion of 2023 efforts, with the goal of rolling out the approaches to other regions and portfolios, in line with the multi-year SCR initiative. This includes solutions like integrating climate and nature-related risk ratings as inputs into the credit decision-making process, defining quantitative risk appetites at various levels, and training business representatives in climate and nature-related financial risk analysis. – Enhance 2023 methodologies with data granularity and automation: UBS is building capacity to be able to further differentiate risks at the company/issuer level. Through the new "climate risk rating model", UBS will incorporate third-party data in an automated model, so as to be able to further establish company-level performance against inherent risks defined through the sector-level heatmap. – Simplify various methodologies: UBS will seek to simplify its approach by aligning various risk-rating methodologies for transition risk assessments.

Market risk (traded and not traded)	Potential financial impacts to UBS from price shifts and/or market volatility. A changing physical environment (including climate change) may affect the value of companies reliant on the natural environment and/or how the market perceives these companies. The transition to a low-carbon economy through climate policies, low-carbon technologies, demand shifts and/or market perception may also impact the value of UBS's positions and/or lead to a breakdown in correlations between risk factors (e.g., prompting a change in market liquidity and/or challenging assumptions in UBS's model).	In 2023, we assessed the risk from planned portfolios, in line with our multi-year SCR Initiative, and established solutions for integrating climate and nature-related risks into our market risk management framework. Progress on integrating climate and nature-related risks into our market risk management was incrementally driven by **enhancing analytical capacity, automating** UBS sector-level heatmaps in our market risk monitoring systems, and establishing a **quantitative risk appetite.** **Enhancing analytical capacity:** Leveraging existing sector-level heatmap methodologies and our in-house scenario development capacity, we sought to perform a loss-driven materiality assessment. By linking the risk ratings with adverse-scenario-driven shocks, UBS was able to further examine the correlations between risk factors and understand the short-term loss potentials for climate. For the first time in 2023, UBS was also able to review nature risk sensitivities, following the introduction of a nature risk heatmap. **Automation:** Market risks systems allow daily monitoring, reporting and control. By integrating these with our centralized climate sector-level heatmaps, we are able to understand and react to drivers of climate impacts on our portfolios through the use of a quantitative risk appetite for relevant portfolios. **Quantitative risk appetite:** For the relevant portfolios, climate risk concentration triggers were introduced in 2023 based on the sector-level climate risk heatmaps. The solution allows for daily monitoring of positions that are considered inherently sensitive to climate risks, including an automated breach escalation process along with the market risk escalation path for concentration limits, providing an opportunity for remediation actions. The triggers cover credit delta and equity delta aggregated in accordance with the "sensitivity," as defined through the UBS heatmapping methodology. **Looking ahead to 2024 and beyond**, UBS is building the capacity to be able to further differentiate risks at the company/issuer level. Through the new "climate risk rating model", UBS will incorporate third-party data with an automated model to be able to further establish company-level performance against inherent risks defined through the sector-level heatmap. We have also started to adapt UBS in-house long-term scenarios to the specifics of short-term market risk analytical requirements. Further adaptation and implementation of this short-term perspective of UBS's adverse climate scenario is expected for 2024. The capabilities and processes currently established and under development are also being planned for expansion to the UBS global market risk portfolios in 2024.
Liquidity risk	The potential impact on liquidity adequacy is driven by risks from a changing physical climate, the transition to a low-carbon economy, or impacts and/or dependencies on our natural environment (e.g., biodiversity, clean water, fresh air). Climate events have been proven to affect funding conditions, and therefore liquidity buffers across broader banks (BCBS). Climate-related risks are considered as an additional driver of liquidity risk. As such, they may impact our liquidity adequacy directly or indirectly through our ability to raise funds, liquidate assets and/or our customers' demand for liquidity. This could result in net cash outflows or depletion of our liquidity buffer.	In 2023, UBS enhanced its analytical capability to assess the impact of climate shocks on the liquidity position of planned portfolios, in line with the multi-year SCR Initiative. For the first time in 2023, UBS was also able to review nature risk sensitivities, following the introduction of a nature risk heatmap. As part of the SCR Initiative, the 2023 climate and environmental assessment is being developed further for global rollout in the coming years, 2024 and 2025. In addition, a dedicated Treasury Risk Control team, focusing on sustainability and climate risks, was established in Q3 2023 to support this work. The integration of identified material climate-related risks into the internal liquidity risk management framework will be an iterative process as we continuously improve the methodology, along with improving the availability and quality of required data in the industry, and enhanced analytics and insights over time.
Non-financial risk (NFR)	Non-financial impact on UBS (compliance, operational risk and financial crime) from inadequate or failed internal processes, people and systems and/or externally due to physical climate events or stakeholder legal action	In 2023, we continued to integrate climate considerations into the existing NFR management framework. Specific climate risk driver scenarios were defined for impact on the exposure to taxonomy NFR, documented in a consolidated Root Cause Library to assess the completeness of controls against known transmission channels. By the end of 2023, 14 out of 18 taxonomies were assessed (with a target to complete across residual taxonomies by mid-2024). We also started to develop a roadmap to integrate climate-related considerations into operational risk regulatory/economic capital determination for inclusion in the GCRG NFR measurement model governance process with selective calibration applied initially to Suitability and Product Lifecycle. Given current strong capitalization, related ESG risks were assessed as sufficiently and inherently captured in their respective standalone capital exposures, but GCRG will continue to build on its modelling capabilities by enhancing and expanding the risk identification and materiality assessment to be performed quantitatively across relevant NFR categories and account for material climate-related model dynamics.
Reputational risk	Risk of an unfavorable perception, or a decline in UBS's reputation, from the point of view of clients, industries, shareholders, regulators, employees or the general public, which may lead to potential financial losses and/or loss of market share. Risk is considered across all business activities, transactions, and decisions.	We assessed the design of the reputational risk framework to be generally robust in terms of roles and responsibilities, escalation requirements, and review and approval authorities for sustainability-related risks. The reputational risk dashboard now captures the key risk indicators on a quarterly basis, including metrics for financial crime prevention, sustainability and climate risks, client complaints, new business and reputational risk cases.

› **Refer to the "Supplement to Managing sustainability and climate risks" section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for more information about our vision for integrating sustainability and climate risks**

We manage and escalate material climate risks in a timely manner, following our standard financial and non-financial risk processes and defining key responsibilities and tools both at the Group level and across our business divisions. To promote the adoption of consistent risk management practices across the Group, we have conducted climate risk-related training for employees across the business divisions and Group Functions. In 2023, the SCR unit provided training and education sessions focused on sustainability and climate risks and emerging risks such as greenwashing. These sessions were delivered to colleagues across the firm (44 training sessions delivered to over 25,000 colleagues across business divisions and Group Functions).

At Credit Suisse, climate risk management has been underpinned by a sector-specific client energy transition framework (CETF), which was leveraged until the end of 2023, when the framework was decommissioned. A group-wide approach is being developed by the combined firm to assess clients' energy transition readiness, with further developments expected throughout 2024.

› **Refer to "Appendix 5 – Entity-specific disclosures for Credit Suisse AG" in the appendices to this report report for a description of Credit Suisse's CETF**

Risk reporting and disclosure

Sustainability and climate risk updates are an integral part of UBS Group's quarterly risk reporting cycle. Information shared during this process includes the number of transactions referred to the SCR unit, and an associated breakdown by category. Assessment outcomes and the underlying reasons are also reported. The report includes information on exposure to climate-sensitive sector activities (our climate transition risk heatmap), leveraging a fully automated process. The heatmaps are also included in quarterly internal risk reports for key legal entities and business divisions.

Internal risk reporting in our Asset Management business division is facilitated by a proprietary ESG dashboard, which uses physical and transition climate risk data to generate alerts across several risk dimensions, highlighting the highest risk issuers. This information is leveraged in ESG risk recommendations and investment decisions.

For external climate-related risk reporting, we have prepared our annual disclosures across the key areas recommended by the TCFD. In addition, we have been leveraging the framework provided by the TNFD for the disclosure of nature-related risk. Our external quantitative and qualitative disclosures are being progressively extended to include Credit Suisse's portfolio, in order to capture the level of risk of the combined entity and provide relevant information for decision-making. With an internal reporting cycle similar to that of UBS, the Credit Suisse Climate Risk team continued to issue its quarterly internal climate risk report in 2023. From 2024, Credit Suisse's reporting cycles and metrics will progressively align with those of UBS, in parallel with the integration of underlying processes and controls.

› **Refer to "Appendix 5 – Entity-specific disclosures for Credit Suisse AG" in the appendices to this report for a description of Credit Suisse's risk reporting approach**

The development of internal and external climate risk disclosures will continue in the coming years in the context of our sustainability and climate risk road map, in order to address regulatory expectations and provide leading practice in this space.

Our investment management approach to sustainability and climate risks

UBS's sustainability and climate risk framework has been applied across our existing business divisions and is being progressively extended to cover the former Credit Suisse divisions. The following sections discuss the approach to sustainability and climate risks in the Asset Management and Global Wealth Management business divisions of UBS, and Asset Management (Credit Suisse) and Wealth Management (Credit Suisse) during 2023.

Assessing climate-related financial risks in client portfolios

As a global financial institution, it is our responsibility to help clients navigate the challenges of the transition to a low-carbon economy. We address this by establishing climate risk monitoring and management systems across our asset management and wealth management businesses, offering innovative products and services in investment and financing, and providing transparent reporting and disclosures.

We strive to integrate climate-related financial risk considerations into our decision-making and processes pertaining to services, strategies or products offered or employed by third parties, including delegates. In doing so, we demonstrate our commitment to implementing the recommendations of the TCFD. We perform climate risk assessments on discretionary portfolios managed in Singapore (and booked in Singapore or in Hong Kong), in line with the Monetary Authority of Singapore (MAS) Guidelines on Environmental Risk Management for Asset Managers. We also disclose portfolio risk across climate scenarios in the UK, in line with TCFD recommendations.

› **Refer to the UK Climate Disclosures in the "Appendix 6 – Other" in the appendices to this report**

We work collaboratively across our industry and with our clients, ensuring they have access to best practice, robust science-based approaches, standardized methodologies and quality data for measuring and mitigating climate risks.

In the following sections we outline our approach to quantifying climate risk in clients' assets. We then outline how climate risk information is applied to our asset management and wealth management divisions, respectively.

Quantifying climate risk: data and metrics

In order to quantify and integrate climate risks into our investment processes, we utilize physical and transition climate risk data projections and models at the issuer level from data providers, including S&P Trucost. Our physical risk assessment considers the potential impact of extreme climate events on an issuer's or direct assets, with each physical risk score representing a sensitivity-adjusted, weighted average of risk scores linked to all associated assets across different climate hazards, such as heat/cold wave, water stress, flooding, sea-level rise, hurricanes, wildfires and drought.

Transition risk arises from the process of adjustment to an environmentally sustainable economy, including changes in public policies, disruptive technological developments and shifts in consumer and investor preferences. One of the ways we assess transition risk is using an "Earnings at risk" approach, which analyzes the unpriced carbon cost to a company as % of its EBITDA (Earnings before interest, taxes, depreciation, and amortization). We see carbon earnings at risk as one of the more directly quantifiable and comparable metrics across industry sectors globally, which is more suited to reflecting the reach and complexity of our investments.

For both physical and transition risks, the projections are typically built on publicly reported company data, restricting coverage to corporate issuers, which form the bulk of our public markets portfolios. Consequently, exposures to sovereign or structured products, for example, are not covered at this point.

Climate risk data remains an evolving area, and best-practice standards or norms have yet to be developed. This results in acknowledged limitations in data coverage and quality, such as issuer type and the use of proxy or estimation techniques. Financial models also typically project up to three years in advance, with significant deterioration in visibility beyond one year. As such, long-term projections used to generate data even for 2030 introduce higher levels of uncertainty.

We work closely with our data providers to continuously enhance the scope and quality of data available to us. Climate risk data has continued to improve over the past year. We have seen expanding coverage from our data provider on sensitivity adjustments to physical risk scores, which are aimed at enhancing the quality of the estimates. As our data providers continue to improve on their data methodology and coverage, in line with industry best practice, these changes may be reflected in the climate risk analytics on our client portfolios.

Application in UBS AG Asset Management

UBS AG Asset Management's ESG (environmental, social and governance) integration approach identifies climate-related risks and opportunities which can be applied in managing existing investment strategies and constructing new portfolios.

The construction criteria for portfolios are applied based on the intended objectives of the strategy. Portfolios are classified based on their sustainability characteristics, including sustainability key performance indicators and minimum sustainability safeguards. Exclusion criteria address elevated sustainability risks, and the scope of portfolios to which such exclusions are applied is described in UBS AG Asset Management's Exclusion Policy. The investment policies contained in fund documentation describe the extent to which a strategy targets particular risk or opportunity outcomes. UBS AG Asset Management includes disclosure of portfolio-level metrics for sustainable investment portfolios in fund factsheets and client reporting. It also discloses various climate-related metrics in line with the TCFD's Supplemental Guidance for Asset Managers.

› **Refer to the "Environment" section of the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting* for aggregated asset class-level figures for weighted average carbon intensity and carbon footprint as well as total emissions**

Asset Management's Real Estate & Private Markets (REPM) business typically holds majority ownership in the direct real assets in which it invests, making it possible to positively influence outcomes through active ownership. This includes collaboration with tenants, 3rd party companies, employees, communities and other stakeholders (via, for example, green lease clauses, tenant satisfaction surveys, tenant reach-outs) to drive and achieve emission reductions and other climate risk mitigations. Where we do not have control, we actively engage with owners and stakeholders to address climate-related risks and monitor progress accordingly. Engagement topics include physical risk exposure and mitigation, transition plans, disclosures and net-zero alignment.

UBS AG Asset Management's overall strategy for managing climate risks is to integrate risk data and insights into the investment management processes. In our public markets' investments, this starts with an assessment of ESG issues based on our ESG Material Issues framework. This identifies the most relevant issues per sector, making the connection to key value drivers that may impact the investment thesis across sectors. The framework reflects a sector-based view of exposure to physical and transition climate risks.

In our REPM business, we consider key transition risks using our proprietary in-house ESG Dashboard. This assesses directly controlled real estate assets' environmental performance against pathways and targets. On the physical risk side, for our direct investments in real estate, we use a third-party location risk intelligence tool to analyze asset-level physical risk. We also use third-party data to inform our assessment of physical risk in our indirect real estate investments. These tools identify each asset's potential physical risks under a variety of climate change scenarios and timelines.

Active ownership

The transition of investment portfolios will require real-economy emission reductions. We see our active ownership strategy as a powerful tool in influencing corporate and other stakeholder behavior to achieve real-economy outcomes.

UBS AG Asset Management has had a dedicated climate engagement program in place for more than five years, addressing climate-related risks in companies and tracking measurable progress. It covers high-emitting companies in our listed equity and corporate bond universe, taking into account a range of sectors and geographies. This includes companies from the oil and gas, electricity and other utilities, metals and mining, construction materials, chemicals, and automotive sectors. The program is focused on driving ambitious and credible transition strategies across portfolio holdings, covering climate governance, targets, transition plans and relevant business model objectives. Since the start of our engagement program, we have increased the range of our expectations to include more ambitious emissions-reduction target-setting, quantified disclosures on decarbonization measures, capital deployment in line with a net-zero pathway and reporting of progress toward stated commitments.

› **Refer to the "Supplement to Managing sustainability and climate risks" section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for more information about our environmental risk analysis for the Hong Kong SAR and Singapore**

Application in UBS AG Global Wealth Management

Our overall investment decision-making process is largely driven top-down. While corporate-level data sourced from S&P Trucost has been chosen for UBS AG Global Wealth Management portfolios, given its credibility, complexity and coverage, this bottom-up dataset cannot be directly integrated into UBS AG Global Wealth Management investment processes without the use of significant aggregation and proxies.

Considering the above, within UBS AG Global Wealth Management, climate risk analyses are not used to inform investment decisions, either at the asset allocation or instrument selection levels at this point in time. This is due to investment scope, limitations of data availabilities, modeling uncertainties and implementation hurdles. However, we continue to make progress on capacity building and making climate risk assessment findings available across the investment value chain.

Industry engagement

Most of our discretionary portfolios comprise investment funds from third-party fund managers, including the Asset Management business division. Generally, Global Wealth Management acts as an asset allocator and manager of these portfolios but does not control portfolio construction and management within the underlying fund investment solutions. Consequently, as well as developing a climate risk assessment management framework for overall portfolios based on underlying investment holdings, we also aim to understand the climate risk management practices established by the managers of the underlying funds.

To that end, we regularly ask our investment fund partners to provide information on their approach to climate risk issues. This includes the extent to which environmental-/climate-risk management processes have been developed and implemented within their businesses with relevance to frameworks such as the TCFD and the MAS Guidelines on Environmental Risk Management for Asset Managers, where these are required by relevant regulators. We are committed to ongoing regular communications with our fund partners on the development of environmental-/ climate-risk management processes, as they apply to their strategies.

› **Refer to the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for more information about our climate risk assessment as applied to discretionary portfolios managed in Singapore**

Metrics and targets

Contributing to a low-carbon economy

Following the acquisition of the Credit Suisse Group, we have conducted an extensive review of the decarbonization targets to reflect the activities of the combined organization and evolving standards and methodologies. Based on this review, we have undertaken revisions to the decarbonization targets and also explicitly described in-scope activities where we have detailed plans, supported by short- and medium-term targets.

By 2050, our ambition is to achieve net-zero greenhouse gas (GHG) emissions across our scope 1 and 2, and specified scope 3 activities. Our current targets include:

Scope 1 and 2:

– minimizing our scope 1 and 2 emissions through energy efficiencies and by switching to more sustainable energy sources; after which, procuring credible carbon removal credits to neutralize any residual emissions down to zero by 2025[1];

Scope 3:

– engaging with our GHG key vendors, for 100% of them to declare their emissions and set net zero-aligned goals by 2026, and reduce their scope 1 and 2 emissions in line with net-zero trajectories by 2035[2];

– addressing our financed emissions by aligning specified sectors to decarbonization pathways; and

– aiming, by 2030, to align 20% of UBS AG Asset Management's total assets under management (AuM) with net zero.[3]

We recognize that there is more to do, and we aim to phase in additional scope 3 activities over time. While we continue to take steps to align our business activities with the ambition set out above, it is important to note that progress towards our targets may not be linear. Our priority is to support the transition of clients to a low-carbon economy, and their transition-financing needs. In the area of client investments, the scope of our investments that are subject to net-zero targets and our ability to meet our ambitions depend on our fiduciary duties as an investment manager and on the terms of the mandates agreed to with clients.

Reaching net zero will require collaboration across the private and public sectors. Decarbonization of the global economy, emissions reductions by clients, and the realization of our own targets and ambitions all depend on various factors outside of our direct influence. Clear guidance by governments through thoughtful regulations, policies and incentives, the development and scaling of key technologies, and broader changes in the behavior of our society are needed.

We actively participate in political discussions to share our expertise on proposed regulatory and supervisory changes and engage in discussions relating to sustainability and climate (e.g., via the International Institute of Finance (the IIF), the Association for Financial Markets in Europe (the AFME) and the Swiss Bankers Association (the SBA)). In addition, our participation in sustainability- and climate-focused organizations and associations helps us to deliver on our commitments whilst promoting the transition to a low-carbon economy.

We will continue to adjust our approach in line with external developments and evolving best practices for the financial sector and climate science. This may also lead us to revisit previously agreed voluntary commitments.

1 Scope 2 emissions are market-based emissions. The remaining scope 1 and 2 emissions may be in excess of the approximately 5-10% residuals required for net zero (per the definition of a "net-zero target" by the ESRS E1 Climate Change per delegated act, adopted on 31 July 2023), which is our ambition for 2050. In 2024, we will be reviewing our 2025 scope 1 and 2 target for achievability for the combined organization and alignment with latest guidance.
2 In 2024, we may review our targets for GHG key vendors for the combined organization and alignment with latest guidance. Our GHG key vendors are those vendors that collectively account for more than 50% of our estimated vendor GHG emissions.
3 This Pre-acquisition UBS aspiration will be reassessed in 2024.

Own operations

In 2023, we reduced our scope 1 and market-based scope 2 emissions by 21% and, for UBS Group excluding Credit Suisse, we continued to apply an internal carbon price of USD 400 per metric ton for scope 1 and 2 emissions in our capital investment business cases to support the transition away from carbon-intense building systems. In addition, we were able to achieve 96% renewable electricity in line with the stringent RE100[4] guidelines.

› **Refer to "Use of carbon offsets and carbon removal credits" in the "Metrics and targets" section of this report for more information about our internal carbon price**

With regards to our supply chain, we have continued a process of engagement with our vendors, asking them to provide their climate disclosures and set net zero-aligned goals. The number of our vendors completing their climate disclosures in CDP increased by 74% from 2022 to 2023. Meanwhile, 65% of our GHG key vendors (which we define as those vendors that collectively account for more than 50% of our estimated vendor GHG emissions) have declared their emissions in CDP and set net zero-aligned goals.

Financing activities

We evaluated the combined lending portfolios and resulting exposures to carbon-intensive sectors following the acquisition of the Credit Suisse Group in June 2023 and have set revised decarbonization targets for the Group. We have updated our previous emissions targets for real estate mortgage lending, as well as for the fossil fuels (oil, gas and coal), power generation and cement sectors, reflecting both the combined portfolios of the two firms and the methodology changes. We also identified iron and steel and shipping as additional target sectors. For the Credit Suisse AG in-scope shipping portfolio, we continue to disclose the portfolio's climate alignment to the Poseidon Principles decarbonization index. In addition, we undertook further assessment of the overall emissions associated with our lending and real estate mortgages and conducted a preliminary analysis of the facilitated emissions from our capital markets activities for select carbon-intensive sectors.

Investing activities

UBS AG Asset Management made progress during 2023 toward delivering its 2030 target of aiming to align 20% of UBS AG Asset Management's total assets under management (AuM) with net zero, using science-based portfolio alignment approaches. This included implementing revisions to fund documentation and investment management agreements in certain portfolios to align with our net-zero-aligned framework. This Pre-acquisition UBS aspiration will be reassessed in 2024.

Our Global Wealth Management business division is a large distributor and manager of investment solutions for clients, including sustainable investing solutions and climate-focused investments. We supported private investors and family offices seeking to decarbonize their overall holdings by offering related investment solutions across asset classes and increasing climate awareness through dedicated client education sessions.

Supporting climate-focused frameworks

We are committed to helping our clients achieve their decarbonization goals and to supporting the work of governments around the world in their transition to a low-carbon economy in alignment with the objectives of the Paris Agreement. In our home country of Switzerland, we support the new Climate and Innovation Act, passed in June 2023, through regulatory engagement, industry partnerships and collaboration.

› **Refer to "Appendix 4 – Metrics and targets" in the appendices to this report for more information about our climate-related methodologies and targets**

› **Refer to the "Our transition plan" section in "Appendix 4 – Metrics and targets" in the appendices to this report for a high-level overview of our activities to support our own transition and that of our clients**

[4] RE100 is an international guideline on renewable electricity procurement that outlines the approach for credible claims and frameworks, including specific market boundaries and the standard of third-party verification amongst other requirements. RE100 is considered a revised interpretation of the GHG Protocol Corporate Standard market-based scope 2 accounting standards.

Our climate roadmap

Our climate roadmap – what we are aiming for

2020

Founding member of the Net Zero Asset Managers (the NZAM) initiative

2021

Commitment to net zero by 2050 and founding member of the Net-Zero Banking Alliance (the NZBA) and the Glasgow Financial Alliance for Net Zero (GFANZ)

2022

Advisory vote on the climate roadmap passed by shareholders at the Annual General Meeting

by 2025

Addressing our own emissions

- Minimize our scope 1 and 2 emissions through energy efficiencies and by switching to more sustainable energy sources. After which, procure credible carbon removal credits to neutralize any residual emissions down to zero by 2025[1]
- Reduce our own energy consumption by 15% from 2019 levels
- Offset historical emissions from own operations back to 2000[2]

by 2030

Addressing the emissions of our in-scope lending and investing activities

- Reduce emissions intensity associated with UBS in-scope lending from 2021 levels for:[3]
  - Swiss residential real estate by 45%
  - Swiss commercial real estate by 48%
  - power generation by 60%
  - iron and steel by 27%
  - cement by 24%
- Reduce absolute financed emissions associated with UBS in-scope lending from 2021 levels to:[3]
  - fossil fuels by 70%
- Continue disclosing in-scope ship finance portfolios according to the Poseidon Principles (PP) decarbonization trajectories with the aim of aligning therewith[4]
- Align 20% of UBS AG Asset Management's total AuM with net zero[5]

by 2035

Addressing our supply chain

- Engage with our GHG key vendors, for 100% of them to reduce their scope 1 and 2 emissions in line with net-zero trajectories[6]

by 2050

Net-zero GHG emissions across our scope 1 and 2, and specified scope 3 activities

1 Scope 2 emissions are market-based emissions. The remaining scope 1 and 2 emissions may be in excess of the approximately 5-10% residuals required for net zero (per the definition of a "net-zero target" by the ESRS E1 Climate Change per delegated act, adopted on 31 July 2023), which is our ambition for 2050. In 2024, we will be reviewing our 2025 scope 1 and 2 target for achievability for the combined organization and alignment with latest guidance. 2 Target applies to UBS Group excluding Credit Suisse. 3 While we continue to take steps to align our business activities to our targets, it is important to note that progress towards our targets may not be linear and that the realization of our own targets and ambitions is dependent on various factors which are outside of our direct influence. We will continue to adjust our approach in line with external developments, as well as evolving best practices for the financial sector and climate science. Refer to the "Climate-related methodologies – net-zero approach for our financing activities" section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for more information about parts of the value chain within sectors covered by metrics and targets. Metrics are based on gross exposure, which includes total loans and advances to customers, fair value loans and guarantees as well as irrevocable loan commitments. Exclusions from scope of analysis primarily comprise financial services firms and other exposure to private individuals. 4 As part of our ship finance strategy, ships in scope of Poseidon Principles are assessed on criteria which aim at aligning portfolios to the Poseidon Principles decarbonization trajectories. The PP are a framework for assessing and disclosing, on an annual basis, the climate alignment of in-scope ship finance portfolios to the ambition of the International Maritime Organization (the IMO), including its 2023 Revised GHG Strategy for GHG emissions from international shipping to decrease to net zero by or around 2050 (against 2008 levels). 5 This Pre-acquisition UBS aspiration will be reassessed in 2024. In line with the Net Zero Asset Managers initiative, we acknowledge that the scope for asset managers to invest for net zero depends on the mandates agreed with clients and clients' and managers' regulatory environments. Also in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met, including increasing the ambition of their Nationally Determined Contributions, and in the context of investing, our legal duties to clients and unless otherwise prohibited by applicable law. In some asset classes or for some investment strategies, agreed net-zero methodologies do not yet exist. Where our ability to align our approach to investments with the goal of net zero emissions by 2050 is, today, constrained, we commit to embark with determination and ambition on a journey, and to challenge and seek to overcome the constraints we face. 6 In 2024, we may review our target for GHG key vendors for the combined organization and alignment with latest guidance. Our GHG key vendors are those vendors that collectively account for more than 50% of our estimated vendor GHG emissions.

Our climate-related metrics

Evolving our climate-related metrics

Standard-setting organizations and regulators continue to provide new or revised guidance and standards, as well as new or enhanced regulatory requirements for climate disclosures. We have developed methodologies that we use to set our climate-related targets and identify climate-related risks and opportunities. These methodologies underlie the metrics that are disclosed in this report and are based upon data available to us, including estimates and approximations where actual or specific data is not available. We intend to update our disclosures to comply with new guidance and regulatory requirements as they become applicable to UBS. Such updates may result in possibly substantial revisions to our disclosed metrics methodologies and related disclosures. They may also change the metrics we disclose.

Our climate-related targets have been set based on the methodologies, data and assumptions currently in use. Changes to these methodologies, data and assumptions may affect our progress toward these targets and our net-zero ambition, as well as their achievability. Our net-zero ambition and related targets for scope 3 emissions have a critical dependency on the overall progress made by all sectors and countries toward net-zero carbon emissions. Across many jurisdictions, substantial governmental action will be required to achieve that progress. If such advances are not made, our targets and ambitions with respect to scope 3 emissions will not be achievable.

Climate-related risks and opportunities metrics 2023

Climate-related risks and opportunities metrics

	For the year ended			% change from
	31.12.23	31.12.22	31.12.21	31.12.22
Risks (UBS Group excluding Credit Suisse)				
Carbon-related assets (USD billion)[1, 2, 3, 4, 5]	**34.2**	33.6	36.0	1.7
Exposure to climate-sensitive sectors, transition risk (USD billion)[1, 2, 4, 5, 6]	**58.1**	52.5	52.4	10.6
Exposure to climate-sensitive sectors, physical risk (USD billion)[1, 2, 4, 5, 6]	**46.2**	38.0	36.7	21.4
Exposure to nature-related risks (USD billion)[1, 4, 5, 6, 7]	**72.0**	64.6	67.3	11.4
Opportunities (UBS Group)				
Number of green, sustainability, and sustainability-linked bond deals[8]	**93**	69	98	34.8
Total deal value of green, sustainability, and sustainability-linked bond deals (USD billion)[8]	**49.3**	42.4	63.3	16.3
UBS-apportioned deal value of above (USD billion)	**11.6**	8.8	13.2	31.6

1 Methodologies for assessing climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. 2 Metrics are calculated and restated based on the 2023 methodology, across three years of reporting, 2021–2023. 3 As defined by the Task Force on Climate-related Financial Disclosures (the TCFD), in its expanded definition published in 2021, UBS defines carbon-related assets through industry-identifying attributes of the firm's banking book. UBS further includes the four non-financial sectors addressed by the TCFD, including, but not limited to, fossil fuel extraction, carbon-based power generation, transportation (air, sea, rail, and auto manufacture), metals production and mining, manufacturing industries, real estate development, chemicals, petrochemicals, and pharmaceuticals, building and construction materials and activities, forestry, agriculture, fishing, food and beverage production, as well as including trading companies that may trade any of the above (e.g., oil trading or agricultural commodity trading companies). This metric is agnostic of risk rating, and therefore may include exposures of companies that may be already transitioning or adapting their business models to climate risks, unlike UBS climate-sensitive sectors methodology, which takes a risk-based approach to defining material exposure to climate impacts. 4 Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss) and is based on consolidated and standalone IFRS numbers. The credit exposure includes portfolio adjustment bookings, which are either directly impacting the metrics, and have been reflected in the heatmaps, or are impact assessed and immaterial to the metrics representation. 5 UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both impacts to and dependency on a changing natural and climatic environment, in how it evaluates risks and opportunities. 6 Climate- and nature-related risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report 2023. Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- or nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. 7 Nature-related risk metric methodology has been further strategically enhanced, as part of an ongoing collaboration between UBS and UNEP-FI. 8 The metrics include transactions such as, but not limited to, Investment Bank Global Banking bonds issued under the voluntary ICMA Green Bond Principles, Sustainability Bond Principles, and Sustainability-Linked Bond Principles. The principles include a recommendation that the issuer appoints an external review provider to undertake an independent external review (e.g., second-party opinion). This is consistent with market practice. The metrics also include sustainability themed bonds (e.g., Transition). Transactions are counted only once, there is no double counting (e.g., if and where UBS AG and Credit Suisse were involved in the same transaction). UBS performed an assessment for Credit Suisse green, social, sustainability and sustainability-linked bonds reported in the 2023 Sustainability Report and deemed them to be aligned to UBS sustainable bond guidelines.

› **Refer to "Appendix 2 – Strategy" in the appendices to this report for more information about our climate-related materiality assessment**

› **Refer to the "Metrics and targets" section of this report for more details on climate-related risk metrics**

Climate-related lending metrics 2023

Based on the guidelines by the World Resources Institute (the WRI) and the World Business Council for Sustainable Development (the WBCSD) for reporting in the event of a material acquisition[5], the emissions metrics shown for 31 December 2021 and 31 December 2022 are calculated on the basis of the joint loan books of UBS and Credit Suisse on those dates, on a pro forma basis. As in previous Sustainability Reports, climate-related lending metrics are not shown for the current reporting year, due to the inherent time-lag in the availability of emissions data.

Based on an assessment of qualitative and quantitative criteria such as alignment with industry guidance, availability and quality of data and consistency across sectors in existing targets disclosed by Pre-acquisition UBS and Credit Suisse Group, 2021 has been adopted as the baseline year for all sectors.

› **Refer to the "Appendix 4 – Metrics and targets" in the appendices to this report for more information about our climate-related methodologies**

5 GHG Protocol Corporate Value chain (Scope 3) Accounting and Reporting Standard

Climate-related lending metrics (UBS Group)

	For the year ended		% change from
	31.12.22	31.12.21	31.12.21
Lending[1]			Baseline 2021
Swiss residential real estate (scopes 1 and 2 kg CO_2e / m² ERA)[2]	**36.5**	38.7	(6)
Swiss commercial real estate (scopes 1 and 2 kg CO_2e / m² ERA)[2]	**32.1**	31.3	2
Fossil fuels (oil, gas and coal; scopes 1, 2 and 3 million metric t CO_2e)	**45.9**	64.7	(29)
Power generation (scope 1 kg CO_2e / MWh)	**297**	339	(13)
Iron and steel (scopes 1 and 2 metric t CO_2 / metric t of steel)	**1.68**	1.75	(4)
Cement (scopes 1 and 2 metric t CO_2 / metric t of cementitious)	**0.63**	0.64	(1)

1 Based on gross exposure, which includes total loans and advances to customers, fair value loans and guarantees as well as irrevocable loan commitments. Refer to the "Basis of Reporting" section of the Supplement to the UBS Group Sustainability Report 2023, available at ubs.com/sustainability-reporting for more information about our climate-related methodologies. 2 ERA: Energy Reference Area.

Credit Suisse AG completed its Poseidon Principles disclosure for 2023, as disclosed in the following table.

Climate-related lending metrics – Poseidon Principles (Credit Suisse AG consolidated)

	For the year ended		% change from
	31.12.22	31.12.21	31.12.21
Poseidon Principles disclosure			
Shipping (delta alignment to Poseidon Principles "IMO 50" trajectory)[1]	**-4.6%**	-1.3%	n/a
Shipping (delta alignment to "IMO 2023 minimum trajectory")[2]	**11.5%**	n/a	n/a
Shipping (delta alignment to "IMO 2023 striving for trajectory")[2]	**15.7%**	n/a	n/a

1 Poseidon Principles "IMO 50" trajectory is not 1.5°C aligned. 2 The IMO Revised GHG Strategy sets out the following absolute reduction levels of ambition: (i) to reduce total annual GHG emissions by at least 20%, striving for 30%, by 2030 (compared with 2008); (ii) to reduce total annual GHG emissions by at least 70%, striving for 80%, by 2040 (compared with 2008); (iii) GHG emissions to peak as soon as possible and to reach net-zero GHG emissions by or around 2050; and (iv) carbon intensity to decrease in order to reduce CO_2 emissions per transport unit by at least 40% by 2030 (compared with 2008). The Revised GHG Strategy considers well-to-wake CO_2e emissions, i.e., it includes upstream emissions, as well as accounting for the impact of methane (CH4) and nitrous oxide (N_2O). The updated IMO trajectories are not 1.5°C aligned.

Climate-related investing metrics 2023

Metrics relating to net-zero investments, portfolio emissions, and voting apply to UBS AG Asset Management only.

Climate-related investing metrics (UBS AG)

	For the year ended		
	31.12.23	31.12.22	31.12.21
Opportunities – net-zero investing			
Number of net-zero ambition portfolios	**35**		
Net-zero ambition assets share of total assets under management (%)	**2.9**		
Portfolio emissions			
UBS AG Asset Management investment-associated emissions (absolute; in t CO_2e)[1]	**46,266,089**		
UBS AG Asset Management investment-associated carbon intensity (in t CO_2e per USD million invested)[1]	**62.0**		
Weighted average carbon intensity – by asset class[1, 2]			
Weighted average carbon intensity – active equity assets (t CO_2e per USD million of revenue)	***105.6***	*130.4*	*109.8*
% AuM weighted average carbon intensity below benchmark (active equity)[3]	***81.3***	*75.7*	*62.4*
Weighted average carbon intensity – active fixed income assets (t CO_2e per USD million of revenue)	***114.9***	*145.3*	*198*
% AuM weighted average carbon intensity below benchmark (active fixed income)[3]	***65.0***	*63.5*	*76.3*
Weighted average carbon intensity – indexed equity assets (t CO_2e per USD million of revenue)	***100.7***	*128.3*	*128.9*
Weighted average carbon intensity – indexed fixed income assets (t CO_2e per USD million of revenue)	***127.9***	*139.8*	*169.8*
Weighted average carbon intensity – direct real estate (kg CO_2e per square meter)[4, 5]		*26.89*	*31.5*
Carbon footprint - by asset class[1, 2]			
Carbon footprint – active equity assets (t CO_2e per USD million invested)	***44.1***		
% AuM weighted average carbon intensity below benchmark (active equity)	***79.1***		
Carbon footprint – active fixed income assets (t CO_2e per USD million invested)	***45.5***		
% AuM weighted average carbon intensity below benchmark (active fixed income)	***20.6***		
Carbon footprint – indexed equity assets (t CO_2e per USD million invested)	***45.9***		
Carbon footprint – indexed fixed income assets (t CO_2e per USD million invested)	***108.3***		
Stewardship – voting[6]			
Number of climate-related resolutions voted upon	**157**	160.0	89.0
Proportion of supported climate-related resolutions (%)	***69.4***	*71.2*	*78.6*

1 Based on data for scope 1 and 2 GHG emissions of investee companies from a third-party data provider. 2 Carbon intensity and carbon footprint of an asset class are the aggregates of the individual portfolios weighted by portfolio size. Portfolios and benchmarks measures are the aggregates of individual issuers weighted by share of portfolio or benchmark. Data coverage thresholds are applied in determining which portfolios are included. 3 The disclosure for % AuM weighted average carbon intensity below benchmark (active equity) and (active fixed income) have been updated for 31.12.21 to be reflected in percentages of 62.4% and 76.3% instead of the decimals previously presented. 4 Data is collected from direct real estate assets for discretionary funds and mandates that participate in the Global Real Estate Sustainability Benchmark. The numbers used represent either reported data grossed up to 100% (where area coverage, ownership days or occupancy is less than 100% and greater or equal to 50%) or an estimate based on proxy where area coverage, ownership days or occupancy is less than 50%. The data includes Scopes 1,2 and if available scope 3 GHG emissions with one-year time lag. 5 Due to the lag in the availability of emissions data, our disclosure is reported on a one year lag (please refer to the Basis of Reporting section of the Supplement to the UBS Group Sustainability Report 2023, available at ubs.com/sustainability-reporting for further details). In the 2022 Sustainability Report, the number calculated in 2022 was incorrectly reported as 2022 and t CO_2e, when the underlying data was related to 2021 and kg CO_2e. The 31.12.21 comparative number has now been updated reflecting methodology changes and increased data availability since the previous reporting period. 6 Data for 2021 excludes proposals related to Japanese companies that included changes to companies' articles of association. Data includes proposals by both management and shareholders and reflects common market definition of climate-related proposals.

Climate-related own operations metrics 2023

Climate-related own operations metrics (UBS Group)

	For the year ended			% change from
	31.12.23	31.12.22	31.12.21	31.12.22
Own operations				
Net GHG footprint (1,000 metric tons CO_2e)[1]	**169**	169	133	(0)
Change from baseline 2019 (%)	***(53)***	*(53)*	*(63)*	*0*
Share of renewable electricity (%)	**96**	91	92	5

1 Net GHG footprint equals gross GHG emissions minus GHG reductions from renewable electricity (gross GHG emissions include: direct GHG emissions by UBS Group; indirect GHG emissions associated with the generation of imported / purchased electricity (grid average emission factor), heat or steam; and other indirect; GHG emissions associated with business travel, paper and water consumption, energy related activities and waste disposal). Refer to the "Environment" section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for a breakdown of our GHG emissions (scopes 1, 2 and 3).

Supporting our clients' low-carbon transition

Helping our clients to navigate the orderly transition to a low-carbon economy and build climate-resilient business models is a key objective of our approach to climate, as is the mobilization of private and institutional capital toward this transition. Aligning our in-scope lending and investment portfolios to the objectives of the Paris Agreement is an important part of this approach and so are the products and services we offer. Specifically, these include:

Offering sustainable finance products and services

By offering innovative sustainable financing, investment and capital markets solutions, we strive to provide clients with the choices they need to meet their specific sustainability objectives while supporting their transition to a low carbon economy. We are developing innovative advisory, lending, basic banking and transition financing solutions, as well as offering our clients access to various sustainable investment (SI) solutions. By combining targeted advice with our research, thematic insights, and data and analytics services, we aim to help clients better understand and mitigate risks and identify new opportunities. Further, we provide support in the form of tools, platforms and education.

› **Refer to the "Strategy" section of this report for more information about our sustainable finance product and service offering and an overview of key developments in 2023**

Engaging with our investees and clients

Through collaboration and engagement with industry, investees and our clients, we help clients access best practices, robust science-based approaches, standardized methodologies and quality data that help them to better measure and mitigate climate risks and act on climate-related opportunities. Our aim is to better understand where we should focus our engagement efforts to best support our investees and clients, which is why, as a first step, it is important that we assess where investees and corporate clients are on their low-carbon journey. To do this, we are developing a framework that considers existing categorization frameworks used by UBS AG and Credit Suisse AG, such as the Credit Suisse Client Energy Transition Framework (CETF).

› **Refer to "Our transition strategy levers" and "Supporting our investing clients' low-carbon transition" section for more information about our engagement with our clients and to the "Asset Management" section of this report for more information about our active ownership approach and climate engagement program with our investees**

› **Refer to "Appendix 5 – Entity-specific disclosures for Credit Suisse AG" in the appendices to this report for a description of Credit Suisse's CETF**

Developing thought leadership

Our aim is to further inform and facilitate our engagement activities by acting as a thought leader in sustainability, providing our clients with deep insights and research content from across our business areas and central initiatives. Our main Group sustainability thought leadership initiative, the UBS Sustainability and Impact Institute, develops insights into the long-term developments needed to support the transition to a low-carbon, sustainable economy. Our Global Wealth Management Chief Investment Office and our Investment Bank Research offer actionable insights on sustainable investments and finance. Meanwhile, our Investment Bank, Global Wealth Management, Asset Management and Personal & Corporate Banking business divisions each delivered a variety of conferences, webinars, reports, papers and other events during 2023 to discuss some of the most important developments and themes around sustainability with our clients.

› **Refer to the "Expanding insights" section of the Supplement to the UBS Group Sustainability Report, available at *ubs.com/sustainability-reporting*, for more information about our thought leadership activities**

Supporting our financing clients' low-carbon transition

Our lending sector decarbonization targets

As set out in the UBS Group Sustainability Report 2022, Pre-acquisition UBS set targets to address in-scope lending emissions for the residential and commercial real estate, fossil fuels (oil, gas and coal), power generation and cement sectors, while the Credit Suisse Group had (as set out in the Credit Suisse Group Sustainability Report 2022) set targets for the oil, gas and coal, power generation, commercial real estate, iron and steel, aluminum and automotive sectors. For the shipping sector, the Credit Suisse Group disclosed the portfolio's climate alignment to the Poseidon Principles decarbonization index.

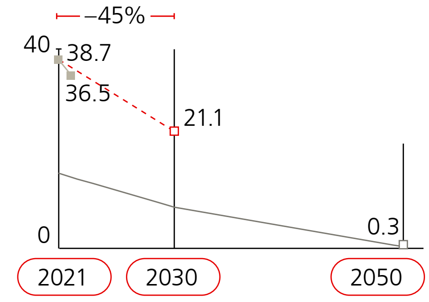
During 2023, following the acquisition of the Credit Suisse Group, we refined the UBS Group lending sector decarbonization targets based on the integration of the Credit Suisse Group portfolios and in alignment with our net zero ambition. We prioritized sectors that have the highest carbon impact, as per the guidelines of the Net-Zero Banking Alliance (NZBA), and also applied additional considerations. These include the materiality of sectors in terms of financial exposure and the availability of data and applicable methodologies to estimate baselines and develop pathways toward net zero. We performed additional analysis to establish transparency around the contribution of each sector in our portfolio to the total.

Decarbonization targets have been established for Swiss real estate mortgages (commercial and residential real estate) and for financing of in-scope activities in the fossil fuels (oil, gas and coal), power generation, iron and steel and cement sectors. For the Credit Suisse AG in-scope shipping portfolio, we continue to disclose the portfolio's climate alignment to the Poseidon Principles decarbonization index. As the automotive and aluminum sectors previously reported by the Credit Suisse Group did not meet the exposure or emissions materiality thresholds as calculated based on estimated 2023 exposure for the combined portfolios, they have been deprioritized for target setting at this time.

We will continue to assess the materiality of the deprioritized sectors annually and aim to develop additional targets for the remaining material carbon-intensive sectors in line with our commitment to the NZBA and as data and methodologies become available.

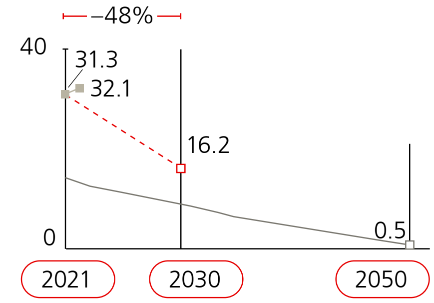
Overview of lending sector decarbonization targets and progress[1]

Swiss residential real estate[2]
kg CO_2e/m^2 ERA[3]



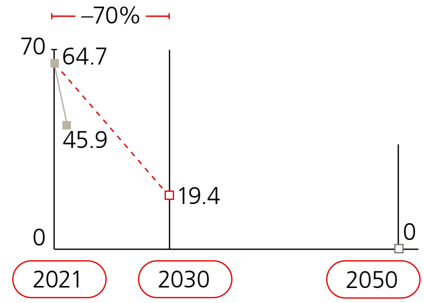
- UBS actuals
- UBS target
- 2050 convergence point
- Implied Energy Perspectives 2050+ ZERO Basis – residential buildings
- Indicative trend line to 2030 target

Swiss commercial real estate[2]
kg CO_2e/m^2 ERA[3]



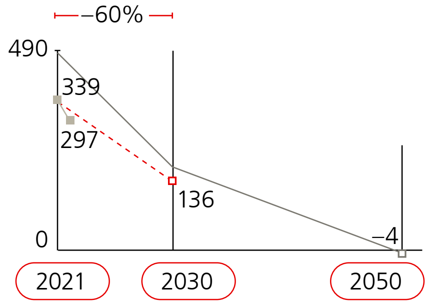
- UBS actuals
- UBS target
- 2050 convergence point
- Implied Energy Perspectives 2050+ ZERO Basis – residential buildings & services
- Indicative trend line to 2030 target

Fossil fuels
million metric t CO_2e



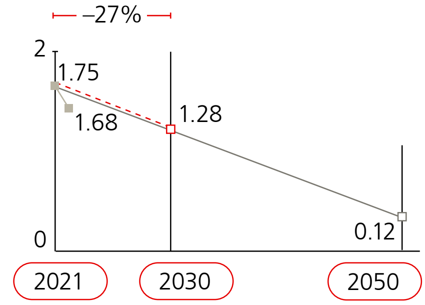
- UBS actuals
- UBS target
- 2050 convergence point
- Indicative trend line to 2030 target

Power generation
kg CO_2e/MWh



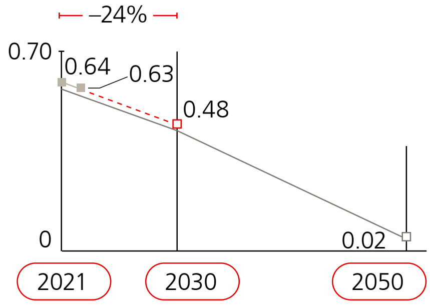
- UBS actuals
- UBS target
- 2050 convergence point
- IEA NZE 2050
- Indicative trend line to 2030 target

Iron and steel
metric t CO_2/metric t steel



- UBS actuals
- UBS target
- 2050 convergence point
- IEA NZE 2050 (adjusted)
- Indicative trend line to 2030 target

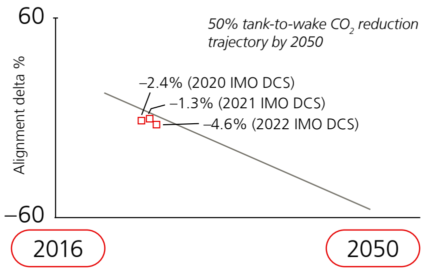
Cement
metric t CO_2 / metric t cementitious



- UBS actuals
- UBS target
- 2050 convergence point
- IEA NZE 2050 (adjusted)
- Indicative trend line to 2030 target

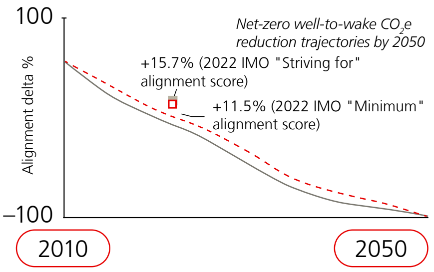
Shipping[4]
alignment delta %

2018 IMO GHG Strategy (“IMO Initial GHG Strategy”)



- Portfolio climate alignment score
- Index trajectory Poseidon Principles

2023 IMO GHG Strategy (“IMO Revised GHG Strategy”)



- 2022 vs Striving for
- 2022 vs Minimum
- Striving
- Minimum

1 For corporate sectors (fossil fuels, power generation, iron and steel, and cement) we have used the Sectoral Decarbonization Approach (SDA). The SDA assumes global convergence of key sectors’ emissions intensities by 2050 and we set our 2030 targets to be in line with this assumption. We have used externally published independent net-zero scenarios as reference for the 2050 convergence points used to define the 2030 targets. 2 Swiss commercial real estate and Swiss residential real estate portfolio decarbonization rates are in line with the Implied Energy Perspectives 2050+ ZERO Basis benchmarks. The high observed emissions intensities are mainly due to conservative assumptions (e.g., oil heating assumed if actual heating type not available) and high emissions factors per unit of energy used. The portfolio increase for Swiss commercial real estate was primarily driven by a change of the portfolio mix of properties financed by Credit Suisse Group, with an increased weight of properties with higher emissions characteristics. 3 ERA: Energy Reference Area 4 Shipping graphs display our portfolio’s alignment to the Poseidon Principles decarbonization trajectories.

› **Refer to the “Supplement to Environment” section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for more information about our targets**

› **Refer to the “Basis of Reporting” section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting* for more information about our climate-related lending metrics**

Our approach to target-setting is based on the guidance from global standards and initiatives such as the NZBA, the Partnership for Carbon Accounting Financials (PCAF), the Paris Agreement Capital Transition Assessment (PACTA) and the Science-Based Targets Initiative (the SBTi). UBS acknowledges that Credit Suisse had a commitment to SBTi to have its 2030 targets externally validated. To develop the combined 2030 targets, we have utilized SBTi guidance where possible and we continue to assess the options for target validation and assurance.

We strive to measure and monitor progress toward our targets and their alignment with our climate commitments and emerging standards. It is important to note that progress towards our targets may not be linear, and year-on-year volatility is expected due to changes in the portfolios' composition over time. We plan to disclose our progress publicly on an annual basis. In line with NZBA guidelines for climate target-setting, we intend, as a minimum, to review our targets every five years to ensure consistency with the most recent climate science and best practices.

How we aim to underpin our targets with transition strategies

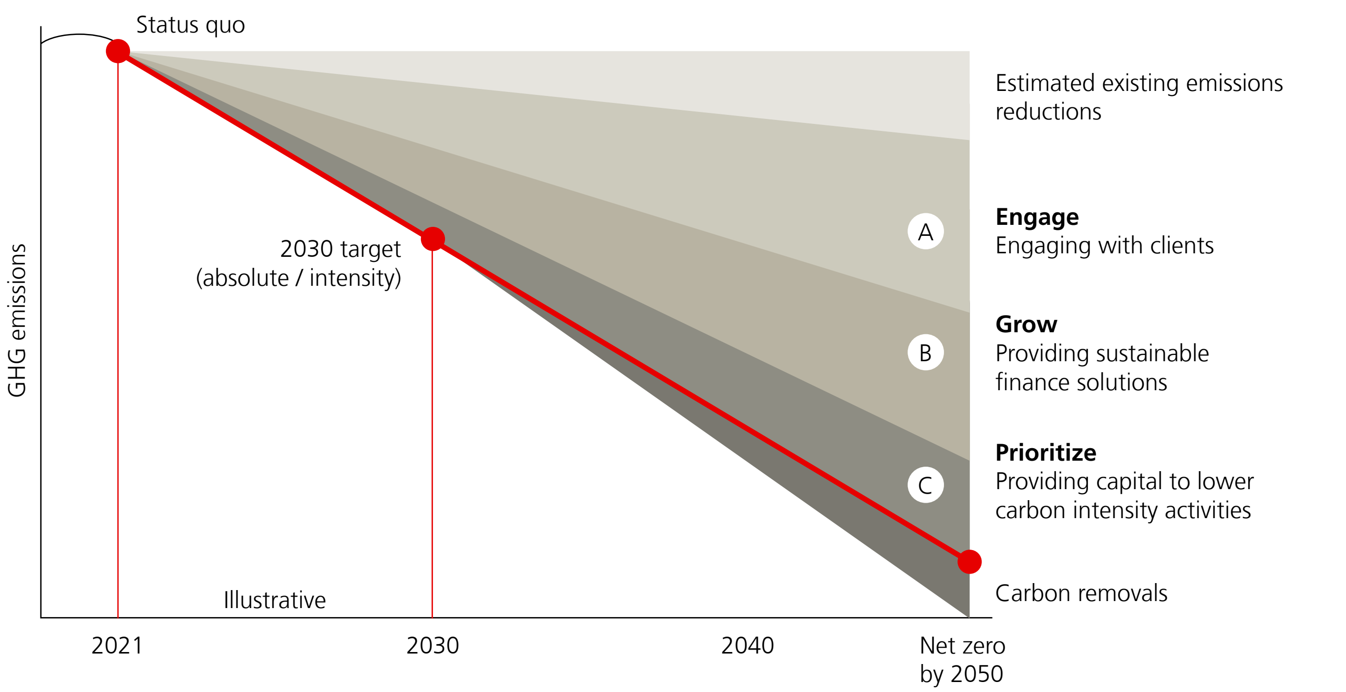
To underpin our targets and guide our transition strategies and actions, we followed a two-step process:

- assessing the overall emissions associated with UBS's in-scope lending portfolio, including Swiss real estate mortgages and estimated emissions reductions by 2030 (by business division and sector), considering client's historical emissions trends as well as public decarbonization commitments; and
- considering anticipated changes in the size and composition of our in-scope lending portfolios arising from lending structures and business strategy.

Alongside these estimated emissions reductions, we defined three key transition strategy levers where we believe we can have an impact and facilitate additional emissions reductions to reach our targets.

Our transition strategy levers

Illustrative glidepath to net zero



A. Engage: engaging with our clients

Building on the review of our clients' public decarbonization commitments, we further assess where they currently stand on their journey toward a low-carbon and climate-resilient business model. By establishing a view on our clients' current decarbonization ambitions and activities, we aim to work alongside them to support their transition efforts. This can include encouraging the disclosure of current emissions, the setting of future decarbonization targets in line with Paris-aligned pathways and the development of credible transition plans.

Through our ESG Advisory Group, we are also providing the necessary lens to help our clients assess ESG (environmental, social, governance) topics throughout the corporate lifecycle and critically analyze a corporation's ESG profile from a business and investor perspective.

› **Refer to the "Investment Bank" section of this report for more information about our ESG Advisory Group**

B. Grow: offering sustainable finance solutions

We complement our engagement efforts with sustainable and sustainability-linked financial advice and solutions (advisory, lending, basic banking and transition financing solutions) to help our clients transition to a more sustainable future. These solutions can be on-balance sheet (e.g., green or sustainable loans and mortgages) or off-balance sheet (such as access to debt and equity capital markets). They can also include transaction structuring.

For example, in the corporate client business, we focus on supporting our clients by advising them as part of the strategic dialogue and partnering with them in the implementation of new solutions. We offer sustainable-linked loans (SLL) to incentivize the borrower's achievement of ambitious, predetermined sustainability performance targets. Our SLL offering is open to qualifying corporates from all sectors wishing to reflect their sustainability ambitions in their funding strategy and benefit from meeting agreed sustainability performance targets.

› **Refer to the "Supporting opportunities" section of this report for more information about our sustainable finance product and service offering, and specifically to the "Personal & Corporate Banking" section for more information about our corporate client business**

We continue to develop and refine our sustainable finance solutions and approaches on an ongoing basis to support our clients in orienting their business efforts toward the objectives of the Paris Agreement.

C. Prioritize: providing capital for lower-carbon-intensity activities

As previously highlighted, our aim is to direct capital toward lower-carbon activities, or to clients with credible net-zero targets and plans to transition to low-carbon and climate-resilient business models. This is in line with our sustainability risk process which may trigger enhanced due diligence for clients in those carbon-intensive sectors that have higher climate-related impacts and risks. At the same time, as the global economy shifts toward lower-carbon activities, we see opportunities to provide financing and advisory services to clients that are well positioned to benefit from this transition.

Evolving our transition strategy

Managing and monitoring our financing activities remains an ongoing focus. We continue to build on and refine our transition strategy and further tailor it to our business divisions. Our aim is to make our approach to climate "business as usual" and to orient our new and existing business efforts toward net zero by 2050. We strive to routinely consider the climate impact resulting from our financing activities, take an active approach to growing our low-carbon business and address our financed emissions by engaging with clients and supporting their transition. We strive to further strengthen our operating model and increase our efforts in the fields of transition and green finance. We also expect new technologies to emerge, along with policies and actions from governments, that will support the transition to a low-carbon economy. We regard such developments as dependencies for us to contribute toward meeting the objectives of the Paris Agreement.

As we work toward our targets and further develop our transition strategies, we aim to consider a just transition to a low-carbon economy, one that is as fair and inclusive as possible. In this regard, we contributed to the market's understanding of the concept as part of the Principles for Responsible Banking (the PRB) Just Transition working group.

Carbon reduction and removal

In accordance with the NZBA guidelines, offsetting can play a role that is supplemental to sectoral and economy-wide decarbonization. We support transparent investment in carbon markets that are aligned with the current publicly available consensus on high integrity standards and robust governance (including the VCMI (Voluntary Carbon Markets Integrity Initiative) Claims Code of Practice, the ICVCM (Integrity Council for the Voluntary Carbon Market) Core Carbon Principles and the Oxford Principles for Net-Zero-Aligned Carbon Offsetting). Any decarbonization strategies, including offsetting, that UBS applies to its own in-house operations or advises other organizations on must meet these standards.

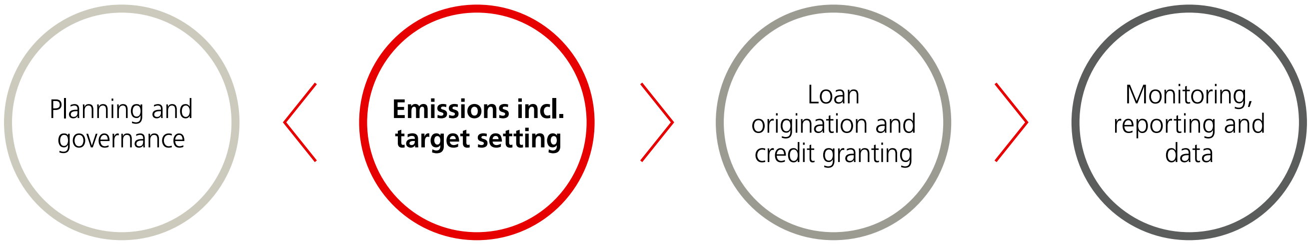
Our transition plan prioritizes emissions reductions in line with science-based climate targets and credible trajectories to achieve these targets. In addition, we anticipate that the deployment of carbon-removal solutions will be needed to counterbalance hard-to-abate emissions and supplement the reduction strategies of some of our clients. For example, certain industrial processes cannot yet achieve absolute zero emissions as technologically or financially viable emissions-elimination alternatives do not exist. Those industries, however, still provide products and services that are important to society and are likely to remain relevant in the future. In these cases, carbon removals are critical to balance residual emissions. As best practice guidance, regulation, methodologies and technologies develop, our approach to decarbonization, including offsets, will continue to evolve.

Sustainable lending operating model

To operationalize our approach to climate, it is important to embed sustainability and climate considerations into our lending operating model, leading to regular adjustment of evaluation and decision-making frameworks, governance structures, control and monitoring processes, and underlying systems.

For example, following the acquisition of the Credit Suisse Group, UBS reassessed the emissions and targets for sectors with a high-carbon impact for the combined organization. To operationalize our target approach, we are reviewing whether our planning and governance processes, risk appetite, sector strategies, and so on are still appropriate. In parallel, we are assessing required enhancements to our loan origination, credit granting, monitoring and reporting processes.

Building blocks of the sustainable lending operating model



Planning and governance
- Group oversight
- Risk appetite
- Policies
- Sector strategy
- Financial management (strategic plan)

Emissions incl. target setting
- Greenhouse gas emissions (financed / intensity)
- Target metric and reference pathway

Loan origination and credit granting
- Value proposition
- Credit decision
- Engagement
- Refinancing
- Systems and processes

Monitoring, reporting and data
- Reporting
- UBS data management
- External vendors

Our approach to measuring facilitated emissions from our capital markets business

Investment Bank

The Investment Bank offers our clients access to the world's primary, secondary and private capital markets, through an array of sustainability- and climate-focused services, products, research and events. Our role in capital market transactions helps our clients access capital for their businesses. We facilitate clients' capital raising and, therefore, think it is important to monitor the related emissions which we are involved in.

Facilitated emissions differ from financed emissions in two aspects: Firstly, they are off-balance sheet (representing services rather than financing) and secondly, our role is completed within a short timeframe rather than a long-term loan-related exposure. As a result, and in line with industry guidance, we distinguish between on-balance sheet "financed" and off-balance sheet "facilitated" emissions.

By disclosing our facilitated emissions for select carbon-intensive sectors[1], we aim to provide transparency on the emissions we facilitate as a result of our capital market activities. We are currently assessing methodologies for calculating facilitated emissions for the remaining NZBA carbon-intensive sectors[2]. We calculated UBS's facilitated emissions in line with PCAF's draft accounting and reporting standard for facilitated emissions, including public equity capital markets and public debt capital markets, where UBS, including Credit Suisse, held a lead bookrunner or lead manager / co-manager role on the transaction. Facilitated emissions are not shown for the current reporting year due to the inherent time-lag in the availability of emissions data. We have conducted an initial assessment of our approach against the final PCAF Standard released in December 2023 and identified select areas to be further explored in 2024.

It is important to note that reporting facilitated emissions from transactions that took place in the reporting year will introduce volatility in our numbers as it will be related to the volume of capital markets activity in the year and our market share. Global capital markets activity was strong post-Covid in 2020 and 2021 but slower in 2022 and 2023. When market activity rebounds, we would expect our facilitated emissions to see a similar increase.

1 Disclosed for those sectors where data and methodology are available: fossil fuels (coal, oil and gas), power generation, iron and steel, aluminum, cement, automotive and air transportation.
2 The NZBA identifies nine priority sectors: agriculture, aluminum, cement, coal, commercial and residential real estate, iron and steel, oil and gas, power generation and transport.

UBS reviews and assesses every Global Banking transaction and employs a robust business selection process. This means that, in our capital markets activities for carbon-intensive sectors, we consider the potential climate and sustainability impacts of the transaction and related material risks and opportunities.

We continue to review and assess emerging industry guidance and target-setting methodologies for facilitated emissions.

	31.12.22						31.12.21					
	Facilitated amount (USD billion)	Facilitated emissions, scopes 1 and 2 (million metric t CO_2e)	Facilitated emissions, scope 3 (million metric t CO_2e)	PCAF score, scopes 1 and 2[2]	PCAF score, scope 3[2]	Facilitated intensity (million metric t CO_2e / USD billion)	Facilitated amount (USD billion)	Facilitated emissions, scopes 1 and 2 (million metric t CO_2e)	Facilitated emissions, scope 3	PCAF score, scopes 1 and 2[2]	PCAF score, scope 3[2]	Facilitated intensity (million metric t CO_2e / USD billion)
Facilitated emissions												
Select carbon-intensive sectors[1]	**12.0**	2.0	2.3	1.6	2.3	0.4	23.0	5.1	16.3	1.6	2.8	0.9
Select carbon-intensive sectors as % of total	**5.7%**						5.9%					
Other sectors	**197.7**						368.2					
Total facilitated amount[3]	**209.7**						**391.3**					

1 Select carbon-intensive sectors comprise: fossil fuels (coal, oil and gas), power generation, iron and steel, aluminum, cement, automotive and air transportation. Refer to the sector approach in the "Climate-related methodologies – decarbonization approach for our financing activities" section of the Supplement to the UBS Group Sustainability Report 2023, available at ubs.com/sustainability-reporting, for more information about the parts of the value chain in-scope within sectors. 2 PCAF data quality score has been combined for the key sectors and weighted by the facilitated amount. 3 Includes all sectors.

› **Refer to the "Investment Bank" section of this report for more information about our capital market activities**

› **Refer to the "Basis of Reporting" section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for more information about our methodology to calculate facilitated emissions**

Supporting our investing clients' low-carbon transition

Asset Management

UBS AG Asset Management became a founding member of the Net Zero Asset Managers (NZAM) initiative in 2020, committing to support its ambition of net-zero GHG emissions by 2050. Membership of the NZAM initiative entails a range of expectations at an organizational level and for in-scope assets under management (AuM). Through this commitment, our aim is to further support our clients in reaching their sustainable investment and decarbonization objectives.

In order to provide choice to our clients and to effectively monitor our progress toward our target, we use a clearly defined framework to assess whether a product has a net-zero ambition. This framework is based on the NZAM initiative's guidance on assets committed to be managed in line with attaining net-zero emissions by 2050 or earlier, as well as guidance from other industry bodies. From this we have derived the following guiding principles when defining an investment portfolio as having a net-zero ambition:

- The portfolio has a defined decarbonization target, a commitment to increasing portfolio coverage of SBTi-verified targets and/or invests in climate solutions that enable net-zero global GHG emissions by 2050.
- The portfolio makes a contribution to the transition to a low-carbon economy where relevant companies, partners, managers, borrowers, tenants and vendors that are not currently meeting or aligned with net zero are the subject of direct or collective engagement and stewardship actions.
- Offsets may be used to enable or support long-term carbon removal where there are no technologically and/or financially viable alternatives to eliminate emissions.
- Monitoring and annual disclosure of progress toward portfolio-level targets.

› **Refer to the "Supplement to Environment" section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for UBS AG Asset Management's science-based methodologies**

2030 target for the proportion of assets to be managed in line with net zero

Our Asset Management business division set a target aiming, by 2030, to align 20% of UBS AG Asset Management's total assets under management (AuM) with net zero.[1] Net zero portfolio alignment currently focuses on areas of its business where methodologies exist and there is credible data to support tracking and reporting of our progress, namely active equities, active fixed income, indexed equities and some of our real estate investment activities. We believe, however, that only a proportion of these assets can be feasibly managed in ways that align with net zero by 2030, consistent with their respective intended investment objectives, the needs of our clients, and market evolution. There is also a portion of assets for which there is no currently agreed or accepted methodology for net-zero alignment. These include asset classes such as multi-asset funds, hedge funds, private markets, money markets, sovereign bonds, and municipal issuers. Portfolio alignment will be pursued once acceptable data and methodology solutions are identified.

During 2023, we implemented revisions to fund documentation and investment management agreements in certain products to align with our net-zero-aligned framework. UBS AG Asset Management currently has 35 available products being managed in line with net zero, representing 2.9% of our total AuM.

Our plans for making further progress toward our target include investing in the necessary data and infrastructure to support the management and monitoring of portfolios, continuing to assess net-zero alignment at the issuer level, and our active ownership efforts toward the transition to a low-carbon economy.

We draw on a wide variety of data sources to inform our assessment of climate-related risk and opportunities and recognize that approaches to achieving net-zero are likely to develop over time as both data availability and quality continue to improve. Consequently, we also expect our portfolio alignment approach to evolve as the transition to a low-carbon economy progresses and as further data and methodologies become available. For example, we enhanced our assessment by adding temperature alignment and climate solutions approaches, as well as exploring how to best incorporate scope 3 metrics into our data model.

1 This Pre-acquisition UBS aspiration will be reassessed in 2024.

Helping clients understand net zero

We understand that our approach to net-zero investing is determined by our clients' choices. We believe that we have an important role to play in working collaboratively with our clients on climate risk education, providing information about best practices in climate risk management, climate-related opportunities and approaches for net-zero-aligned portfolios.

To help our clients and other investors understand the journey to net zero, as well as the range of options for allocating capital that we offer, we launched a digital campaign during 2023 that provides educational materials and thought leadership content. We are using various media avenues available to us to increase awareness, including a redesigned web experience, videos and podcasts, Adobe campaigns, and our social media platform. Our investment experts delivered individualized education to clients and prospects on specific components of sustainable investing. Some of our investment approaches include rules-based net-zero strategies, climate-related indexing and factor-based investing.

Net-zero active ownership by UBS AG Asset Management

We recognize that the transition of investment portfolios requires real-economy emission reductions and we see our active ownership strategy as a powerful tool in influencing corporate behavior to achieve real-economy outcomes. We have had a dedicated climate engagement program in place for five years to address climate-related risks with measurable progress tracked. In 2023, we applied a sector-specific approach and engaged with companies from the following sectors: oil and gas, electricity and other utilities, diversified mining, steel, chemicals, and construction material. We set our engagement objectives and expectations based on company target-setting, decarbonization measures, capital deployment and progress toward stated commitments. We also widened our engagement coverage to include the highest-emitting companies across our investment universe, expanding the range of sectors and geographies we cover.

We have also linked our climate engagement with our voting actions. In this respect, we clarified our climate and net-zero expectations of companies in our policy framework. In 2022, we outlined our criteria for management say-on-climate proposals. In 2023, we have further evaluated such proposals against the following six key factors: climate governance, net-zero ambition and targets, quality of decarbonization strategy, net-zero performance alignment, lobbying and policy engagement, and use of offsets.

› **Refer to the "Supporting opportunities" section of this report for more information about our active ownership approach and climate engagement program**

Collaborative engagement by UBS AG Asset Management

UBS AG Asset Management is a co-lead and collaborative investor in Climate Action 100+, engaging with companies on the initiative's focus list that are key to driving the global net-zero emissions transition. In 2023, we joined, and have been participating in the Institutional Investors Group on Climate Change (IIGCC)'s Net Zero Engagement Initiative (NZEI), which was set up to build on and extend the reach of investor engagement beyond the Climate Action 100+ focus list. This includes a broader spectrum of companies that are driving demand for fossil fuels due to their business activities. In 2023, we were signatories to a CDP campaign encouraging more than 2,000 companies to adopt science-based climate targets, and co-signatories to two investor-led letters to policymakers encouraging the acceleration of decarbonization goals at state-owned companies.

Annual disclosure by UBS AG Asset Management

UBS completed the annual CDP disclosure in July 2023, including pertinent information about UBS AG Asset Management. Since this disclosure, UBS AG Asset Management has made additional progress against our 2030 target as disclosed above, expanding our available net-zero product shelf and further increasing those AuM that are being managed in line with net-zero objectives.

We also participated in other industry and disclosure initiatives, and the development of regional best practice climate-related guidance, such as the new Swiss Climate Scores (SCS). UBS was part of the working group developing the SCS, an initiative conducted by the Swiss government in collaboration with industry and non-governmental organizations. The SCS are based on international standards and aim to encourage investment decisions that contribute to achieving the global climate goals. As the largest financial institution in Switzerland, we are committed to this transparency milestone and were the first major bank to launch SCS reports for 136 funds (as of 31 December 2023). In accordance with the recommendations put forward by the government, our initial focus is on equities and fixed income funds domiciled in Switzerland. More funds and products will follow in 2024. Available UBS SCS reports for funds can be viewed on the UBS Quotes data and information platform. For clients interested in climate-related topics, advisors can use the SCS to demonstrate the climate compatibility of products, based on the latest international information available.

› **Refer to *sif.admin.ch/swissclimatescores* for more information about SCS**
› **Refer to *UBS quotes* for more information about UBS SCS reports for funds**

Global Wealth Management

Global Wealth Management is a distributor of sustainable investing solutions, including climate investing. While we recognize that not every investor might have net-zero ambitions or an affinity for investing in the transition to a low-carbon economy, we aim to provide a range of options for private investors and family offices to address their own decarbonization targets where possible. We do this through allocations to climate-related solutions in our discretionary mandates where relevant, as well as by curating climate investment options for advisory portfolios. The focus on providing a range of credible solutions is complemented by building investor awareness and driving solutions innovation across asset classes and strategies. We also continue to build an understanding of how best to integrate climate risk into portfolios.

Extending the range of investment options and allocating capital

In 2023, Global Wealth Management continued to increase the number of investment solutions across asset classes and strategies to support clients' decarbonization objectives. We launched a low-carbon single equity module and a sustainability-focused fund of hedge funds solution, which includes allocation to climate-focused equity hedge strategies, credit options for renewable infrastructure and a carbon markets strategy. We also extended our credit research coverage of individual green bonds, expanding the available universe for clients who prefer direct investments to fund solutions.

We work closely with our industry partners on developing new sustainable solutions, including those aiming to address decarbonization. We aim to identify relevant and compelling investment opportunities and credible tools, and to support the launch of new solutions where possible and relevant for client portfolios. We continue to believe that the transition to a low-carbon economy requires an "all-of-the-above" approach where investments in clean energy infrastructure and green technologies are complemented by effective and credible shareholder and bondholder engagement with heavy polluters on decarbonization. As such, we dedicate a portion of our discretionary portfolios to impactful engagement strategies, including those that invest in companies with the objective of engaging on decarbonization.

Helping clients understand net zero

Our investment specialists provide education and training to advisors, clients and prospects on various aspects of sustainable investing and how to incorporate these strategies into portfolios. These training sessions include general education and discussions around decarbonization and climate investing. We also work with clients that are interested in setting their own portfolio decarbonization targets or are exploring how to build exposure to carbon markets. In addition to individual client meetings, we host broader client events on specific topics including decarbonization and climate investing. Our conversations emphasize that investing in the transition is relevant not just to investors who want to drive positive environmental impact, but rather to all investors, given the importance of climate change to business models and capital markets.

We also incorporated discussions of the investment relevance of climate and broader sustainability topics in publications for private clients throughout 2023. We provided a private investor perspective on emerging investment opportunities tied to the low-carbon transition, including both regulatory and voluntary carbon markets. Our analysts continued to cover a broad range of longer-term investment themes with links to the low-carbon transition, including within energy efficiency, energy transition, clean air and carbon reduction, smart mobility, the circular economy, and the food revolution. Other topics covered include but were not limited to: climate-related litigation and regulation, investing in (and the role of) oceans for climate resilience, and progress on key climate objectives. We activated this content both internally and externally through a variety of channels, including video content, social media campaigns, podcasts in collaboration with industry partners, and an active presence on our webpage.

Engaging with the wider industry

As an asset allocator, Global Wealth Management is an active participant in industry forums to help raise awareness of the needs of private investors and family offices when it comes to climate-related investing. This includes feedback to regulators on climate-related transparency and disclosures, as well as working groups with industry peers, such as within Swiss Sustainable Finance (SSF) and the Global Impact Investing Network (GIIN), and engaging with fund management partners.

We continue to see a greater focus on, and demand for, transparency and disclosure around climate and decarbonization, and we participate in dialogue with industry and regulators on these topics. Given the importance of transparency to private investors on new and emerging investment solutions around the low-carbon transition, we collaborated and provided inputs for the initial and ongoing development of the SCS. Since the introduction of the SCS, we have informed advisors on the content and how to deliver the information to clients that are interested. We also make the reports published by UBS AG Asset Management and third-party managers on our platform (if available) available through our UBS Quotes platform – and we will continue efforts to make this information more easily accessible in our digital environments. We also published our first Principal Adverse Impacts report to provide transparency on offerings for investors at selected UBS legal entities within the scope of the Sustainable Finance Disclosure Regulation (SFDR), including key metrics on the climate footprint of our investments.

2024 and beyond across our investing activities

Following the acquisition of the Credit Suisse Group, we have undertaken an extensive review of our approaches to setting decarbonization targets, to reflect the activities of the combined organization and evolving standards and methodologies. Based on this assessment, we will deliver a revised 2030 target in 2024, which will cover the combined UBS and Credit Suisse Asset Management business. Consequently, the Credit Suisse Climate Action Plan published in December 2022 will be withdrawn in its entirety in 2024. Additionally, we are enhancing an in-house framework post Credit Suisse integration that delineates our key transition levers in investing.

› **Refer to "Appendix 5 – Entity-specific disclosures for Credit Suisse AG" in the appendices to this report for progress made towards Credit Suisse's target on reduction of investment-associated emissions**

Reducing our environmental impact

A key element of our commitment to contribute toward a lower-carbon future is minimizing our own operational footprint and supporting our employees, clients, suppliers and investors in the decarbonization of their activities. That is why we aim to report accurately on our efforts to decrease GHG emissions. The environmental areas we focus on in particular are energy, water, paper, waste and travel.

For 2023, we are disclosing the environmental footprint of the joint operations of UBS Group, including Credit Suisse, unless otherwise stated. Due to the acquisition of the Credit Suisse Group, we have reviewed our combined portfolio and building strategy which in turn has affected the timeline of our ongoing initiatives across the regions. A further significant challenge in 2023 was the alignment of reporting methodologies for the Group's quantified impact on the environment. While both entities had previously reported in line with the GHG Protocol, there were notable differences in the scopes, processes and tools.

Environmental focus areas

Energy reduction and sustainable buildings

We enhanced our efforts to reduce operational energy consumption and optimize our corporate real estate portfolio. In 2023, we lowered energy consumption[1] by 8% compared with 2022. Several initiatives contributed to this reduction, for example, investing in more sustainable buildings and upgrading existing buildings by switching to energy-saving LED lamps and modernizing heating systems and pumps.

We opted to disclose only renewable electricity in line with RE100 in this report as we are committed to achieving 100% sourcing according to this high standard across the combined group. Due to the increased real estate portfolio globally, and limited supply in certain markets, we were able to procure 96% renewable electricity according to RE100's guidelines. Keeping with our high sustainability ambition, we will analyze a feasible timeline for 100% RE100 compliance during 2024 and review our purchasing strategy to define acceptable quality criteria on the way to full compliance.

In support of the RE100 ambition, we are increasing our onsite electricity production through photovoltaic systems. In Switzerland, we expanded the existing photovoltaic installation at our Wolfsberg Conference Center and increased our panel coverage on another building to generate an additional annual 122 MWh and 123 MWh, respectively. We are in the process of increasing the number of power purchase agreements (PPAs) in Asia Pacific and are in advanced discussions about virtual power purchase agreements (vPPA) in the Americas.

In 2023, we achieved certifications for multiple locations across our global operations, aligned with internationally renowned green-building standards. Two of our offices in Shenzhen, China, attained the Leadership in Energy and Environmental Design (LEED) Platinum certification in 2023, while our office in New Jersey received the WELL Platinum certification. In Hong Kong SAR, all offices received accreditation from the Hong Kong Quality Assurance Agency for Green Banking Practices in Office Operations, making us the first international bank in the city to reach this milestone. Elsewhere in Asia Pacific, we designed and fully implemented a new internal benchmark to rate potential real estate options based on their environmental impact and sustainability. This benchmark was built on foundations from international standards, such as LEED and the Building Research Establishment Environmental Assessment Method (BREEAM) and Green Mark.

Reducing waste, paper and water

In 2023, we reduced our landfill waste by 21% compared with 2022, resulting in a decrease of approximately 546 metric tons globally. Our efforts regarding waste center on reducing overall waste and improving recycling rates. We implemented various solutions, including composting organic and commercially compostable materials to generate energy and other by-products. Simultaneously, we upgraded our recycling facilities while concurrently optimizing the recycling process for furniture and the use of paper hand towels. In our efforts to achieve our ambition of zero waste to landfill, we rolled out a pilot program for one site in each region and also eliminated takeaway packaging at selected locations. Despite these efforts, we have seen a waste increase per full-time equivalent of 16% compared with 2022. During 2024 we will identify measures to help break this trend. In light of the integration of Credit Suisse, we will review our efforts and targets for waste across our combined real estate portfolio. UBS Group works with third parties to manage the waste generated by our organization. Our ISO 14001 environmental management program and additional contract spot checks ensure that our waste management partners operate in accordance with contractual and legislative obligations.

1 Includes all energy consumption reported for UBS Group

Paper consumption per full-time employee increased by 27% compared with 2022, despite the launch of several awareness campaigns with our employees and our ongoing efforts to reduce the number of printers in our offices. Of the total amount of paper used, 65% was either sourced as recycled or was certified by the Forest Stewardship Council or equivalent labels. These measures help reduce the environmental impacts associated with paper production and manufacturing processes, such as deforestation or energy usage.

Water conservation is a critical priority, its importance being amplified by severe droughts and global water scarcity. To enhance water efficiency in our facilities we expanded our office's environmental programs, for example, by monitoring water use and optimizing flushing times and overflow management. Whilst implementing measures to the contrary, we currently see an increase in water use by 17% compared to 2022. This is part of the rebound effect from the pandemic years when water consumption dropped to a minimum.

Travel

In our ongoing commitment to advance sustainability in business travel, we focused our efforts on three key areas:

- Strengthening our reporting with the enhanced carbon intensity metrics, thereby providing comprehensive insights into travel-related emissions, both before and after trips, to measure and manage our travel footprint.
- Updating our travel policy to encourage employees to opt for eco-friendly transportation options whenever possible. In addition, strengthening our partnerships with hotels that have embraced sustainable practices, marking them prominently with green flags at the point of sale to help our staff make informed and conscious choices.
- Continuing to purchase high-quality carbon offsets that correspond with 100% of our air-travel emissions for UBS Group excluding Credit Suisse.

Biodiversity

We have taken steps to protect biodiversity across our offices, mitigate the impact of our operations on nature and raise awareness among our staff. For example, installing green roofs at selected office locations, combined with employee volunteering activities, such as Clean-Up Day and a program to highlight the critical role of bees to our natural ecosystem, served to shine a spotlight on the critical role of biodiversity.

› **Refer to the "Strategy" section of this report for more information on our approach to nature**

Impacts from our value chain

In addition to supplier engagement, we also worked to quantify and manage our relevant scope 3 emissions related to our operations. While further work is required, we are already providing increased transparency on these efforts.

› **Refer to "Monitoring the environmental impact of our supply chain" below and to the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for more information**

Our environmental management system

All UBS Group excluding Credit Suisse's environmental activities, including the entire scope of products, services and in-house operations, are subject to our environmental management system (EMS), which we run in accordance with ISO 14001:2015. UBS Group excluding Credit Suisse and Credit Suisse separately successfully passed the ISO 14001 audits every year since implementation, including in 2023. In the EU and the UK, our activities (excluding those of Credit Suisse) are certified according to the ISO 50001:2018 energy management system standard. Information on our GHG emissions and underlying information (energy, water, paper, waste, recycling and travel) is also included in our yearly GHG emissions report prepared in accordance with the ISO14064 1:2018 standard. This report is subject to yearly external verification in accordance with the ISAE 3410 standard and also considering the ISO 14064 3:2019 standard.

These sets of extensive audit standards ensure the appropriate policies and processes are in place, both for the management of environmental and energy topics within our operations and for affirming their daily implementation.

Use of carbon offsets and carbon removal credits

During the transition towards our decarbonization goals and as part of our beyond-value-chain mitigation we continue to purchase high-quality carbon offsets at an equivalent volume to match our net scope 1 and 2 emissions from our own operations, as well as our scope 3 air-travel emissions. These are verified against either the Gold Standard, or Verra VCS plus the Climate, Community and Biodiversity Standard which certifies the additional contribution to Sustainable Development Goals (the SDGs) beyond the carbon impact. In addition, our carbon offset commitments undergo internal quality checks with our Sustainability and Climate Risk unit.

In 2023, for UBS Group excluding Credit Suisse, we continued to apply an internal carbon price of USD 400 per metric ton for scope 1 and 2 emissions in our capital investment business cases in order to incentivize carbon reductions - for example by replacing fossil-fuel heating systems. The cost reflects the blended mix of permanent carbon removals required to neutralize any residual emissions that cannot be otherwise abated. We continued working with our partners Climeworks, Neustark and NextGen to support their efforts to provide scalable and effective solutions in the market and expect to start receiving the first carbon removal credit deliveries in 2025.

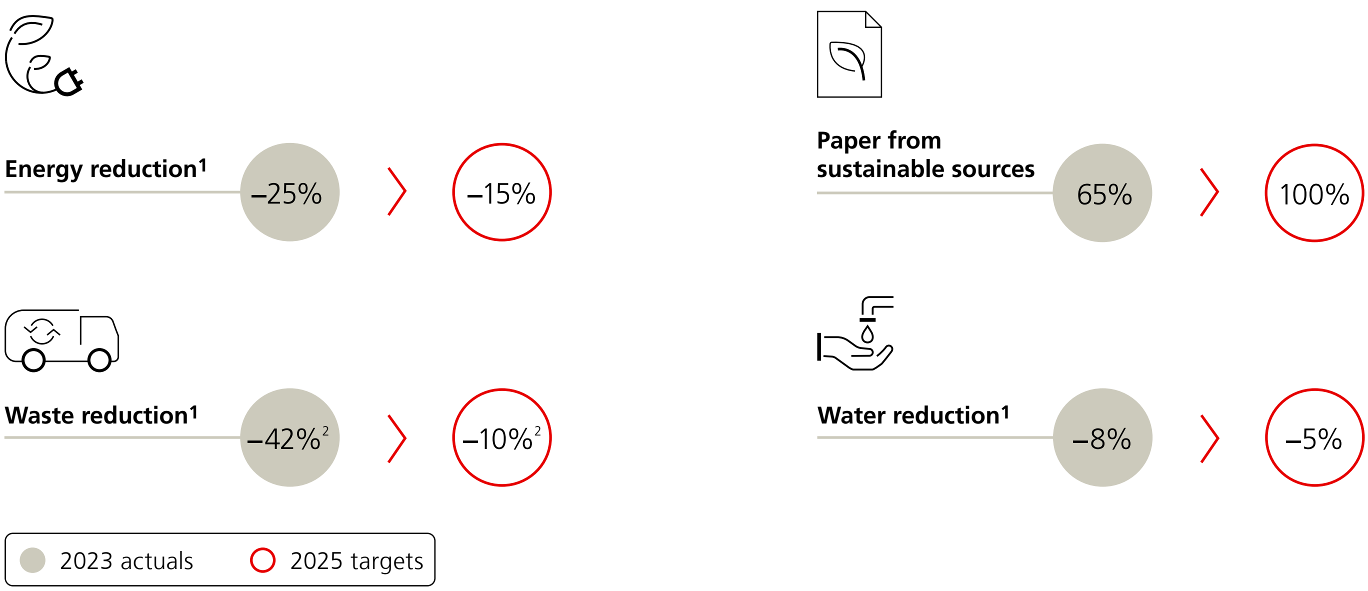
Environmental targets and performance in our operations (UBS Group)[1]

	GRI[2]	2023	Target 2025	Baseline[3]	% change from baseline	Progress / Achievement[4]	2022	2021
Total net greenhouse gas emissions (GHG footprint) in t CO_2e[5]	305	**168,688**	n/a[6]	359,360	-53	green	169,144	133,243
Scope 1 and net scope 2 greenhouse gas emissions in t CO_2e	305	**48,522**	0	145,911	-67	amber	61,627	59,889
Energy consumption in GWh	302	**797**	-15%	1,064	-25	green	866	899
Share of renewable electricity	302	**95.6%**	100%	76.6%	25	green	91.1%	92.3%
Paper consumption in kg per FTE[7]	301	**34.1**	-50%	54.9	-38	amber	26.9	35.9
Share of recycled and FSC paper	301	**65.1%**	100%	63%	3	amber	52.7%	61.2%
Waste in kg per FTE[7]	306	**77.1**	-10%	133.5	-42	green	66.3	69.3
Zero waste to landfill[8]	306	**21.4%**	0%	31.6%	-32	amber	30.5%	22.2%
Waste recycling ratio	306	**57.7%**	60%	50%	15	amber	52.2%	61.5%
Water consumption in m m^3	303	**1.22**	-5%	1.33	-8	green	1.04	0.84

Legend: CO_2e = CO_2 equivalents; FTE = full-time employee; GWh = gigawatt hour; kWh = kilowatt hour; km = kilometer; kg = kilogram; m m^3 = million cubic meters; t = metric ton

1 Detailed environmental indicators are available at *www.ubs.com/environment*. Reporting period 2023 (1 January 2023 - 31 December 2023). 2 Reference to GRI Sustainability Reporting Standards (see also *www.globalreporting.org*). 3 Baseline year 2019. 4 Green: on track; Amber: improvements required. 5 GHG footprint equals gross GHG emissions minus GHG reductions from renewable energy (gross GHG emissions include: direct GHG emissions by UBS Group; indirect GHG emissions associated with the generation of imported / purchased electricity (grid average emission factor), heat or steam and other indirect GHG emissions associated with business travel, paper consumption and waste disposal). 6 Net-zero target 2050. 7 Non-significant deviations due to summing and rounding may occur. 8 FTEs are calculated on monthly / quarterly average basis as applicable and include FTEs which were employed through third parties on short-term contracts. 9 In locations where UBS Group has influence and where alternatives are available.

Environmental performance and 2025 targets



1 All reduction targets relate to 2019 baseline. 2 Per full-time employee.

Engaging in sustainable technology

The Group-wide Sustainable Technology Guild (the STG) aims to raise awareness of sustainable technology initiatives among our technology teams and accelerate the execution of strategic plans that will have a positive environmental impact through technology optimization. The STG also contributes by rethinking ways that we develop and deploy applications, store data and manage our infrastructure. The STG remains primarily focused on energy consumption by the UBS technology estate, in addition to e-waste and use of precious metals. The STG achieved major milestones in 2023:

- 50% energy savings from UBS Workspace migration;
- 50% energy savings resulting from Azure Kubernetes Service (AKS) optimization in Group Finance; and
- Sustainable Fundamental training completed by over 1,000 staff UBS Certified Engineers.

The STG has focused on four distinct tracks, all of which are sponsored by our senior management:

- optimization of our on-premises technology estate to support more energy-efficient consumption, by ongoing decommissioning of unused and power-intense technology components, as well as changes to hours of operation;
- application development with sustainability in mind, achieved by providing transparency, using near real-time metrics, to application owners about the environmental impact of their applications;
- execution of our Cloud First strategy and continuous adoption of our primary strategic Cloud partner, Microsoft;
- running internal campaigns to encourage employees in archive management of the applications and systems that they are accountable for; and
- building sustainable technology knowledge through focused training.

Heading into 2024, the STG will also focus on:

- continuing to raise awareness through a refreshed and re-launched campaign to all UBS Group technology staff;
- taking a structured approach to identifying and implementing energy saving initiatives using public cloud to target cost and energy savings, modelled on the FinOps approach, also known as 'GreenOps'; and
- a renewed focus on Measurement & Tooling, based on lessons learned in this area.

Across all these initiatives, we continue to upgrade our technology infrastructure with newer and more efficient, market-leading infrastructure and technology vendors, moving some technology platform workloads from on-premises and private cloud servers to Microsoft Azure. In some specific use cases, this has yielded energy reductions of up to 30%. This year, our technology sustainability partnership with Microsoft has continued to strengthen with executive briefings and workshops conducted to discuss areas of collaboration and paths forward.

We are a Steering Member of the Green Software Foundation (GSF) and continue to partner closely with other member organizations on a number of open-source projects that are exploring ways of reducing emissions from large technology estates. In 2023, GSF attained the ISO accreditation of the Software Carbon Intensity Specification (SCI) – a measure of software-related energy usage that was trialed on two applications at UBS.

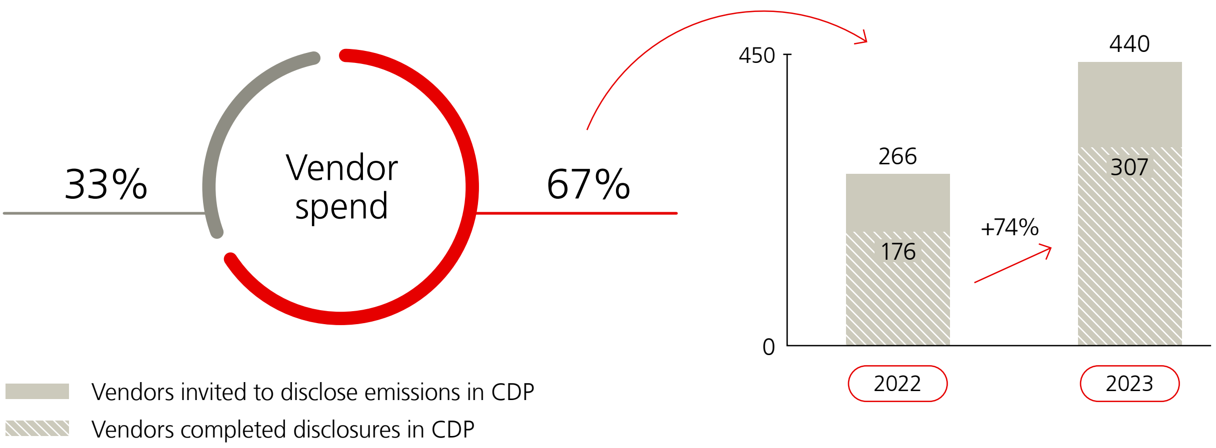
Monitoring the environmental impact of our supply chain

In line with our net-zero ambition, we are strengthening sustainable practices and engaging with our suppliers on climate information disclosures to create transparency and commitment to reducing GHG emissions within our supply chain.

In 2023, we invited 440 vendors, which accounted for 67% of our annual vendor spend, to disclose their environmental performance through CDP's Supply Chain Program. We implemented a structured communication plan and conducted webinars to guide our vendors through the disclosure process and requirements to ensure they understood the need for, and importance of, declaring their emissions and committing to their own 2050-aligned net-zero goals.

70% of the invited vendors completed their climate disclosures via the CDP platform. The number of vendors completing disclosures increased by 74% from 176 in 2022 to 307 in 2023.

Climate disclosures of our vendors

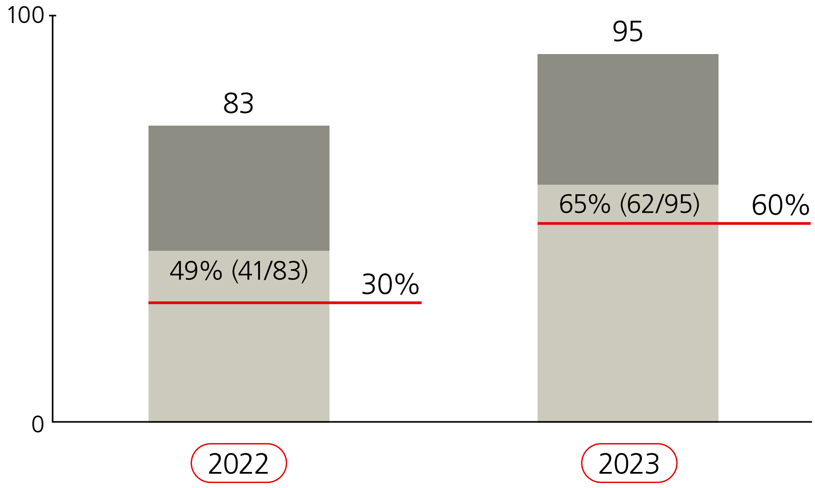


We have also established a baseline for supply chain vendor scope 3 emissions (categories 1 and 2 vendor-related) of 1.13 million metric tons of CO_2e for financial year 2023.

We identified GHG key vendors (defined by us as those vendors that collectively account for more than 50% of our estimated vendor GHG emissions) in order to focus our efforts on the highest-impact vendors. In 2023, we revised and updated the list of GHG key vendors from 83 to 95 to include Credit Suisse vendors. We are engaging with our GHG key vendors, for 100% of them to declare their emissions and set net zero-aligned goals by 2026, and reduce their scope 1 and 2 emissions in line with net-zero trajectories by 2035[1]. We met with all our GHG key vendors, shared formal guidance through our vendor climate information declaration guideline and developed tailored engagement plans, based on the vendor's maturity. In 2023, 65% of our GHG key vendors declared their emissions on CDP and also set 2050-aligned net-zero goals.

1 In 2024, we may review our targets for GHG key vendors for the combined organization and alignment with latest guidance. Our GHG key vendors are those vendors that collectively account for more than 50% of our estimated vendor GHG emissions.

GHG key vendors' climate disclosures



— Target

GHG key vendors that disclosed emissions on CDP and set net-zero-aligned goals

GHG key vendors that did not disclose emissions on CDP and/or did not set net-zero-aligned goals

Initiating focused emissions-reduction initiatives, we partnered with vendors that provide services from offshore development centers (ODCs) to foster responsible and sustainable practices in those facilities. Our approach is based on proactive engagement with these vendors to reduce their environmental impact. To ensure transparency and accountability, we have established contractual agreements with six of our ODC vendors to disclose their scope 1, 2 and 3 emissions and commit to achieving net zero by 2050. In addition, we have established three categories of supplementary requirements for these ODC vendors: energy efficiency, waste management and paper consumption. Our requirements include LEED Gold certification (or equivalent) for any new premises, a transition to 100% renewable electricity by 2030, waste recycling goals and a commitment to use sustainable paper. These will be rolled out to Credit Suisse ODC vendors in 2024 and 2025.

We also collaborated with one of our IT software development services providers to train up 76% of this vendor's software engineers who are engaged in providing services to us on GSF certification. The training serves as a catalyst for software developers to learn environmentally-conscious coding practices, which in turn accelerates the reduction of carbon emissions from software. By providing developers with specialized knowledge and skills in sustainable software development, they are empowered to create code for UBS that is inherently energy-efficient and environmentally responsible.

› **Refer to our vendor climate information declaration guideline, available at *ubs.com/suppliers***

› **Refer to the "Appendix 4 – Metrics and targets" in the appendices to this report for more information on methodologies applied**

Our vendors and operational impact

Our firm-wide Responsible Supply Chain Management (RSCM) framework is based on identifying, assessing, and monitoring vendor practices on environmental and social topics. We have taken steps to protect biodiversity across our offices, mitigate the impact of our operations and raise awareness among our staff. Initiatives include the installation of green roofs featuring rooftop vegetable gardens and beehives at selected office locations, as well as organizing tree planting activities across Europe. Additionally, we obtained recertification for one of our Zürich offices from Natur & Wirtschaft, a Swiss foundation focused on promoting biodiversity conservation in settlement areas. Our portfolio includes further certified areas, highlighting a focus on green spaces with native plants and additional biodiversity features. We also organized annual events such as Clean-Up Day, during which UBS volunteers join forces to clean up street litter in their respective cities, and World Bee Day, featuring webinars and awareness campaigns highlighting the critical role of bees to our natural ecosystem.

Finally, in our corporate carbon offsetting activities, we make use of nature-based solutions, as well as technological carbon capture and storage solutions. As standards in this area continue to evolve (e.g., the Core Carbon Principles from the Integrity Council for Voluntary Carbon Markets), we will seek to apply them to our activities.

› **Refer to the "Social" section of the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting* for a description of our Responsible Supply Chain Management**

Appendix

Appendix 1 – Governance

Our sustainability governance – additional information

This overview table provides summary information about key bodies governing and implementing sustainability and climate matters at UBS Group, with a particular focus on the Board of Directors (the BoD) and Group Executive Board (the GEB) levels. At the level of the business divisions and Group Functions, dedicated management bodies consider sustainability and climate matters as applicable to the (business) focus / mandate of the respective division or function. Pertinent aspects arising from these discussions are reported into the GEB and BoD directly (or via, for example, the Sustainability and Climate Task Force).

To provide a common understanding, and further explore the relevance, of new or evolving key topics to UBS and subject-matter experts from across the firm, we have various working groups in place, notably on nature, blended finance, carbon markets, and due diligence.

› **Refer to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for the overarching description of UBS Group's sustainability governance**

› **Refer to "Appendix 3 – Entity-specific disclosures for Credit Suisse AG" in the appendices to of the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting,* for further information on sustainability governance at Credit Suisse**

Governance body	Lead and other membership information	Sustainability / climate agenda frequency	Purpose and responsibilities related to sustainability- and climate-related issues	Topics considered in 2023
Board of Directors (the BoD) of UBS Group AG	The Chairman of UBS Group AG	Following each CCRC meeting	– Third-party transactions (acquisitions and divestments of UBS entities; increase or decrease of ownership in UBS entities; and sale/purchase of assets) and capital expenditures, including for purposes pertaining to sustainability and climate, are considered by the GEB and the BoD, with the specific approval authorities and thresholds set out in Annex C to the Organization Regulations of UBS Group AG. – The BoD approves the recommendations made by the different BoD committees, including the CCRC.	– Sign-off of UBS Group Sustainability Report 2022.
BoD Corporate Culture and Responsibility Committee (the CCRC)	The Chairman of UBS Group AG Attendees: the Group CEO, the Group Chief Risk Officer (the GCRO), the GEB Lead for Sustainability and Impact, the Chief Sustainability Officer (the CSO), the Group General Counsel	Six times annually	– Supports the BoD in its duties to safeguard and advance the Group's reputation for responsible and sustainable conduct. – Oversees the firm's sustainability and impact strategy and activities and approves Group-wide sustainability and impact objectives. – Reviews the annual Sustainability Report and proposes it to the BoD of UBS Group AG for approval.	– Sustainability and impact governance and strategy, including approval of objectives. – Net-zero commitment (including approval of targets) and associated implementation steps. – Climate risk program and nature-related developments. – Regulatory and governmental developments pertaining to sustainability and finance. – Sustainability and climate disclosures (including external assurance thereof). – Sustainable finance. – Sustainability-related memberships.
BoD Risk Committee (the RC)	A non-executive director	At least semi-annually	– Oversees and supports the BoD in fulfilling its duty to set and supervise an appropriate risk management and control framework. – Considers the progress of UBS's climate risk program, jointly with the CCRC.	– Regulatory and governmental developments pertaining to sustainability and finance (jointly with the CCRC). – Climate risk program (jointly with the CCRC). – Nature (jointly with the CCRC).
BoD Audit Committee (the AC)	A non-executive director	At least semi-annually	– Provides oversight of financial reporting and internal controls over financial reporting. – Provides oversight of the effectiveness of the external and internal audit functions, and the effectiveness of whistleblowing procedures.	– Sustainability and climate disclosures (jointly with the CCRC). – Environmental, social and governance (ESG) metrics and control framework (jointly with the CCRC).
BoD Compensation Committee	A non-executive director	Annually	– Supports the BoD in its duties to set guidelines on compensation and benefits. – Approves the total compensation for the Chairman and the non-independent BoD members.	– ESG in compensation.
Group Executive Board (the GEB)	The Group CEO	At least quarterly	– Reviews the Group's sustainability and impact strategy and related objectives and proposes these to the CCRC. – Signs off on divisional sustainability objectives, in alignment with the GEB Lead for Sustainability and Impact. – Ensures firm-wide execution of the firm's approach to climate, including its net-zero commitment. – Sets the overall risk appetite for the firm and resolves overarching matters relating to sustainability and climate risk (SCR).	– Sustainability and impact objectives. – Net-zero commitment and associated implementation steps. – Climate action plan. – ESG data strategy. – SCR policy framework.
Group Sustainability and Impact (GSI)	The GEB Lead for Sustainability and Impact	Ongoing	– Led by the GEB Lead for Sustainability and Impact, who has the responsibility for driving the firm's sustainability and impact strategy, in agreement with fellow GEB members. – Supports the GEB Lead for Sustainability and Impact with carrying out her responsibilities.	– Implementation of sustainability and impact strategy. – Climate action plan. – Net zero. – Inclusive growth. – Nature and biodiversity. – ESG data architecture.

Governance body	Lead and other membership information	Sustainability / climate agenda frequency	Purpose and responsibilities related to sustainability- and climate-related issues	Topics considered in 2023
			– Consists of the Chief Sustainability and Social Impact offices, headed by the CSO and the Head Social Impact, respectively, with the CSO responsible for driving the implementation of the Group-wide sustainability and impact strategy, and the Head Social Impact responsible for driving and implementing the firm's social impact strategy.	
Sustainability and Climate Task Force (the SCTF)	The GEB Lead for Sustainability and Impact and the CSO	Quarterly	– As the cross-divisional, and cross-functional authority for sustainability and climate governance, as well as the Group's sustainability and climate governance body, the SCTF's role includes agreeing on the actions required to achieve our firm's sustainability and climate strategy, monitoring progress against that strategy and providing assurances to the GEB that UBS manages climate risk and opportunities in a proper manner.	– Credit Suisse integration approach for Group Sustainability and Impact. – Setup of the Sustainability and Climate Initiative. – Draft Sustainability Report 2023. – Regional governance. – Climate action plan (incl. net zero).
ESG Disclosure Forum	The Sustainability CFO Co-chaired by the Head Corporate Responsibility (the Chief Sustainability Office)	Every six weeks	– Identifies, oversees and coordinates sustainability-related reporting and disclosure requirements.	– Review and analysis of forthcoming/evolving sustainability disclosure regulations and their pertinence to the firm.
ESG Data and Methodology Forum	The ESG Chief Data Officer (the Chief Sustainability Office)	Monthly	– Responsible for the development and implementation of UBS's ESG data strategy in line with the firm's overall data strategy and standardization of ESG methodologies for the Group.	– ESG market data sourcing. – Group ESG methodologies standardization. – Quality of ESG metrics and reports disclosed externally and internally. – ESG data products. – ESG calculation engine.
Sustainability Disclosures Council	The Sustainability CFO and the Head Corporate Responsibility (the Chief Sustainability Office)	Three meetings (and ad-hoc if required)	– Decision-making body with oversight and accountability for reviewing and providing guidance on the firm's annual sustainability-related disclosures.	– Review of draft Sustainability Report 2023.
Sustainability and Climate Risk Initiative	The CRO for Sustainability	Ongoing	– Integrates sustainability, climate and environmental risks into the firm's risk management framework and standard processes.	– Further implementation of a multi-year transformation initiative to focus on delivering on regulatory expectations of climate and environmental risk into risk management and stress-testing frameworks.
Net Zero Forum	The CSO	Monthly	– Oversees the net-zero financing, investing and own operations programs and monitors progress on defined milestones. – Provides its endorsement of targets, the transition strategy options underpinning those targets and other critical matters requiring approval at higher levels (e.g., the SCTF or the GEB). – Approves methodological choices, baselines, status against plan, with information to a higher level (the SCTF).	– Agreement on scope of sectors and approach to setting consolidated lending targets (incl. methodologies / baselining). – Determination of baselines and preliminary development of targets for sectors with material joint exposure. – Feasibility of reporting options for Sustainability Report 2023.
Sustainable Finance Group	The CSO Convened by the Lead for Client Engagement and Sustainable Finance	Monthly	– Discusses sustainable finance activities and initiatives across the firm, bringing together key sustainable finance and investing leads from the business divisions. – Supports and orchestrates development of cross-divisional	– Key market, industry and regulatory trends and developments. – Sustainable finance business priorities, quarterly business reviews and performance against 2023 objectives. – Commercial themes and initiatives, including on carbon markets, blended finance, and natural capital.

Governance body	Lead and other membership information	Sustainability / climate agenda frequency	Purpose and responsibilities related to sustainability- and climate-related issues	Topics considered in 2023
			sustainable finance business initiatives, as well as enabling capabilities.	– Sustainable finance product/solutions offerings. – Select thematic deep dives with firm-wide subject-matter experts.
Sustainability Advisory Group	The CSO Convened by the Head Advocacy (the Chief Sustainability Office)	Monthly	– Discusses sustainability initiatives across the firm, bringing together key sustainability leads from Group Functions.	– Risk frameworks for sustainable finance. – Partnerships for key sustainability-related activities (e.g., net zero). – Communications activity and other stakeholder engagement.
Group Human Resources & Group Corporate Services (GHR & GCS) Management Team	The GEB Lead for GHR & GCS	At least quarterly	– Sets performance targets, responsibilities and priorities related to GHR and GCS sustainability topics and monitors their execution.	– DE&I group strategy and ambitions, incl. integration approach of Credit Suisse targets. – Group-wide culture journey. – Performance and reward. – Talent and succession.
GCS Management Forum	The Head of GCS	Quarterly	– Oversees GCS strategy for operational sustainability. – Reviews environmental performance of the firm. – Proposes operational sustainability objectives and targets for sign-off to the GHR & GCS management team.	– Operational action plans for the individual global environmental goals. – Sustainability objectives for 2023. – ISO 14001 external audit results. – Climate action plan – Integration approach for sustainability.
Sustainable Finance Forum Personal & Corporate Banking / Wealth Management Switzerland	The Chief Operating Officer Personal & Corporate Banking and Switzerland Region, jointly with the Chief Risk Officer Personal & Corporate Banking	Quarterly	– Oversees and facilitates the sustainability strategy and its implementation across the Personal & Corporate Banking segments and Wealth Management Switzerland, in alignment with the goals and ambitions of the Group. – Reviews support for strategic sustainability partnerships and collaborations. – Fosters alignment and collaboration across segments and aligned functions.	– Decarbonization targets and associated monitoring. – Regulatory developments pertaining to Personal & Corporate and sustainable finance. – Sustainable finance including transition finance. – Training and employee awareness regarding sustainability and sustainable finance to support clients.
Asset Management SI Prioritization Forum	The Head of Sustainable Investing	Monthly	– Steers and guides the SI strategy program within Asset Management. – Sets key priorities, direction and key decisions to be adhered to by the SI program. – Provides guidance on strategic alignment of ESG-related regulatory requirements.	– Net zero. – Product shelf. – Impact capabilities. – Active ownership capabilities.
Asset Management Stewardship Committee	The Head of Investments	Quarterly, ad-hoc as required	– Provides oversight of the proxy voting standards/processes and corporate governance practices in accordance with the Asset Management proxy voting policy and procedures. It reviews and approves requests to participate in the filing of shareholder resolutions, and reviews the credible corrective action process for UNGC breaches.	– Approved and resolved, where needed, proxy votes proposed to deviate from UBS Proxy Voting policy guidelines. – Oversaw and approved a credible corrective action process for selected companies on the UNGC fail list.
Asset Management SI Methodology Forum	The Head of Sustainable Investing	Quarterly, ad-hoc as required	– Provides oversight of methodology/investment process criteria (including exclusions, ESG integration) for Asset Management's sustainable offering across investment areas.	– Policy updates. – Net-zero-aligned framework. – Impact framework. – SI framework. – Good Governance and do-no-significant-harm methodologies.
Global Wealth Management SI/II Forum	The Chief Investment Office (CIO)	Quarterly	– Drives the Global Wealth Management SI/II franchise.	– Input into various aspects of the franchise, including products and strategy. – Ambition-setting.
Global Wealth Management Sustainability Scores	The CIO	At least annually	– Discusses and decides on material changes to the methodology underlying the CIO sustainability scores.	– Development of SDG-alignment scores.

Governance body	Lead and other membership information	Sustainability / climate agenda frequency	Purpose and responsibilities related to sustainability- and climate-related issues	Topics considered in 2023
Methodology Board				– Further integration of climate-related data in CIO sustainability scores.
Investment Bank Management Team	President Investment Bank	At least quarterly	– Reviews the Investment Bank's sustainability strategy and related objectives, including diversity, equity and inclusion (DE&I), climate, etc. – Monitors the Investment Bank's progress against its sustainability strategy and related objectives. – Monitors the Investment Bank's execution of the firm's overall approach to climate, including its net-zero commitment.	– Sustainability strategy and progress. – Net-zero commitment and associated implementation steps. – Changes to SCR policy. – Regulatory developments pertaining to sustainability and finance. – Non-financial risks in relation to sustainable finance. – Sustainable finance. – Training and employee awareness regarding sustainability and sustainable finance.
Sustainability and Climate Implementation Group	The CSO (as chair) and the Sustainability and Climate Initiative manager	Monthly	– Established at the direction of the SCTF to deliver the Sustainability and Climate Initiative (SCI). – Drives the design and execution for the SCI. – Provides overall management and coordination of the execution delivered through divisional and functional (horizontal) streams. – Approves key deliverables of the SCI. – Tracks targets and objectives and key results (OKRs). – Tracks and resolves major SCI risks, issues and dependencies. – Escalates risks and issues to the SCTF when necessary.	– Market and regulatory landscape. – SCI planning process. – SCI Target Operating Model and Integration Book-of-Work. – Climate action plan (including net zero). – Nature – strategic sustainability theme. – NFRI Group Sustainable Investing Framework. – ISO 14001 and ISO 50001 processes.
Social Impact Leadership Forum	The Head of Social Impact (as chair) and the Social Impact senior leadership team	Monthly	– Proposes, agrees and oversees the implementation of the Social Impact business strategy, including prioritization of projects and strategic initiatives. – Drives and tracks progress on the strategic plan and OKRs – Budgeting, planning, resource allocation, management and development of talent.	– Social Impact and Philanthropy strategy and OKRs. – UBS Collectives strategy. – Client engagement. – Programmatic strategy. – UBS Optimus network of foundations. – Community Impact. – Employee volunteering. – Emergency response campaigns. – Impact transparency.
Asset Management Regulatory Forum	The Head of Transformation & Change	Every six weeks	– Provides governance and oversight of regulatory change that affects Asset Management, including sustainability regulations. – Monitors the regulatory pipeline and implementation project progress to completion.	– Regulatory discussions pertaining to, among others, Asset Management Association Switzerland (AMAS), Association Suisse des Institutions de Prévoyance (ASIP), Swiss Climate Scores, Corporate Sustainability Reporting Directive (CSRD).

Appendix 2 – Strategy

Evolving and informing our strategy

Our contributions to the advancement of sustainability and culture

We recognize that we have an important role to play in leading debates on key societal topics and, in collaboration with other firms and industry bodies, in setting high standards for these topics in and beyond our industry.

Our key activities in 2023 in this regard are set out in the table below.

Initiative	Focus topic	Role / activity of UBS	Key outcome or updates in 2023
Capitals Coalition	Impact	Member of the Advisory Board	Worked towards the ambition that business, finance and governments include holistic capitals (including e.g., natural, social and human capital) in decision-making.
Accounting for Sustainability/ CFO Leadership Network	Sustainable finance	Member of working groups	Continued to work with finance leaders to drive a shift towards resilient business models and a sustainable economy.
Glasgow Financial Alliance for Net Zero (GFANZ)	Climate change	Founding member	Active involvement in working groups, and participation in public consultations to support the development of various resources, including those on transition finance, net-zero alignment for financial institutions and public policy.
Institute of International Finance (IIF)	Sustainable Finance	Working Group members and Chair of the Sustainable Finance Policy Working Group	Active involvement in several sustainable finance-related working groups (Sustainable Finance Policy Expert Group, Nature Expert Group, Disclosure, Data, and Classification Practitioners Group, Risk and Alignment Methodologies Practitioners Group, Blended Finance Working Group) to shape, drive and support industry views on those topics.
Swiss Climate Scores (the SCS)	Climate change	Contributed to the introduction of the SCS and is committed to their voluntary use	The Swiss Federal Council launched a new version of the Swiss Climate Scores in December 2023 and announced that it intended to further improve climate transparency for financial products and to further develop the SCS, originally introduced in 2022.
Wolfsberg Forum for Sustainable Finance (WFSF)	Sustainable finance	Co-convenor with Institute of International Finance Host of the WFSF at UBS Center for Education and Dialogue, Wolfsberg	Held annual conference for international financial institutions to come together with stakeholders in the public and civic sectors to discuss key sustainability issues relevant for financial sector strategy and engagement.
Asia Transition Finance Study Group	Sustainable finance	Member	Asia Transition Finance Study Group Annual Report 2023.
Swiss Sustainable Finance (SSF)	Sustainable finance	Member of the board	With over 200 members, SFF continued to support the Swiss financial center in achieving a leading position in sustainable finance, with its Annual Conference and various industry events, such as the Financial Innovation Conference in collaboration with the Swiss Finance Institute and Building Bridges. Recent publications cover the role of derivatives in sustainable investing, insights for direct real estate investors, as well as the Swiss Stewardship Code which provides asset managers with guidance to encourage active exercising of shareholder rights.
Global Financial Markets Association (GFMA) including the sustainable finance working groups of their local Alliance members, i.e., **Securities Industry and Financial Markets Association (SIFMA)** **Association for Financial Markets in Europe (AFME)** **Asia Securities Industry & Financial Markets Association (ASIFMA)**	Sustainable finance	Member of the working group	Continued regulatory dialogue and consultation responses with focus on international convergence of environmental, social, governance (ESG) disclosures rules, climate risk management, transition planning, and investment practices.

Initiative	Focus topic	Role / activity of UBS	Key outcome or updates in 2023
Swiss Bankers Association (SBA) expert commission sustainable finance	Sustainable finance	Chair of the expert commission	Regulatory dialogue, consultation responses, policy papers, self-regulation. The SBA's "Guidelines for financial service providers on the integration of ESG preferences and ESG risks into investment advice and portfolio management", and "Guidelines for mortgage providers on the promotion of energy efficiency" came into force on 1 January 2023.
Economiesuisse sustainable finance advisory group	Sustainable finance	Member of the advisory group	The "Business guidelines – financial flows and a sustainable economy" publication set six guidelines for the Swiss economy in order to take advantage of sustainable finance while addressing relevant challenges.
UK Finance sustainable finance working group	Sustainable finance	Member of the working group	Continued regulatory dialogue, consultation responses, and thought leadership with focus on international convergence of ESG disclosures rules.
Principles for Responsible Investment (PRI)	Sustainable investment	Member of various groups, including the Stewardship Advisory Committee, Stewardship Resourcing Technical Working Group, Spring Advisory Committee (PRI Stewardship initiative for nature) and Real Estate Advisory Committee. Participation in dialogue on stewardship resourcing practices, the role of investors in addressing the systemic risk of nature loss and guidance on responsible investment practices for real estate.	Participation in consultation on the evolving mission of PRI and multiple working groups including active ownership, the role of investors to halt and reverse global biodiversity loss and ESG practice for real estate.
UBS conferences, e.g., sustainable finance conferences, the European conference, the Greater China conference	Sustainable finance	Organizer	Variety of thematic keynotes and panels on sustainable finance, ESG, climate risk, energy transition, etc.
Singapore Green Finance Centre	Sustainable finance	Founding partner	Regular dialogue on how to pursue sustainable finance agenda in the region.
NZZ Impact Finance Forum / Sustainable Switzerland	Sustainable finance and sustainability	Main partner	Increase awareness of, and shape the public dialogue on, sustainability and sustainable finance. Several events including the NZZ Impact Finance Forum, emphasizing cross-industry networking and partnerships.
Global Impact Investing Network (GIIN)	Impact	Member of the Investors' Council	Active participation in the leadership group for the GIIN and in various working groups and events.
Operating Principles for Impact Management (the Impact Principles)	Impact	Founding signatory, advisory board member	Active contribution to continued growth of signatory base; integration of the Secretariat for the Impact Principles into the GIIN as host.
Principles for Responsible Banking (the PRB)	Impact	Founding signatory First external assurance of our PRB reporting	Continued implementation of PRB with combined reporting for UBS and CS.
Financial Stability Board Task Force on Climate-related Financial Disclosures (the TCFD)	Climate change	Member of the TCFD and aligning UBS disclosure with TCFD recommendations	Announcement by the Financial Stability Board of the completion of the work of the TCFD, with the International Sustainability Standards Board (ISSB)'s Standards fully incorporating the TCFD recommendations.
Net Zero Asset Managers initiative (the NZAMi)	Climate change	Founding signatory	In 2023, continued implementation of UBS AG Asset Management's target to align 20% of its total assets under management (AuM) with net zero. In 2024, this Pre-acquisition UBS aspiration will be reassessed.
Net-Zero Banking Alliance (NZBA)	Climate change	Founding member	Active involvement in working groups and participation in public consultations to support the development of various resources, including those on climate target setting, transition financing, data and methodologies, etc.
UN Environment Programme Finance Initiative (the UNEP FI)	Climate change	Member	Co-chaired the UNEP FI Principles for Responsible Banking Nature working group that developed initial guidance on nature target setting for financial institutions.

Initiative	Focus topic	Role / activity of UBS	Key outcome or updates in 2023
Climate Action 100+ (CA100+)	Climate change	Participation in 21 company engagements, co-leading six of them Co-chair European diversified mining engagements working group	The initiative grew to encompass more than 700 investors managing more than USD 68 trillion in assets under management, engaging with 170 companies. Launch of CA100+ Phase 2.0 with core goals through to 2030, enhanced lead engagement model and strengthened engagement strategies. Publication of net-zero diversified mining standard.
Institutional Investor Group on Climate Change (the IIGCC)	Climate change	Member of the European regional network Participating in the Net Zero Engagement Initiative Contributor to the Bondholder Stewardship Working Group	The initiative comprises more than 400 members managing more than USD 68 trillion in assets under management. Launch of the Net Zero Engagement Initiative to build on and extend the reach of investor engagement beyond the Climate Action 100+ focus list.
World Energy Council (the WEC)	Climate change	Board member of the regional Swiss WEC	Global platform debating clean, affordable and reliable energy sourcing and developments.
Swiss Center of Excellence on Net Zero Emissions (SCENE)	Climate change	Advisory Member	Newly established in 2023, with integrative and transdisciplinary approach of the ETH domains (PSI, Empa, WSL & Eawag) to pursue holistic research in six action areas (Biomass, Carbon Capture, Efficient Technical Cycles, Low Carbon Energy Systems, GHG, Net Zero Institute Roadmap).
Taskforce on Nature-related Disclosures (the TFND)	Biodiversity	Member of Taskforce	Contributed to the development of a framework for organizations to report and act on evolving nature-related risks.
FAIRR	Biodiversity / climate change	Investor participant in collaborative engagement initiative on working conditions in global meat supply chains. Leading on two of the seven companies engaged through the program	Encompasses 93 investors with more than USD 21 trillion in assets under management.
Roundtable on Sustainable Palm Oil (the RSPO)	Biodiversity	Member Participation in the Financial Institutions Consultative Group	Completed review of its 2018 RSPO Principles and Criteria and 2019 RSPO Independent Smallholder Standard. It will commence its consultative technical revision process to produce revised standards in 2024.
Thun Group of Banks	Human rights	Convener	Continued exchange of learning pertaining to the implementation of the UNGPs in banks.
Wolfsberg Group	Financial crime prevention	Founding partner	Wolfsberg papers published in 2023 included a key paper on Payment Transparency standards, a joint response with the IIF on the FATF public consultation on Risk Based Guidance on Recommendation 25, and consultation responses for the UK's HMT Consultation on the AML/CTF Supervisory Regime, on the EBA CP202311 (revised Guidelines on money laundering and terrorist financing (ML/TF) risk factors), and on the FATF paper on non-profit organizations. Updated FAQs and Standards for Correspondent Banking Due Diligence was also published.
SEIF Tech for Impact Awards	Sustainable innovation	Main partner Social Innovation Award sponsor and jury member	Supported the Social Innovation Award winner with prize money and a strategy workshop with our team of experts. Additionally, SEIF provides an opportunity for early-stage impact tech entrepreneurs to increase international awareness, build a reputation, connect with impact investors, corporate partners and a broader network of impact driven stakeholders.
Green Fintech Network	Sustainable innovation	Member of Board As the first bank to join the network, UBS wants to actively support the development of innovative and scalable solutions	Aims to foster the Swiss green digital finance ecosystem and support the development of Switzerland into a global leader in green fintech innovation.
International Sustainability Standards Board (ISSB) Investor Advisory Group	Sustainable finance	Member of the ISSB Investor Advisory Group	Publicly endorsed the adoption of ISSB IFRS S2 climate-related disclosure standards in support of establishing market infrastructure to enable consistent, comparable climate-related disclosures at a global level.

Supporting our approach to climate – our climate-related materiality assessment

Methodology for assessing climate opportunities

Supporting the global economy's transition to net zero by 2050 will require vast amounts of investment. Banks can help to effectively and efficiently allocate the capital necessary to achieve net zero, which in turn creates opportunities for the banking sector and its client base. Estimates of the overall opportunity vary, but the United Nations Framework Convention on Climate Change (the UNFCCC) suggests the global transformation to a low-carbon economy is expected to require investment of at least USD 4 trillion to USD 6 trillion per year.[1]

To assess the opportunities that are specifically relevant to UBS, we evaluate a range of potentially relevant climate-related categories, encompassing commercial products and services, social finance, resource efficiency and energy consumption, operational resilience and green funding. Our assessment has been performed annually over the last three years as part of our annual financial planning process.

Our current methodology follows a two-step approach: i) identifying relevant opportunities; and ii) assessing their relative materiality for the Group over the short, medium, and longer terms. It is important to note that sustainability overall, and climate specifically, are continuously evolving topics, for example in terms of applicable political and regulatory frameworks, as well as client and market dynamics, which means that our annual assessment always represents a point-in-time analysis and needs to undergo continuous challenge and review, so that it consistently provides an accurate representation of our opportunity space on climate.

We have identified individual opportunities across four distinct areas of our business.

Commercial products and services

Identifying commercially relevant, climate-related business opportunities starts with UBS's annual process to formulate sustainable finance ambitions for its business divisions (Non-core and Legacy excepted). This ensures that relevant opportunities are systematically screened and selected. We identify climate-related business opportunities as those that directly or indirectly contribute to one or more of three areas: climate mitigation, climate adaptation or climate transition.

Individual climate-relevant products and services are organized into dedicated categories. To ensure sufficient granularity for our survey-based, qualitative materiality assessment[2] by an internal panel of sustainable finance experts, we then break these main categories down into 11 subcategories, each representing a coherent set of related products and services. Our expert panel then assesses the expected materiality of the individual sub-categories, as well as the time horizon over which these are expected to start contributing materially to UBS's business outcomes. Materiality here is assessed in terms of three equally weighted dimensions: i) revenue potential, ii) strategic relevance and iii) impact on the environment and stakeholders ("double materiality").

The assessment is done in a qualitative manner based on expert judgment in order to take account of the inherent difficulties involved in making more precise and/or quantified assessments of future commercial developments. This applies particularly in an area such as climate, where regulatory and policy frameworks, as well as market conventions and industry trends, are still subject to considerable change and evolution. It is therefore imperative that we regularly review, reiterate and report on these assessments so as to ensure that the reported results remain relevant. We have identified the following commercial categories of products and services for our assessment:

Climate-related investment products

These products include, for example, our net-zero-ambition, climate-aware, climate-transition, low-carbon and Paris-aligned portfolios, carbon-referencing structured products, and dedicated climate-focused investment modules. We also see opportunities within real-estate and private-market investment strategies related to climate mitigation, such as batteries and cold storage or energy-efficient properties.

Carbon-related financial services and products

This includes supporting clients in different business lines with identifying and assessing opportunities related to carbon credits (in both compliance and voluntary markets).

1 Based on information from the UNFCCC, see *https://unfccc.int/sites/default/files/resource/cma2022_L21_revised_adv.pdf*
2 To guide this assessment, we have used the definition for materiality as provided by the Global Reporting Initiative (the GRI).

Climate-related financing products and solutions

These include green balance-sheet lending to corporate and private clients, structuring and underwriting green bonds for corporate and sovereign issuers, and supporting and financing innovative climate start-ups, as well as green infrastructure finance (e.g., renewable energy).

Advice on strategic climate opportunities

This includes corporate advisory work incorporating climate factors, for example in valuation and analysis, and, more specifically, advising on transactions where climate considerations are clearly identifiable as part of the transaction rationale from the point of view of either an acquirer or a target company.

Thematic research

This includes in-depth climate-related research and thought leadership work, looking across and delving into relevant developments for the transition to a low-carbon economy including at a sectoral level and linkages to the financial industry, financial markets and scientific research. In a highly dynamic field, climate-related research plays a key role in keeping our clients and ourselves abreast of key trends.

Data analytics and metrics

These include data-driven analytical tools available in various business lines, which are being continuously developed and further refined to cover relevant sustainability- and climate-related aspects in greater depth and breadth. Examples of their application include the portfolio management process, quantitative modeling, climate exposure analytics within client reporting and data-powered strategic insights work. We also have a range of tools and calculators focusing on aspects such as emissions, renovations, or subsidies, which support our clients' decision-making on their decarbonization journey.

Platforms

These include innovative platform solutions enabling clients to gain access to climate-related products such as green mortgages and, in future, voluntary carbon credits. Such platform solutions enable UBS to scale up and achieve an impact going beyond some of our own operational limitations (e.g., our balance sheet, geographical reach or product range).

Social Impact

In addition to our commercial offering, our clients have access to solutions that help them to realize their philanthropy goals, including climate-related ones. Through our Philanthropy Services teams within Social Impact, we provide grants and social finance investments for climate-related projects within the environment and climate portfolio of the UBS Optimus network of foundations. Its environmental and climate strategy focuses on two pillars, "Sustainable Land Use" and "Coastal and Marine Ecosystems", and helps clients to identify and select potential opportunities, with an emphasis on supporting development and increasing financing for climate, nature and resilience. Our program directors for environment and climate assess and select these opportunities in terms of their fit with the UBS Optimus network of foundations environment and climate strategy, the quality of the organization's team and track record, and the potential for scale, and also for their expected results in key impact areas, including work on climate change mitigation and adaptation. They are then reviewed and approved by a senior-level approval committee. Experts from our Philanthropy Services and the UBS Optimus network of foundations teams provide a summary assessment of the materiality of this portfolio of projects which is then included in the overall assessment.

Our philanthropy opportunities are assessed for materiality and have scores assigned across the two dimensions of mitigation and adaptation by experts from Social Impact. While we consider these opportunities relevant for our assessment and for UBS as an organization, they do not carry direct revenue potential. Within the materiality score, we rate the revenue potential as zero, distinguishing philanthropic opportunities from the commercially relevant opportunities. By definition, philanthropy opportunities will always have a lower score than commercial opportunities, from a financial relevance perspective.

Own operations

UBS is committed to reducing its operational impact on the environment and has set clear reduction targets for its use of resources, as well as formulating ambitious net-zero commitments. Experts from our Group Corporate Services team, responsible for managing UBS's operational footprint, have assessed the materiality of opportunities arising from efforts in this area. These opportunities can be grouped into three distinct categories: resilience, energy consumption and resource efficiency.

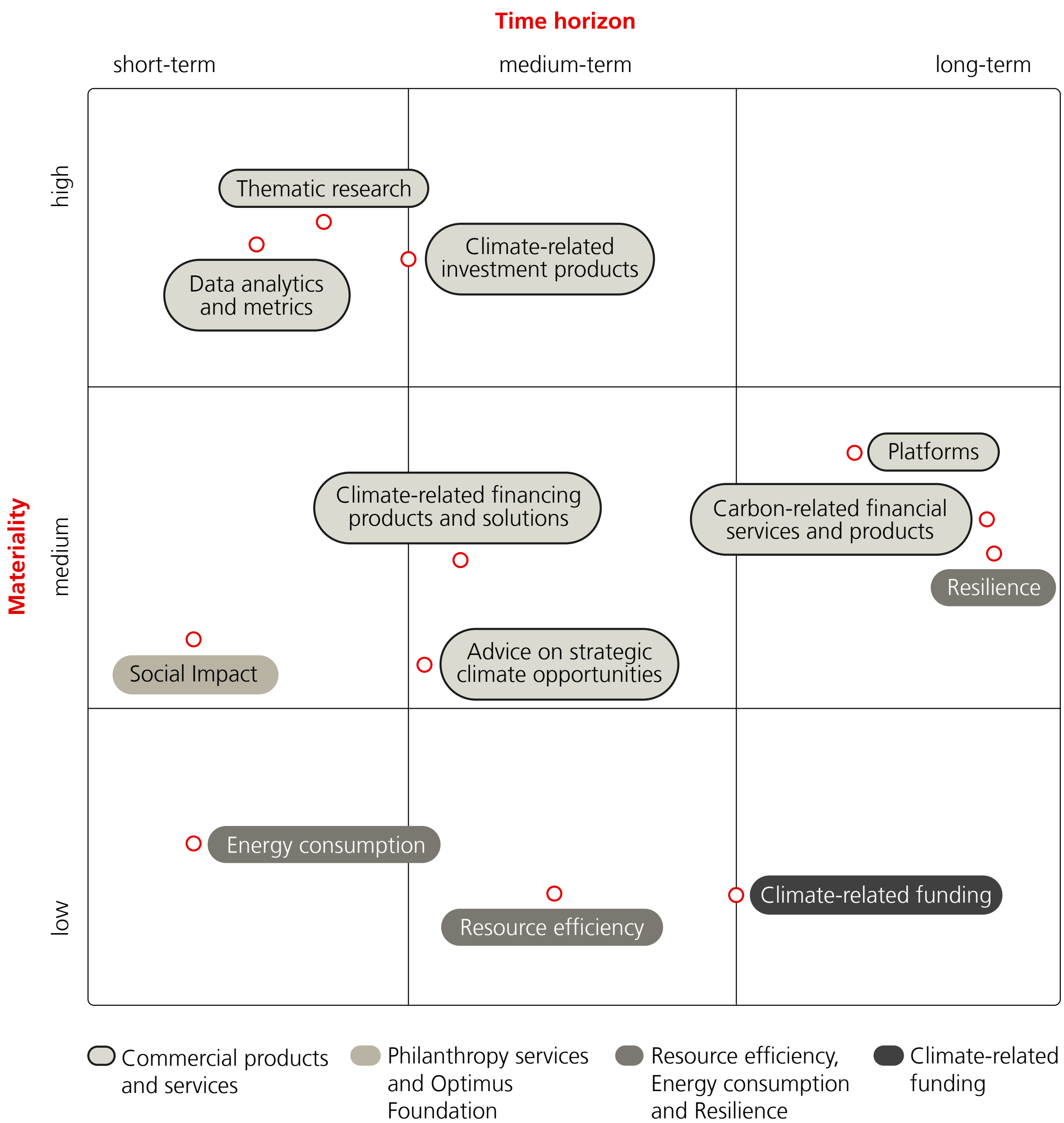
Climate-related funding

UBS, spearheaded by Group Treasury in partnership with relevant business lines, is continually assessing new opportunities for climate-related funding that could contribute to expanding our investor base or achieving favorable funding costs. As part of this assessment, experts from Group Treasury review the materiality of opportunities for funding, such as green or sustainability-linked bonds.

› **Refer to the "Supporting Opportunities" section of this report for more details about our sustainable and climate finance product offering and achievements in 2023**
› **Refer to the "Social" section of the UBS Group Sustainability Report 2023 for more details about the activities of Social Impact**
› **Refer to the "Metrics and targets" section of this report for more details about our in-house environmental management**
› **Refer to our Green Funding annual investor report, available at *ubs.com/greenbonds***

Materiality results for 2023 climate-related opportunities

The summarized results for UBS from the various expert assessments are displayed in the infographic below, placing individual categories within low / medium / high materiality and short- / medium- / long-term time-horizon segments. Categories are displayed on a relative scale, with the highest relative degree of materiality seen for thematic research, data analytics and metrics, as key enablers for a wide range of other business opportunities with clients. Given our capital-light business model, it is in line with our expectations that climate-related investment products are the highest-ranked immediate commercial product opportunity, while resilience is seen as the most important climate-related operational opportunity.



Methodology for assessing climate-driven risks

Impacts from climate-driven risks arise through changing climate conditions (physical risk) and efforts to mitigate the effects of a changing climate (transition risk). These climate risk drivers affect banks, the financial system, and the broader economy through both micro- and macroeconomic channels. UBS takes a materiality-driven approach to managing sustainability and climate driven risks, which is underpinned by an assessment of how these risk drivers may impact UBS through financial and non-financial risks (e.g., credit losses or reputational incidences resulting in lost revenues). The assessment considers geographic, jurisdictional, and sectoral differentiating factors, as well as the full range of climate-related time horizons, against UBS's products and services. The methodology used in this assessment continues to improve, with greater transparency and standardization in data quality and further refinement of our understanding of how climate-driven risks may arise (transmission channels), over time.

On an annual basis, the sustainability and climate risk (SCR) unit coordinates a systematic materiality assessment of sustainability and climate-related risks, in partnership and agreement with relevant business division representatives and in accordance with the ISO-14001 environmental management standard.[3] Based on industry collaboration, regulatory guidance, and internal subject-matter expertise, ratings are agreed between the SCR unit and the business division representatives, covering:

(i) granular definition of transmission channels; and

(ii) science- and business-based ratings of sustainability and climate-driven risks.

Risk rating process

The climate-driven materiality assessment results in a risk rating (shown on the Y-axis in the chart below) and covers all business divisions and products and services offered within them. UBS first evaluates the inherent risk at the product/service level, defining levels of pre-mitigant risk to UBS across financial (e.g., credit, market & treasury, and liquidity risks) and non-financial risk types (operational, liability, and reputational risks). Climate risk drivers that may result in impacts on the bank and/or its clients, investees, and assets are decomposed to articulate the transmission channels from which these impacts may arise. The transmission channel value chain is defined through:

1) climate risk driver (e.g., climate policies, low-carbon technology for transition risk);

2) transmission impact (e.g., wealth or income);

3) channel (e.g., through counterparty, assets, or directly to UBS);

4) type of channel (e.g., corporate debt asset, retail counterparty, etc.);

5) impact driver (e.g., credit worthiness);

6) impact metric (e.g., probability of default);

7) type of traditional risk category, across financial and non-financial risks (e.g., liquidity for financial or regulatory compliance, or reputational for non-financial);

8) qualitative differentiators (e.g., sectoral concentration in high-risk sectors);

9) mitigants (both internal and external).

For example, climate transition risks that may result in credit losses to UBS (i.e., credit risk), are decomposed to examine how changes in global climate policies, low-carbon technologies, and downstream (consumer and investor) sentiment may affect either the creditworthiness of UBS counterparties and/or affect the value of collateral UBS may hold against existing credit facilities.

This results in a centralized database of transmission channels and risk drivers, which are annually reviewed to reflect our growing understanding of these risks. These transmissions channels are mapped and given a rating across all products and services UBS offers, to determine an inherent risk rating. Ratings are given on a qualitative (converted into a quantitative) scale ranging from low (1), moderate stable (2), moderate emerging (2.5) to high (3) and are distributed on a relative basis: riskier products and services are rated relative to less risky ones across products within a business division, and across risk drivers and types.

3 For 2023 the materiality assessment of sustainability and climate-related risks covered UBS Group excluding Credit Suisse.

Initial ratings are proposed by SCR officers, leveraging in-house expertise, scientific and regulatory publications, market trends analyses, risk monitoring, and the relevant business and/or product model. Business representatives then engage relevant front-office experts to challenge SCR's initial proposal or confirm it. Business divisions undertake their own rating for potential risks arising in their products and services according to a step-by-step procedure of evaluation and ranking, review and approval, and documentation.

Assessments are evaluated based on two-way materiality. Both financial and non-financial risk impacts on UBS are evaluated, alongside impacts on the environment, climate, and human rights. Materiality is assessed for those products and services with higher-than-average impact and/or risk rating. Items rated as having a potential material risk are mapped to relevant risk controls. The proposed materiality assessment is then provided to UBS's SCR Portfolio Underwriter.

Further enhancements planned for 2024 and beyond include the integration of nature-related risk drivers and related transmission channels, followed by continuous advancement through internal learning, external collaborations and academic research, towards identifying new, and enhancing existing, defined transmissions channels. UBS will further align materiality assessments with other similar efforts undertaken throughout the group.

Concerning the time horizon (shown on the X-axis in the chart below), UBS defines short-term as less than three years, medium-term as three to ten years and long-term as beyond ten years. Currently, the most relevant time horizon for risk and impact is determined in consensus with relevant business division representatives, across the transmission channels. This is then given a rating from short- to long-term, corresponding to an assigned ordinal integer.

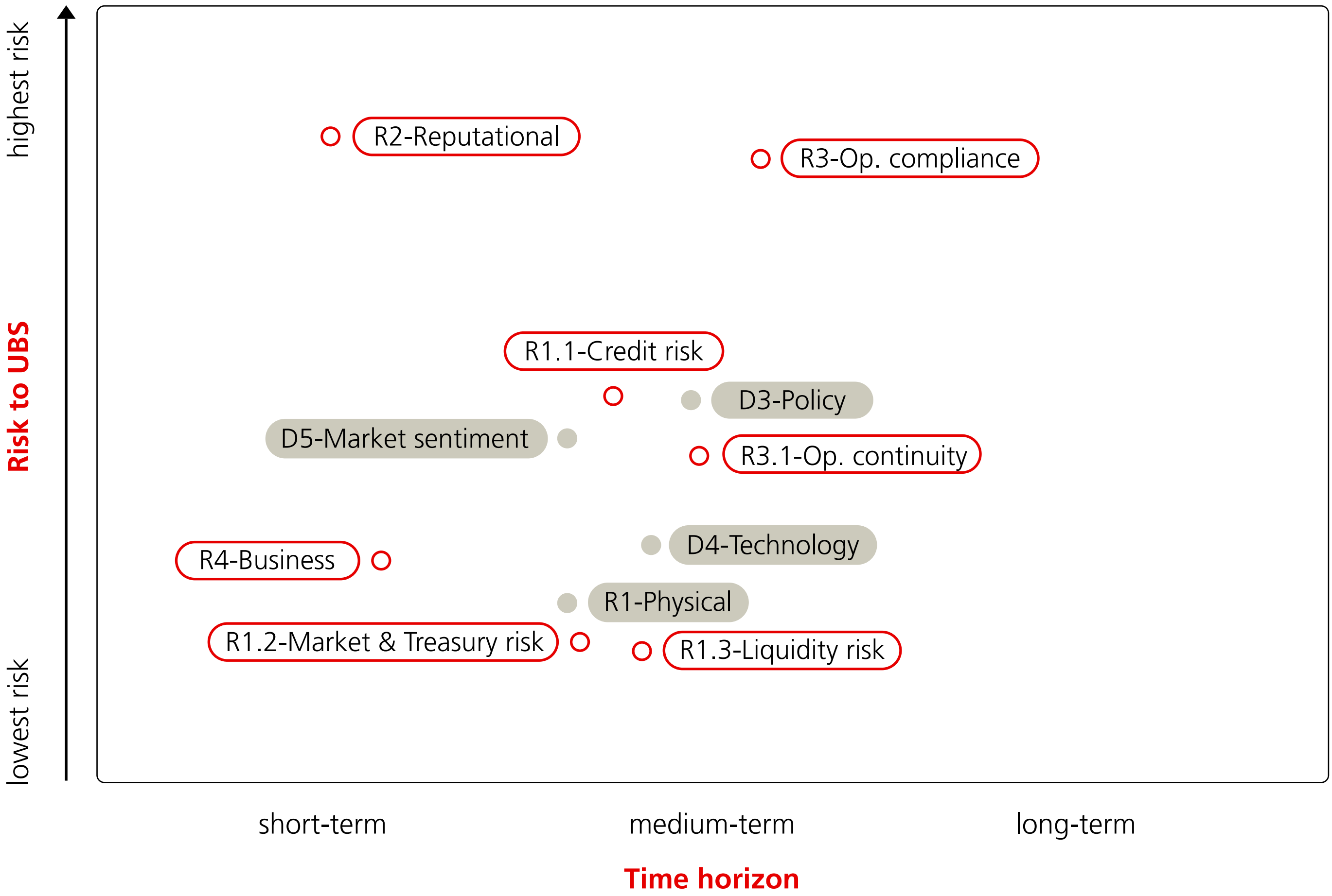
Final ratings

Enhanced ratings for each transmission channel are obtained by averaging the agreed risk rating and impact rating for each identified channel and relevant product or service. Driving towards a UBS firm-wide assessment, ratings are then further averaged amongst products within business divisions and normalized by the percentage of risk-weighted assets by business division, and further averaged amongst the business divisions. Two ratings are produced: 1) a risk rating and 2) a time horizon "rating". Given the approach defined through the 9-stage transmission channel analysis defined above, UBS is able to present ratings through multiple lenses, for example from the perspective of the climate risk driver, impact driver, and/or the traditional risk category, e.g., credit, market, reputational.

In the graph below, we show the climate-driven risk ratings by risk driver (grey) and traditional risk category (red). For traditional risks, we aggregate results into financial risk categories, including credit, market, treasury, and liquidity risks, and non-financial risk categories, including business, operational (relating to either operational continuity or compliance) and reputational risks. The graph illustrates that physical (chronic and acute) risks are assessed as potentially lower risk to UBS in comparison to policy, and market sentiment-driven climate risks pose relatively higher potential risks to UBS. This is primarily due to UBS's product footprint and greater uncertainty associated with the timing and impact of climate-related market risks. The current view incorporates market-priced adjustments, compensating for the lack of a significant signal on climate policy action in 2023. Combined operational risks are rated as relatively higher risk to UBS, due to the focus on regulatory compliance (banks being regulated on climate risk management) and liability (shareholder and activist investor legal action), as well as a regulatory focus on sustainable product labelling (truth-in-marketing regulations).

In addition, due to UBS's established approach to sustainability and climate-driven business risks, these are rated relatively lower when compared to, for example, inherent reputational risk exposure. While an overall worldwide slowdown in introducing new climate-related policies was noted in 2023, regulatory compliance over the financial sector remained stringent and growing. The slowdown in international climate-mitigation policies is perceived as partially driven by uncertainties around energy security, triggered by increased geopolitical conflicts. Most importantly, and as substantiated by repeated scenario-based climate analyses since 2014, climate-driven financial risks are found to not materially affect the financial stability of UBS.

Climate-driven risks by risk driver and risk type



Physical risk drivers

D1-Physical: Impacts from extreme weather events and incremental climate change may affect the value of physical assets that UBS owns and finances, especially in the short- and medium-term time horizons. These impacts should be diligently addressed in accordance with UBS's financial risk assessment. We consider the risks to our own physical assets through our comprehensive business continuity planning and physical climate risk identification process. Incremental changes in climate (e.g., rising temperatures and changes in precipitation patterns) can exacerbate extreme events, making them more frequent and severe, which in turn affects economic output and productivity. Such events could reduce the value of properties held as collateral. We see these potential risks emerging in the medium term rather than long term due to their gradual onset and the observable changes over a relatively shorter timeframe. The relevance of physical risks equally derives from geographical and sectoral disaggregation. Based on physical risk heatmaps, our exposure to climate-sensitive regions is considered moderately low. Similar conclusions are reached based on the sectoral disaggregation of our businesses.

Transition risk drivers

D2-Market sentiment: We have made protecting our clients' assets a strategic pillar in our approach to climate. Amid the growing demand for climate-focused products and services, we need to actively respond to market changes driven by the low-carbon transition and our clients' interest in managing climate-related risks. We address this potential risk through our comprehensive sustainability- and climate-focused product and service offering.

D3-Policy and regulatory: As a global financial services firm active in wealth management, asset management, investment banking and the provision of services to corporate and institutional clients, UBS can be affected directly and indirectly by new carbon pricing regulation and energy transition policies. These measures can be designed to both constrain the impacts of climate change and/or promote an adaptive response to climate change impacts. They could impact our own operations, as well as the business operations of our corporate clients, given that such clients rely on the firm to finance their activities across a range of sectors. We routinely assess the impact of current and emerging regulation, either directly affecting our operations or indirectly affecting those sectors where we have clients. Assessments and gap-analysis exercises are conducted several times a year, following a standardized identification process defined by the climate risk program. Additionally, regulatory developments are assessed for impacts via quarterly monitoring.

D4-Technological change: Together with corporate clients that rely on UBS to finance their activities in a range of sectors, UBS is both directly and indirectly exposed to technological changes. We analyse these changes, such as the rise of electric vehicle and battery technologies in the automotive sector, or energy storage technology advancement impacts on the power utility sectors, through scenario analysis approaches.

Climate-driven risks

R1.1-Credit risk: On the credit risk side, we assess the impact on UBS through counterparties: household, corporate, or sovereign income and/or wealth, given the ability to repay and service debt (income); or our ability to fully recover the value of the loan in the event of a default, due to collateral devaluation (wealth).

R1.2-Market & Treasury risks: On the market risk side, we assess the impact on the value of our financial assets, by altering or revealing new information about potential future economic conditions or the value of real or financial assets, resulting in downward price shocks and an increase in market volatility; that leads to a breakdown in correlations between assets or a change in market liquidity for certain assets.

R1.3-Liquidity risk: On the liquidity risk side, we assess the impact on liquidity adequacy & buffers and funding conditions directly or indirectly through our ability to raise funds, liquidate assets and/or our customers' demand for liquidity.

R2-Reputational: Our reputation may be adversely affected if our climate-related actions and methods are not perceived as meeting existing or future industry standards and best practices. Examples of this would be allegations related to greenwashing or inadequate action on climate change. Increased reputational risks could lead to loss of business and may result in changes in regulations, which in turn could impact our business model.

R3.1-Operational continuity: Our business continuity (operational continuity) is associated with climate-sensitive investments and businesses. We understand the UBS sustainability impact, as well as risks and opportunities that affect our value and the operational environment. We plan and create strategic direction, develop tangible and measurable targets, and link these to operations development. This can arise internally due to inadequate or failed internal processes, people, and systems and/or externally due to physical climate events or stakeholder legal action.

R3.2-Operational Compliance: Climate-driven operational risk may increase with regulatory compliance and liability. The aim is to improve the bank's risk profile through a more effective and efficient compliance function focused on the most important risks. We identify, manage, and mitigate these risks to avoid material impact on the company.

R4-Business: Business risk may materialize as client and investor sentiment changes. This could lead to changes in demand for existing and new products and services which could materially impact the bank's revenue performance.

› **Refer to the "Risk management" section of this report for more details about climate-related risks**

Climate risk materiality assessment at Credit Suisse

During 2023, Credit Suisse continued to leverage the climate-related materiality matrix that was developed as part of its Risk Identification and Assessment Framework (RIAF). Credit Suisse's approach to the assessment of climate risk materiality is being progressively aligned with UBS's as the integration process continues.

› **Refer to "Appendix 5 – Entity-specific disclosures for Credit Suisse AG" in the appendices to this report for a description of Credit Suisse's climate risk materiality assessment**

Information supporting our approach to climate and nature

Helping to achieve our strategy by working with key climate- and nature-related organizations

Initiative	UBS role / activity	Key outcome of initiative in 2023	UBS contribution / commitment
Task Force on Climate-Related Financial Disclosures (the TCFD)	Member of the TCFD, which includes 31 members from financial and non-financial companies and is supported by over 4,000 organizations from more than 100 countries.	19 jurisdictions, accounting for close to 60% of global GDP, have final or proposed TCFD-aligned disclosure requirements. Additionally, the Task Force has seen over 4,800 organizations indicate their support for the TCFD's recommendations, representing a combined market capitalization of USD 29.5 trillion. These organizations range from companies and civil society to governments. The Financial Stability Board announced the work of the TCFD to be completed, with the TCFD recommendations fully incorporated into the ISSB's Standards applying IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.	Contributed to the activities of the TCFD until the dissolution of TCFD in December 2023.
International Sustainability Standards Board (the ISSB)	Member of the ISSB Advisory Group	The ISSB issued its inaugural sustainability disclosures standards—IFRS S1 and IFRS S2.	Endorsed, at the COP28 UN Climate Change Conference, the adoption of ISSB IFRS S2 climate-related disclosure standards in support of establishing market infrastructure to enable consistent, comparable climate-related disclosures at a global level.
Taskforce on Nature-related Financial Disclosures (the TNFD)	Member of the TNFD, which includes 40 members from financial and non-financial companies.	Final version of TNFD risk management and disclosure framework including sector specific guidance for financial institutions.	Contributed to the development of the TNFD recommendations and chaired the financial-sector-specific working group of the TNFD.
Roundtable on Sustainable Palm Oil (the RSPO)	Member of RSPO since 2012	The RSPO has completed its review of its 2018 RSPO Principles and Criteria and 2019 RSPO Independent Smallholder Standard. It will commence its consultative technical revision process to produce revised standards in 2024.	RSPO certification provides third-party assurance that palm oil production is done in a sustainable way, as verified by an independent third party and accredited by RSPO governance. We acknowledge that acquiring land without adequate consultation, compensation and consideration of customary land rights can significantly impact local communities. In relying on the RSPO to promote business with clients exposed to palm oil, 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.
Net Zero Asset Managers initiative (the NZAM)	Founding member of the NZAMi, which includes more than 315 asset managers managing over USD 57 trillion of assets under management (AuM).	Completed first round of annual disclosure of signatories' approach and progress on net zero investing using the CDP framework.	Among the first round of asset managers to complete annual disclosure requirement. Aiming, by 2030, to align 20% of UBS AG Asset Management's total assets under management (AuM) with net zero. This Pre-acquisition UBS aspiration will be reassessed in 2024.
Net-Zero Banking Alliance (the NZBA)	Founding member of the NZBA, which includes 143 banks with USD 74 trillion of total assets, committed to financing ambitious climate action to transition the real economy to net-zero greenhouse gas emissions by 2050.	Developed guidelines, frameworks and methodologies for net-zero implementation in the global banking sector, including updated guidelines for climate target setting, sector-specific guidance, and a discussion paper on transition finance KPIs.	Active involvement in working groups and participation in public consultations to support the development of various resources, including those on climate target setting, transition financing, data and methodologies, etc. Committed to reporting ambitious intermediate 2030 targets for priority sectors within 18 months of signing, and for all, or a substantial majority of, the carbon-intensive sectors, where data and methodologies allow, within 36 months of signing, and to regularly reviewing targets in line with NZBA guidelines.

Initiative	UBS role / activity	Key outcome of initiative in 2023	UBS contribution / commitment
Glasgow Financial Alliance for Net Zero (the GFANZ)	Founding member of the GFANZ, which includes over 675 financial institutions, committed to accelerating the decarbonization of the economy.	Issuance of various transition planning resources, including guidance on net-zero transition plans, sectoral pathways, real-economy transition plans, portfolio alignment measurement, and the managed phaseout of high-emitting assets. Ongoing advocacy for credible economy-wide targets and pathways, as well as supporting policies, to drive net zero transition.	Active involvement in working groups, and participation in public consultations to support the development of various resources, including those on transition finance, net zero alignment for financial institutions and public policy.
Institute of International Finance (the IIF) Sustainable Finance Working Group (the SFWG)	Chair and member of the SFWG catalyzing work by the IIF on sustainable finance for its 400 financial-sector corporate members from 60 countries.	Produced a major transition finance report: "The Role of The Financial Sector in the Net Zero Transition: Assessing Implications for Policy, Supervision and Market Frameworks" offering perspectives on how financial institutions see their role in transition planning and finance. Hosted Transition Finance Workshop in Hong Kong. Hosted second annual Wolfsberg Forum for Sustainable Finance (WFSF).	Chair of the SFWG and its working program providing leadership and steering to the IIF's activities. UBS helped found and hosted the – WFSF at its Wolfsberg UBS Center for Education and Dialogue; – Transition Finance and Planning workshops in Hong Kong and New York
Partnership for Carbon Accounting Financials (the PCAF)	Member of PCAF, which is a global partnership of over 450 financial institutions with USD 86.7 trillion total financial assets.	Working together with all members to develop and implement common standards for the accounting, reporting and disclosure of GHG emissions associated with financial institutions' lending and investing activities. [Publication, in December 2023, of the Accounting and Reporting Standard for Capital Markets]	Committed to measuring and disclosing the GHG emissions associated with our lending and investing activities in accordance with PCAF standards. Participated in public consultation on Accounting and Reporting Standard for Capital Markets (published in December 2023)

› **Refer to the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting,* for more details about UBS's memberships and commitments below**

Resilience in the context of climate-related risks and opportunities

UBS has both BCM (business continuity management) and operational resilience programs to minimize the financial, regulatory, reputational and strategic impact of incidents, including those that are climate-related. We conduct regular BCM reviews, which include assessments of potential loss of premises, compromised buildings and data centers, loss of staff, loss of technology, and the need for risk mitigation. We also deploy and improve quantitative approaches that enable us to measure and monitor our resilience and alignment with our climate commitments. In this context, we have conducted stress tests and climate-related scenario analysis to assess the potential impacts of climate-related physical and transition risks on selected portfolios. Through our comprehensive business continuity planning and physical climate risk identification process, we consider the risk to our own physical assets.

Green Funding Framework

Our Group-wide Green Funding Framework sets out how we intend to connect our sustainability objectives with access to financial markets through a variety of funding products.

› **Refer to *ubs.com/greenbonds* for more details about the UBS Green Funding Framework, external reviews and annual reporting (including impact and allocation reporting)**

Until the completion of the planned merger of our parent bank companies (UBS AG and Credit Suisse AG), the Credit Suisse Green Finance Framework remains active as a separate framework.

› **Refer to *credit-suisse.com/greenfinance* for more details about the Credit Suisse Green Finance Framework, external reviews and annual reporting (including impact and allocation reporting)**

Appendix 3 – Risk management

Sustainability and climate risk policy framework

Our sustainability and climate risk policy framework is embedded in our culture and:

– is being extended to the combined firm, following the acquisition of the Credit Suisse Group;

– is integrated into management practices and control principles and overseen by senior management; and

– supports the transition toward a net-zero future.

Introduction

At UBS, sustainability and climate risk (SCR) is defined as the risk that UBS negatively impacts, or is impacted by, climate change, natural capital, human rights and other environmental, social and governance (ESG) matters. Sustainability and climate risk may manifest as credit, market, liquidity, business and non-financial risks for UBS, resulting in potential adverse financial, liability and reputational impacts. These risks extend to the value of investments and may also affect the value of collateral (e.g., real estate). Climate risks can arise from either changing climate conditions (physical risks) or from efforts to mitigate climate change (transition risks).

Group Risk Control (GRC) is responsible for our firm-wide SCR policy framework and the management of exposure to sustainability and climate (financial) risks on an ongoing basis as a second line of defense, while our Group Compliance, Regulatory & Governance (GCRG) function monitors the adequacy of our control environment for non-financial risks (NFR), applying independent control and oversight.

Our principles and standards apply across all the business divisions, Group Functions, locations and legal entities and are being progressively extended to cover Credit Suisse's activities. These principles and standards define roles and responsibilities for first line of defense (1LoD, i.e., client and supplier onboarding, transaction due diligence, and periodic know-your-client reviews), second line of defense (2LoD i.e., sustainability and climate risk transaction assessments) and the Group Executive Board (that sets the sustainability and climate risk appetite standards for the firm). Our work in key societal areas, such as minimizing the effects of climate change, protecting the environment and respecting human rights, is all part of this. Living up to our societal responsibilities contributes to the wider goal of sustainable development. As a global firm, we take responsibility for leading the debate on important societal topics, contribute to the setting of standards and collaborate in and beyond our industry.

Managing sustainability and climate risk is a key component of our corporate responsibility. We apply a sustainability and climate risk policy framework to all relevant activities. This helps us identify and manage potential adverse impacts on the climate, environment and human rights, as well as the associated risks affecting our clients and ourselves.

We have set standards and guidelines for product development, investments, financing and supply-chain management decisions, as well as guidelines and frameworks for sustainable lending and bond and GHG emissions trading products and services. These guidelines support UBS's growth strategy for sustainable products and services and our work to ensure that sustainability-related criteria are met. These guidelines are being applied to Credit Suisse products and services in the course of the integration process.

We have identified certain controversial activities where we will not engage, or will only engage subject to stringent criteria. As part of this process, we are committed to engaging with clients and suppliers to better understand their processes and policies and to explore how climate-, environment- and human-rights-related risks and impacts may be mitigated.

Our standards

We have set standards in product development, investments, financing and supply-chain management decisions. These include the stipulation of controversial activities and other areas of concern where we will not engage, or will only engage subject to stringent criteria.

Following the acquisition of the Credit Suisse Group, the sustainability and climate risk appetites of UBS and Credit Suisse were revised to define combined standards for the combined firm, aimed at supporting mitigation and de-risking the joint risk profile. UBS's approach was chosen as the blueprint for the combined risk appetite because of its broader scope of application across sectors and its generally stronger risk-mitigants. Former Credit Suisse standards were adopted in areas where UBS did not have a large business footprint before the acquisition, including shipping and project financing, as well as for certain metals and mining areas where UBS did not have a specific standard. UBS is to become a member of the Equator Principles and the Poseidon Principles, the industry's international standards for projects and ship finance.

› **Refer to the "Supporting our strategic goals – our engagement in partnerships" section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for an overview of our external commitments and memberships**

Controversial activities – where UBS will not do business

UBS will not knowingly provide financial or advisory services to clients whose primary business activity, or where the proposed transaction, is associated with severe environmental or social damage to or through the use of:

- world heritage sites as classified by the UN Educational, Scientific and Cultural Organization;
- wetlands on the Ramsar list;
- endangered species of wild flora and fauna listed in Appendix 1 of the Convention on International Trade in Endangered Species;
- high conservation value forests as defined by the six categories of the Forest Stewardship Council (the FSC);
- illegal fire: uncontrolled and/or illegal use of fire for land clearance;
- illegal logging, including purchase of illegally harvested timber (logs or roundwood);
- child labor according to International Labor Organisation (ILO) Conventions 138 (minimum age) and 182 (worst forms);
- forced labor according to ILO Convention 29; and
- indigenous peoples' rights in accordance with International Finance Corporation (IFC) Performance Standard 7.

The same standards apply when UBS purchases goods or services from suppliers.

In addition, UBS does not directly or indirectly finance the development, production or purchase of controversial weapons of such companies determined to fall within the Swiss Federal Act on War Materials.

On the topic of cluster munitions and anti-personnel mines, UBS does not provide credit facilities to, nor conduct capital market transactions for, companies that are involved in the development, production or purchase of cluster munitions and anti-personnel mines. UBS does not include securities of affected companies in its actively managed retail and institutional funds and in discretionary mandates. UBS draws upon external expertise to decide whether a company is subject to the restrictions imposed by Swiss law.

Areas of concern – where UBS will only do business under stringent criteria

We apply specific guidelines and assessment criteria to transactions with corporate clients engaged in the areas of concern listed below. The guidelines and assessment criteria apply to loans, trade finance, direct investments in real estate and infrastructure, securities and loan underwriting transactions, investment banking advisory assignments and the procurement of goods and services from suppliers.

Transactions in the areas listed below trigger an enhanced due diligence and approval process. In addition to the assessment of regulatory compliance and adherence to UBS's controversial activities standards, as well as consideration of past and present environmental and human rights performance and concerns of stakeholder groups, these transactions require an assessment of the following criteria:

Soft commodities	
Palm oil	Companies must be members of the Roundtable on Sustainable Palm Oil (the RSPO) and not subject to any unresolved public criticism from the RSPO. Production companies must further have some level of mill or plantation certification and be publicly committed to achieving full certification (evidence must be available). Companies must also be committed to "No Deforestation, No Peat and No Exploitation."
Soy	Companies producing soy in markets at high risk of tropical deforestation must be members of the Round Table on Responsible Soy (the RTRS) or similar standards such as Proterra, ISCC, CRS, and not be subject to any unresolved public criticism from these standards. When a company is not certified, it must credibly commit to the RTRS or a similar standard, providing a robust time-bound plan or demonstrate a credible commitment toward an equivalent standard, to be independently verified.
Forestry	The producing company must seek to achieve full certification of its production according to the Forest Stewardship Council (FSC) or a national scheme endorsed against the Programme for the Endorsement of Forest Certification (PEFC) within a robust time-bound plan. The producing company must also have fire prevention, monitoring and suppression measures in place.
Fish and seafood	Companies producing, processing or trading fish and seafood must provide credible evidence of no illegal, unreported and/or unregulated fishing in their own production and supply chain.
Power generation	
Coal-fired power plants (CFPP)	We do not provide project-level finance for new CFPP globally and only support financing transactions of existing coal-fired operators (>20% coal reliance) if they have a transition strategy that aligns with the goals of the Paris Agreement or if the transaction is related to renewable energy or clean technology.
Large dams	Transactions directly related to large dams include an assessment against the recommendations made by the International Hydropower Sustainability Assessment Protocol.
Nuclear power	Transactions directly related to the construction of new, or the upgrading of existing, nuclear power plants include an assessment of whether the country of domicile of the client/operation has ratified the Treaty on the Non-Proliferation of Nuclear Weapons.
Extractives	
Arctic drilling and oil sands	We do not provide financing where the stated use of proceeds is for new offshore oil projects in the Arctic or greenfield[1] oil sands projects, and only provide financing to companies with significant reserves or production in arctic oil and/or oil sands (>20% of reserves or production) if they have a transition strategy that aligns with the goals of the Paris Agreement or if the transaction is related to renewable energy or clean technology.
Coal mining and mountain top removal (MTR)	We do not provide financing where the stated use of proceeds is for greenfield[1] thermal coal mines and do not provide financing to coal-mining companies engaged in MTR operations. We only provide financing to existing thermal coal-mining companies (>20% of revenues) if they have a transition strategy that aligns with the goals of the Paris Agreement, or if the transaction is related to renewable energy or clean technology.
Liquefied natural gas (LNG)	Transactions directly related to LNG infrastructure assets are subject to enhanced sustainability and climate risk due diligence considering relevant factors, such as management of methane leaks and the company's past and present environmental and social performance.
Ultra-deepwater drilling	Transactions directly related to ultra-deepwater drilling assets are subject to enhanced sustainability and climate risk 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.
Hydraulic fracturing	Transactions with companies that practice hydraulic fracturing in environmentally and socially sensitive areas are assessed against their commitment to and certification of voluntary standards, such as the American Petroleum Institute's documents and standards for hydraulic fracturing.
Metals and mining	Transactions directly related to precious metals or minerals assets that have a controversial environmental and social risk track record are assessed against commitment to and certification of voluntary standards, such as the International Council on Mining & Metals (the ICMM), International Cyanide Management Code, the Conflict-Free Smelter Program and the Conflict Free Gold Standard of the World Gold Council, the Responsible Gold Guidance of the London Bullion Marketing Association (the LBMA), the LBMA or London Platinum and Palladium Market (the LPPM) Good Delivery Lists, the Chain-of-Custody and Code of Practices of the Responsible Jewellery Council, the Fairmined Standard for Gold from Artisanal and Small-Scale Mining of the Alliance of Responsible Mining, the Voluntary Principles on Security and Human Rights, and the International Code of Conduct for Private Security Providers. Transactions directly related to precious metals sourcing, custody, distribution and trading are assessed against precious metals' production by refineries that are listed on the London Good Delivery List (the LGD) or the Former London Good Deliver List (the FLGD) for precious metals produced up to refineries' removal from the LGD, as maintained by the LBMA and the LPPM. We do not provide financing where the stated use of proceeds is for mining operations that utilize tailings disposal in the sea or in rivers. We do not provide financing where the stated use of proceeds is for the exploration or extraction of mineral resources of the deep seabed. Transactions with companies that mine uranium are assessed against the companies' strategy and actions to manage water contamination, waste, and worker and community health and safety, especially in regard to radiation. Consideration is also given to the designated use of the mined uranium (or other radioactive material).

Diamonds	Transactions with companies that mine and trade rough diamonds are assessed on the client's commitment to and certification of voluntary standards, such as the ICMM, and rough diamonds must be certified under the Kimberley Process.
Project Finance	Project finance transactions, including project finance advisory services, project-related corporate loans, bridge loans, project-related refinance and project-related acquisition finance, are subject to enhanced due diligence in alignment with the Equator Principles.
Shipping	Transactions involving marine transportation are assessed against relevant factors such as greenhouse gas emissions and energy efficiency, human rights, safety and pollution prevention policies, and responsible ship recycling, in line with applicable international conventions and standards (e.g., International Maritime Organization conventions, the Hong Kong Convention and the Poseidon Principles). The carbon intensity and climate alignment of the ship financing portfolio are measured and reported in accordance with the Poseidon Principles.

1 Greenfield means a new mine/well or an expansion of an existing mine/well that results in a material increase in existing production capacity.

Sustainable Financing Guideline

Introduction

This groupwide guideline applies to all loans and bonds that are labelled, marketed, or promoted[2] as having intentions or objectives to achieve environmental, social or governance ("ESG") outcomes for which UBS acts as a lender, intermediary or issuer.[3] It sets out applicable Sustainable Product Labels as well as a set of minimum requirements for labelling purposes.

Sustainable Product Labels

The labels of sustainable loan and bond products are largely based on the definitions used by the Loan Market Association (LMA), Loan Syndication & Trading Association (LSTA), Asia Pacific Loan Market Association (APLMA) and the International Capital Market Association (ICMA).

Green, Social and Sustainability Loans and Bonds are instruments made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible Green and/ or Social Projects that form part of a credible program of the borrower/issuer to improve its environmental and/or social footprint.

Sustainability-Linked Loans and Bonds are any types of instruments which incentivize the borrower/ issuer's achievement of ambitious, predetermined Sustainable Performance Targets (SPTs) that are measured using predefined sustainability KPIs.

Other sustainable labelled products include but are not limited to:

– Loans or bonds with sustainability features that do not match the definition of any of the industry categories;

– Mortgage products linked to sustainability which are not covered by the Green Loan Principles.

2 "Labelled, marketed or promoted" should be construed broadly, including the name or label of the product and explicit statements and any related UBS documentation, and needs to be considered in its entirety to ascertain what a client or other external stakeholder may reasonably assume from reading the material.
3 For UBS issued bonds, the term "UBS", as used in this guideline, refers to the Investment Bank business division assuming the role of the intermediary, whereas the term "issuer" refers to UBS as issuer.

UBS minimum requirements

This guideline sets out UBS minimum requirements for sustainable lending and bond products and transactions. UBS must carry out due diligence procedures in accordance with the Group policy on sustainability and climate risks.

Product and transaction level requirements

		Green, Social, Sustainability Loan/Bond	Sustainability-linked Loan/Bond	Other labelled Loan/Bond
1	Each business division offering products and services in scope of this guideline must define and document one or several product standards ensuring compliance with UBS policies, alignment with market standards, product documentation, reporting and monitoring.	X	X	X
2	UBS must ensure that green/ social projects to be financed or refinanced with the proceeds of green, social or sustainability loans/bonds are aligned with industry standards, referenced in the product's legal documentation and form part of a credible program of the borrower/issuer to improve their environmental and/or social footprint. Additionally, UBS must ensure that the borrower/issuer has adequate procedures (e.g., annual reporting) in place to ensure proceeds are exclusively used for the specified green/ social projects; and associated risks are managed accordingly.	X		
3	UBS must ensure that an external review is obtained by the borrower/issuer prior to the loan/bond being made available to ensure that KPIs are measurable and material to the borrower/ issuer's core sustainability and business strategy; represent a material improvement in the respective KPIs beyond a "Business as Usual" trajectory and are determined on a predefined timeline, set before or concurrently with the issuance of the loan/bond, and reflected in the legal documentation. Additionally, the external verification of the borrower/issuer's performance against the KPIs/SPTs should take place on an annual basis thereafter. Where the borrower opts out from such external review, the justification on KPIs materiality and SPTs ambitiousness must be articulated.		X	
4	UBS must structure the product in such a manner that it is meaningful (e.g., promoting one or several UN SDGs) and sufficiently material (in relation to the size and duration of the product), measurable and has a verifiable expected impact. For labelled real estate loans, UBS must ensure that the labelled real estate loan is intended to improve the environmental footprint and align greenhouse gas emissions of the property to UBS's decarbonization ambition.			X
5	UBS must ensure that the borrower/issuer has adequate incentives (e.g., margin incentives for SLL) to adhere to agreed objectives e.g., SPTs or project goals.	X	X	X

Greenhouse Gas Emissions Trading Guideline

Introduction

This groupwide guideline applies to all greenhouse gas emissions trading instruments and activities for which UBS engages in as an advisor, broker, issuer, investment manager or platform (co-)owner. It sets out instruments and activities UBS may engage in, as well as a set of minimum requirements.

Greenhouse gas emissions trading instruments and activities

Voluntary carbon credits (VCC) are issued by carbon projects to either reduce greenhouse gas emissions or to increase carbon sequestration. Projects that meet a set of verification standards can be certified by independent certification bodies and issue carbon credits denominated as a unit of carbon (i.e., one metric ton of CO_2 or the equivalent of any other greenhouse gas). These credits can be purchased in the voluntary carbon market by companies / organizations who wish to compensate (or 'offset') their own carbon footprint.

Carbon emission allowances (CEA) are standardized rights to generate a pre-defined quantity of carbon emissions e.g., one metric ton of CO_2, that can be traded in compliance carbon markets. They are issued by national or international governmental organizations in a fixed volume, which is determined based on national or international emission targets, and then either sold or allocated to market participants.

Derivatives and structured products may be structured with underlying features linked to VCCs or CEAs.

Other carbon-related/ labelled products and services include but are not limited to banking products and services labelled, marketed or promoted[1] as "net zero aligned", "carbon neutral", "carbon compensated" etc.

1 "Labelled, marketed or promoted" should be construed broadly, including the name or label of the product and explicit statements and any related UBS documentation, and needs to be considered in its entirety to ascertain what a client or other external stakeholder may reasonably assume from reading the material.

UBS minimum requirements

The guideline sets out UBS minimum requirements for GHG trading products and transactions. UBS must carry out due diligence procedures in accordance with the Group policy on sustainability and climate risks.

		VCC	CEA
1	Each business division engaging in the activities or offering products and services in scope of this guideline must define and document one or several product standards ensuring compliance with UBS policies, alignment with market standards, product documentation, reporting and monitoring.	X	X
2	Any VCC that UBS purchases, trades or invests in on its own account or on behalf of clients or uses as underlying asset in a derivative or structured product must be approved by internationally recognized registries and underlying projects must be verified in accordance with established international standards to provide assurance that the VCC comply with the ICVCM Core Carbon Principles.	X	
3	Voluntary offsetting of physical or financed emissions must adhere to the following principles: · REDUCE: Science-based climate targets and credible trajectories to achieve these targets must be clearly articulated with direct emission reductions being the priority · REPORT: Physical or financed greenhouse gas emissions must be measured and reported at least annually in accordance with accepted third-party standards for corporate greenhouse gas accounting and reporting · OFFSET: Offsets must be purchased by the borrowers / investees themselves, not by the bank.	X	
4	If UBS purchases VCC to offset its own or a client's emissions, UBS must make sure to retire these VCC permanently and not trade them any longer nor use them to offset further emissions.	X	
5	Any CEA that UBS purchases, trades or invests in on its own account or on behalf of clients or uses as underlying must be issued by an authorized Emissions Trading System (ETS).		X
6	Any transactions in CEAs in authorized Emissions Trading System (ETS) must be structured in a manner that: The purchase should not trigger any foreseeable counteracting responses by stabilization mechanisms built into the emissions trading system (e.g., new CEA being added or planned cancellations of CEA not taking place as a consequence of the purchases). If CEA are to be purchased with the intention to accelerate the path of reduction in the overall amount of carbon emissions allowed by the respective ETS, the CEA purchased cannot be traded anymore. Where supply reduction is not an explicit goal, the holding and trading of CEAs is permissible in line with relevant rules and policies of respective ETSs.		X

Sustainability and climate risk framework

UBS annually performs a sustainability and climate risk materiality assessment of its products, services and supply chain (in accordance with the ISO 14001 standard and UBS's Risk Control Self-Assessment). Products, services and activities deemed high risk are subject to the following framework.

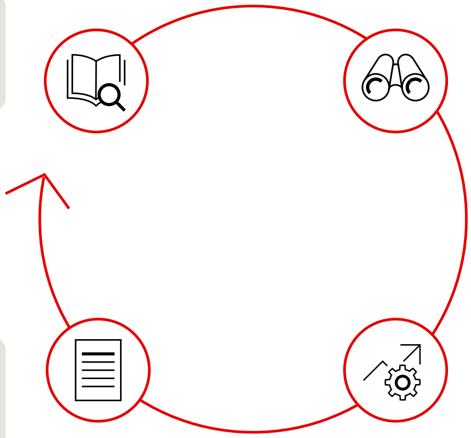
Sustainability and climate risk framework

1 Identification and measurement

Sustainability and climate risks are identified and their materiality is measured

2 Monitoring and risk appetite setting

Sustainability and climate risks exposures, emerging risks and regulations are monitored and metrics reported internally to enable risk appetite setting



3 Management and control

Management and control processes ensure that material sustainability and climate risks are identified, measured, monitored and escalated in a timely manner

4 Reporting

Key sustainability and climate risks considerations are included in internal reporting and external disclosures

Standard financial and non-financial risk processes ensure that material sustainability and climate risks are identified, assessed, approved and escalated in a timely manner. These include controls during client onboarding, transaction due diligence and product development, and as part of investment-decision processes, own operations, supply-chain management and portfolio reviews.

Governance

Given the many sustainability- and climate-related challenges globally, these topics will continue to increase in relevance for banks. These developments therefore require regular and critical assessment of our policies and practices, based on accurate monitoring and analysis of societal topics of potential relevance to UBS.

The management of sustainability and climate risk is steered at the GEB level. Reporting to the Group CEO, the Group Chief Risk Officer is responsible for the development and implementation of control principles and an appropriate independent control framework for sustainability and climate risk within UBS, and its integration into the firm's overall risk management and risk appetite frameworks. The Chief Risk Officer (the CRO) for Sustainability supports the GEB by providing leadership on sustainability in collaboration with the business divisions and Group Functions.

Integration in financial and non-financial processes

– *Client onboarding:* Potential clients are assessed for sustainability and climate risks associated with their business activities as part of UBS's know-your-client (KYC) processes.

– *Transaction due diligence:* Sustainability and climate risks are identified and assessed as part of standard transaction due diligence and decision-making processes.

– *Product development and investment-decision processes:* New financial products and services are reviewed before their launch in order to assess their compatibility and consistency with UBS's environmental and human rights standards. Sustainability and climate risks are also considered where relevant as part of the firm's overall ESG approach to investment-decision processes and when exercising ownership rights, such as proxy voting, and engagement with the management of investee entities.

– *Own operations:* Our operational activities and employees, and contractors working on UBS's premises, are assessed for compliance with relevant environmental, health and safety, and labor rights regulations.

– *Supply chain management:* Sustainability and climate risks are assessed when selecting and dealing with suppliers. UBS also evaluates goods and services that pose potential environmental, labor and human rights risks during the life cycle (production, usage and disposal) as part of its purchasing processes.

– *Portfolio review:* At the portfolio level, we regularly review sensitive sectors and activities prone to bearing sustainability- and climate-related 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.

Clients, transactions or suppliers potentially in breach of our standards, or otherwise subject to significant climate, environmental and human rights controversies, are referred to our Sustainability and Climate Risk unit, which approves or rejects the cases after assessing their compliance with the firm's risk appetite standards. Advanced data analytics on companies associated with such risks is integrated into the web-based compliance tool used by our staff before they enter into a client or supplier relationship, or a transaction. The systematic nature of this tool significantly enhances our ability to identify potential risk.

In 2023, 3,297 referrals were assessed by our Sustainability and Climate Risk unit, of which 251 were rejected or not pursued, 356 were approved with certain qualifications and 419 were pending. The overall number of SCR referrals increased by 16% compared with 2022.

Sustainability and climate risk assessments

	UBS				Credit Suisse	
					Step Trace[2]	CETF[3]
	For the year ended			% change	For the year ended	
	31.12.23	31.12.22	31.12.21	31.12.22	**31.12.23**	**31.12.23**
Cases referred for assessment[1]	**3,297**	2,834	2,919	16	**316**	**830**
Cases referred for assessment: UBS Europe SE	**126**	88				
by region						
Americas	**611**	548	496	11	**85**	**151**
Asia Pacific	**785**	729	631	8	**93**	**18**
Europe, Middle East and Africa (excluding Switzerland)	**513**	481	556	7	**26**	**51**
Switzerland	**1,388**	1,076	1,236	29	**112**	**610**
by business division						
Global Wealth Management	**178**	151	278	18		
Personal & Corporate Banking	**1,209**	1,151	1,345	5		
Asset Management	**13**	11	24	18		
Investment Bank	**1,815**	1,443	1,162	26		
Group Functions[4]	**82**	78	110	5		
Credit Suisse Swiss Bank					**86**	**285**
Credit Suisse Investment Bank					**152**	**214**
Credit Suisse Wealth Management					**78**	**331**
by sector[5]						
Agriculture[6]	**419**	466	536	(10)	**44**	**17**
Industrials[7]	**439**	321	353	37	**55**	**81**
Financial services[8]	**509**	341	209	49	**17**	**0**
Real Estate[9]	**212**	76	82	179	**11**	**0**
Metals and mining	**583**	578	689	1	**38**	**10**
Fossil fuels	**320**	350	318	(9)	**55**	**291**
Services and technology[10]	**142**	144	190	(1)	**22**	**0**
Transportation	**91**	85	80	7	**11**	**340**
Utilities	**240**	204	225	18	**55**	**91**
Others[11]	**342**	269	237	27	**8**	**0**
by outcome[12]						
approved[13]	**2,123**	1,981	1,989		**278**	
approved with qualifications[14]	**356**	413	396		**4**	
rejected or not further pursued[15]	**251**	301	137		**20**	
pending[16]	**419**	125	17		**14**	
assessed[17]	**148**	14	380			**830**

1 Transactions and client onboarding requests referred to the SCR function. 2 StepTrace records all referrals, which Sustainability Risks considers having a nexus to significant environmental and/or social risks for the purposes of internal monitoring and reporting, internal training and awareness, and discretionary engagement with external stakeholders. 3 Client Energy Transition Framework (CETF) was developed to engage with clients on their approach to managing environmental and social risks as well as their transition strategy. The framework consists of the identification of priority sectors/industries and a methodology to categorize clients that operate in these sectors according to their energy transition readiness. 830 names have been assessed (new or updated categorization) for the year 2023. As CETF categorizations have been assigned at a counterparty level, in some cases different CETF categorizations can be linked to a parent group. 4 Relates to procurement / sourcing of products and services. 5 Amendment in sector calculation: sector is selected based on main assessed counterparty, following UBS GIC2 code approach. 6 Includes, e.g., companies producing or processing fish and seafood, forestry products, biofuels, food and beverage. 7 Includes e.g. chemical and pharmaceutical companies. 8 Includes, e.g., banks, commodity traders, investments and equity firms. 9 Includes e.g., real estate and construction and engineering companies. 10 Includes technology and telecom companies. 11 Includes, e.g., aerospace and defense, general industrials, retail and wholesale. 12 "By outcome" 2023 data is from 25 January 2024. Outcomes from 2022 and 2021 were also recalculated. 13 Client / transaction / supplier transactions approved at SCR. 14 Client / transaction / supplier subject to an SCR assessment and approved with qualifications. Qualifications may include ring-fencing of certain assets, conditions toward client / supplier or internal recommendations. 15 Client / transaction / supplier subject to an SCR assessment and rejected or not further pursued. 16 Decision pending. 17 Assessed companies related to portfolio reviews.

Key memberships and commitments of pertinence to the SCR policy framework

Topic	Relevance to UBS	Initiatives/commitment
Environment and climate change	Our approach to climate, as set out in the UBS Group Climate and Nature Report 2023. UBS Group AG excluding Credit Suisse is certified according to ISO 14001, the international environmental management standard.	1992 One of the first financial institutions to sign up to the UN Environment Programme bank declaration. 2002 CDP founding signatory. 2015 Founding member of the Task Force on Climate-related Financial Disclosures. 2020 Founding member of the Net Zero Asset Managers initiative. 2021 Founding member of the Net-Zero Banking Alliance.
Forestry and Biodiversity	Our approach to nature, as set out in the UBS Group Climate and Nature Report 2023	2012 Member of the RSPO. 2014 Endorsed the "Soft Commodities" Compact from the Banking Environment Initiative and the Consumer Goods Forum.
Human Rights	Our commitment to respecting human rights, as set out in the UBS Human Rights Statement	2011 Founding member of the Thun Group of Banks on banking and human rights.
Industry- wide sustainability topics	Our progress in implementing Group Sustainability and Impact objectives, as set out in the UBS Sustainability Report 2023 (externally assured in accordance with the Global Reporting Initiative (GRI) Standards)	2000 One of the first companies to endorse the UN Global Compact. 2000 Founding member of the Wolfsberg Group of Banks on financial crime prevention. 2019 Founding signatory of the UN Principles for Responsible Banking (the PRB).

Climate- and nature-related risk methodologies and scenarios

This appendix provides an overview of our target approach to integrating climate risk into other risk categories, as well as an overview of our scenario analysis and of the methodological approaches taken in developing our sustainability and climate risk analytics. It includes detailed information on the methodology documentation, commensurate with the materiality and complexity of the heatmaps.

UBS's target approach to integrating climate risk into other risk categories

Integration of climate risk: target approach

Process	Credit risk	Market risk (traded and non-traded)	Non-financial risk (NFR)	Reputational risk
Systematically integrate sustainability and climate risks into the firm's risk identification processes and stress testing framework				
Risk identification and measurement	UBS assesses and monitors material concentrations of exposure to climate risk across sensitive geographies, sectors and counterparties. Climate risk scenario analysis and stress testing enable UBS to assess risks along different climate pathways and time horizons up to 30 years, for an assessment of capital and risk-weighted asset (RWA).	UBS identifies new transmission channels of market risk impacts by assessing market-based responses to climate risk drivers. This process involves monitoring potential impacts on the value of UBS's positions that may be materially affected by climate-risk-driven price and/or volatility shifts. UBS deploys custom climate stress modeling to quantify potential losses from changes in market variables, such as interest rates, credit spreads, equity and commodity prices, as well as correlations and volatility.	NFR implications are assessed across compliance, financial crime, and operational risk taxonomies including business continuity risk, to enable UBS to identify potential deficiencies in internal processes or vulnerabilities to external events.	Clients, new transactions, products and services go through standard review and decision processes prior to UBS conducting business. These processes support the identification, assessment and escalation of potential reputational risk. The design and operating effectiveness of the framework rely on including the climate-related risk management processes embedded in the step 1 frameworks below. Examples include: – client onboarding (financial crime prevention / anti-money laundering / know your customer); – sustainability and climate risks; – suitability and appropriateness review; – new business and complex transaction approval processes; and – third-party risk management and outsourcing and offshoring processes.
Execution of BoD- and GEB-defined risk appetite for sustainability and climate risks, based on identified material risks				
Monitoring and risk appetite setting	Integration of climate-related risks (quantitative) into the firm's risk appetite framework, including, but not limited to, climate-related credit limits (considering materiality thresholds) and/or carbon budgets and utilization aligned with UBS net-zero implementation targets. The process includes ongoing monitoring of potential new transmission channels.	Integration into market risk-monitoring processes reflecting insights from risk identification and ongoing assessment of exposure to industry sectors, sovereign debt, commodity prices, foreign exchanges rates and interest rates. This includes an assessment of potential material climate-sensitive exposure (to sectoral, geographic and/or asset type) against risk appetite, and timely escalation of potential concentrations.	Monitoring and tracking of global climate-related regulations via a dynamic assessment process enables UBS to understand and anticipate impacts on current operations, addressing greenwashing risks or central bank supervisory expectations.	Our Risk Appetite Framework ensures that risk-taking at every level of the firm is in line with our strategic priorities and capital and liquidity plans, as well as our pillars, principles and behaviors. The framework takes a comprehensive approach, integrating all material risks across the firm. Ongoing monitoring and surveillance activities, as well as escalation processes, are in place to protect UBS's franchise and reputation.

Quantitative and qualitative sustainability and climate risk principles integrated into risk management frameworks and processes				
Risk management and control	Integrating climate risk considerations into the credit lifecycle, including onboarding, deal review, collateral valuation and periodic credit processes, enables UBS to mitigate the potential for climate-related credit losses. Driven by proprietary methodologies (e.g., scorecards) and quantitative or qualitative integration into risk metrics (e.g., probability of default, loss given default) or decision-making. Mitigants may include the setting of limits, portfolio management measures (e.g., hedges) and/or business acceptance criteria.	Climate-related considerations are integrated into market risk appetite, which may result in enhancements to management systems and processes, and challenges to existing risk control measures.	Embed ESG (environmental, social, governance) factors into NFR assessment and control frameworks including enhancements to new business initiatives, client onboarding, oversight of marketing materials related to sustainability, business continuity planning adaptations and/or minimum product standards of sustainability characteristics.	On-going review of framework design and the operating effectiveness and ESG controls embedded in key processes, such as new business controls and suitability and appropriateness reviews, enables UBS to continuously evolve its reputational risk management capacity.

Dashboards on climate-driven risk insights, internal and external reporting on climate risk management framework status	
Risk reporting and disclosure	Timely reporting of material changes in climate-driven risk identification, quantification, monitoring, as well as utilization of risk appetite, and/or key risk management and control decisions. This includes integration of climate-related credit and market risk metrics (e.g., climate-driven delta risk or expected credit loss from climate-sensitive loans) in standard internal risk reports at the level of the Group, significant Group entities and/or business divisions. A Group-consolidated view of all high inherent risk cases that have been raised through the reputational risk review process is provided quarterly into the Group Risk Report. Automation of risk metrics into external disclosure processes, accompanied by materially relevant information on climate risk identification, monitoring (e.g., new transmission channels), exposure trends and mitigating actions. Roll-out of independent ESG data assurance to our Sustainability Report initially (to be extended to other Sustainability Dashboard metrics on risk-based approach over time) and SOX 302 style certification by senior management on our Sustainability Report

Our plan for liquidity risk
We aim to integrate identified material risks into our internal liquidity risk management framework. We recognize climate risk drivers may transmit to liquidity adequacy through our ability to raise funds and liquidate assets, or indirectly through our customers' demands for liquidity (e.g., given a market or physical climate shock). We plan to assimilate insights gained from our efforts to quantify and integrate climate-related credit and market risks, to collectively determine how liquidity risks may be more accurately captured. We see the integration of climate risk into liquidity risk management (as with other climate-driven risks) as an iterative process, improving the quality of data, analytics and insights over time, as further described in the "ESG data" section below.

Note: As climate risk analysis is a novel area of research, with methodologies, tools and data availability still evolving, we will continue to develop our risk identification and measurement approaches.

› **Refer to "Appendix 5 – Entity-specific disclosures for Credit Suisse AG" in the appendices to this report for more information about Credit Suisse's climate- and nature-related risk methodologies**

Climate- and nature-related risk methodologies

We have developed climate- and nature-related risk methodologies, which rate geographic cross-sectoral exposures to sustainability and climate risk sensitivity on a scale from high to low. Following a risk segmentation approach, these methodologies define "climate- (or nature-) sensitive" exposures by aggregating the top three of five risk ratings (absolute, in USD) over the total lending exposure to customers (on- and off-balance sheet, percent). In general, our climate and nature-related sector-level heatmaps provide three key benefits in UBS risk management strategy, by helping with:

– risk identification and measurement: by identifying sectors and segments that are potentially vulnerable to the transmission channels of climate and nature-driven financial and non-financial risks, which in turn, enables resource prioritization for detailed bottom-up risk analysis;

– risk management and control: by helping to understand the materiality (both financial and non-financial) of climate and nature-related risks, and which transmission channels may increase or augment the risk profile supporting a risk mitigating strategy; and

– risk reporting and disclosure: by providing decision-useful information in internal reports to executive and board leadership and external disclosure to stakeholders.

	Transition risk	Physical risk	Nature risk
Methodology	Expert-based transition risk ratings obtained from the UNEP-FI and Oliver Wyman for sectors (e.g., energy, and agriculture and forestry) and industry segments are rated to a score (between 0 and 1) and used to obtain a final transition risk score ranged within a rating (low / moderately low / moderate / moderately high / high). As a result, lending exposure data is categorized by risk ratings, through their sectoral and country designation.	A score is calculated at sector / country level from a geographically and economically representative asset population collected from vendor data. This hazard exposure score is an average, with a penalty applied for the variance of the population, and it is augmented by channels that amplify the risk at sectorial level. A final score is then obtained by aggregating across hazards. This score is ranged within a rating (low / moderately low / moderate / moderately high / high). As a result, lending exposure data is categorized by risk ratings, through their sectoral and country designation.	Expert-based ratings obtained from the ENCORE Framework (Exploring Natural Capital Opportunities, Risks and Exposure) are used to assign industry segments a score (0-1) for both dependency and impact. These scores are mapped to internal UBS GIC2 industry codes. Final scores are defined as the maximum value between dependency and impact. This score is banded into a rating range (aligned with the same ranges used In climate-relate risks). As a result, lending exposure data is categorized by risk ratings, through their sectoral designation.
Timelines	Short term (0–3 years)	Short term (0–3 years)	Short term (0-2 years)
Scenario	Ambitious and disorderly approach to meeting <2°C goals of the Paris Agreement	Business as usual	Business as usual
Interpretation	Reflect levels of risk and likelihood of financial impact and exposure based on the defined scenario.	Reflect level of risk and likelihood of financial impact and exposure based on a business-as-usual scenario.	Reflect levels of risk and likelihood of financial impact and exposure based on a business-as-usual scenario.
Examples	High for most fossil fuel sectors, moderate for commercial real estate, most transportation and industrial sectors.	Moderately high for some manufacturers in Southeast Asia (due to typhoons), moderately low for the same manufacturers in Switzerland (due to fluvial dynamics).	Moderate to moderately high for resource-intensive sectors, such as agriculture, metals & mining and industrial activities.

Transition risk heatmap

We have based our transition risk heatmap methodology on dividing economic sectors with similar risk characteristics into risk segments and rating those segments according to their vulnerability to (i) climate policy, (ii) low-carbon technology risks and (iii) revenue or demand shifts, adopting an immediate and ambitious approach toward meeting Paris Agreement goals differentiating between emerging and industrialized economies. As a result, the ratings in the heatmap reflect the levels of risk that would likely occur under an ambitious transition (in a short-term time horizon).

This climate risk heatmap rates UBS's cross-sectoral gross financial exposures to climate-driven transition risk vulnerability from high to low (sensitivity for financial impacts to the creditworthiness and/or value of corporate entities, sovereigns and real estate assets). We base our ratings upon climate risk ratings that are determined by ratings agencies, regulators, and expert consultants and are further developed by the firm. The rating given may be considered a proxy for the likelihood (e.g., a high rating for most fossil fuel sectors), while our exposure classification to those ratings (and sub-sectors) may be considered a proxy for inherent risk.

Our findings show relatively low year-on-year exposure to high-risk economic activities (risk segments, mostly concentrated in fossil fuel energy extraction), and a relatively low exposure to moderate-risk economic activities (risk segments, mostly concentrated in commercial real estate, industrial, and transportation activities). UBS first developed the transition risk heatmap in partnership with 35 peer banks, coordinated by the United Nations Environment Program (UNEP-FI), and under the guidance of the consulting firm Oliver Wyman. Since initially disclosing UBS exposure to transition risk using this methodology, UBS has further in-housed the approach by annually refining risk segments in line with UBS's own credit footprint and further developing the assessment of vulnerability to the three risk factors defined above.

Physical risk heatmap

We developed our physical risk heatmap methodology in-house to reflect the exposure and vulnerability to physical risk across all regions (Switzerland, North America, Europe and Central Asia, Latin America and the Caribbean, East Asia and Pacific, the Middle East and North Africa, and sub-Saharan Africa), as well as sectors and related value-chain risk factors. These are derived from asset-level exposure data, which is aggregated and enhanced using a range of academic and expert sources. As a result, the ratings in the physical risk heatmap reflect the levels of risk exposure that would likely occur under a business-as-usual scenario (in a short time horizon).

The physical risk heatmap methodology groups corporate counterparties together, based on exposure to key physical risk factors, by rating sectoral and geographical exposures and vulnerabilities to specific physical risk hazards, where no additional policy action is assumed. These are then aggregated across assets, transmission channels (including value chains), and hazards to provide a sector- or country-based output.

Ratings from low to high are based on the aggregation of hazard-specific scores, each of which is determined by combining an exposure metric calculated from a sector- and geography-specific population of asset-level data (from vendor feeds) with sector-specific adjustments to account for further transmission channels. Scores are given based on the following inputs:

– an aggregated metric capturing the physical risk exposure to a given hazard (short term, no additional action scenario) of an asset population sharing the sectoral activity and the geographical location of the counterparty; and

– conservative hazard- and sector-specific adjustments to the exposure metric that capture the effects of other transmission channels of physical risk, including value-chain effects.

We will continue to enhance our methodology in 2024, with the expansion of vendor data sources, refinement of methodological assumptions, and the creation of dedicated data-driven approaches to other counterparty types.

Nature-related risk methodology

The nature-related risk metric measures our risk exposures within sectors with a moderate to high dependency and/or impact on the natural environment, as defined through the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) methodology. ENCORE identifies production processes that are most vulnerable to financial impacts due to their dependency on ecosystem services, as well as the production processes that may have potential impacts on natural capital assets. In 2022, we piloted a quantification approach for nature-related risk based on nature-related dependency data using the ENCORE database. In 2023, we enhanced our methodology to also assess our exposure to sectors that may have an adverse impact on the natural environment because of their resource- or emission-intensive business practices. We continue to improve the methodology as new data and guidance become available, considering different approaches towards quantifying both dependencies and impacts on nature-related topics. The September 2023 release of the final recommendations by the Taskforce on Nature-related Financial Disclosures (the TNFD) will also inform future enhancements.

To calculate the metric and adapt the ENCORE methodology to UBS's risk management and reporting systems, UBS primary industry codes (GIC 2.0) were mapped to the ENCORE database and respective ratings were then assigned at the sector level.

– The ratings for the nature-related risk dependencies of a sector consider the potential (i) loss of functionality of a production process and (ii) financial loss, if, for example, the ecosystem service is disrupted.

– The ratings for nature-related impact consider how severely, quickly and frequently a production process may disrupt ecosystem services or deplete natural capital stocks.

– Ratings (ranging from low to high) are based on integral scores (ranging from 0 to 5), which are aggregated and scaled at the production process level.

– Where there is more than one production process for a respective subsector, the highest associated score is assigned. For each GIC 2.0 code, an overall nature-related exposure rating is determined by taking the maximum score across dependency and impact sectoral risk exposure.

Our exposure classification to those ratings (and sub-sectors) may be considered a proxy for nature-related risk, which considers both potential dependencies and impacts to ecosystem services. The metric of nature-related risk / total lending exposure (as a percentage) is calculated, in line with the climate sensitive metrics. Sensitive sectors are defined as those business activities that are rated as having high, moderately high or moderate vulnerability to nature-related risks, as with climate-related risks.

In 2023 we continued expanding the coverage of UBS's entire balance sheet. This meant developing new metrics targeting issuer and traded products in our risk monitoring and reporting capabilities. The newly expanded reporting scopes and enhanced methodologies underly metrics illustrated in the following table.

Risk management – Climate- and nature-related metrics

	For the year ended 31.12.23
Climate- and nature-related metrics (USD billion)[1, 2]	
Exposure to climate-sensitive sectors, transition risk: Traded products, UBS AG (standalone)[3]	*0.23*
Exposure to climate-sensitive sectors, transition risk: Traded products, UBS Switzerland AG (standalone)[3]	*0.66*
Exposure to climate-sensitive sectors, transition risk: Traded products, UBS Europe SE (standalone)[3]	*0.00*
Exposure to climate-sensitive sectors, transition risk: Issuer risk, UBS AG (standalone)[4]	*4.29*
Exposure to climate-sensitive sectors, transition risk: Issuer risk, UBS Switzerland AG (standalone)[4]	*0.00*
Exposure to climate-sensitive sectors, transition risk: Issuer risk, UBS Europe SE (standalone)[4]	*0.00*
Exposure to climate-sensitive sectors, physical risk: Traded products, UBS AG (standalone)[3]	*4.51*
Exposure to climate-sensitive sectors, physical risk: Traded products, UBS Switzerland AG (standalone)[3]	*1.08*
Exposure to climate-sensitive sectors, physical risk: Traded products, UBS Europe SE (standalone)[3]	*0.44*
Exposure to climate-sensitive sectors, physical risk: Issuer risk, UBS AG (standalone)[4]	*8.52*
Exposure to climate-sensitive sectors, physical risk: Issuer risk, UBS Switzerland AG (standalone)[4]	*0.84*
Exposure to climate-sensitive sectors, physical risk: Issuer risk, UBS Europe SE (standalone)[4]	*0.23*
Exposure to nature-related risks: Traded products, UBS AG (standalone)[3]	*0.22*
Exposure to nature-related risks: Traded products, UBS Switzerland AG (standalone)[3]	*0.82*
Exposure to nature-related risks: Traded products, UBS Europe SE (standalone)[3]	*0.03*
Exposure to nature-related risks: Issuer risk, UBS AG (standalone)[4]	*3.06*
Exposure to nature-related risks: Issuer risk, UBS Switzerland AG (standalone)[4]	*0.00*
Exposure to nature-related risks: Issuer risk, UBS Europe SE (standalone)[4]	*0.00*

1 Methodologies for assessing climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. 2 Metrics are calculated and restated based on the 2023 methodology, across three years of reporting, 2021–2023. 3 Traded products are newly disclosed for FY 2023. Risk exposures consist of receivables from securities financial transactions, cash collateral receivables on derivative instruments and financial assets measured at amortised cost. 4 Issuer Risk is newly disclosed for FY 2023. Risk exposures consist of HQLA assets, debt securities, bonds, liquidity buffer securities.

Scenario analysis

We have been using scenario-based approaches to assess our exposure to physical and transition risks stemming from climate change since 2014. The table below summarizes the scenarios used by UBS.

Scenario name	Developed by	Temperature alignment	Type[3]	Carbon dioxide removal (CDR)[4]	Description (as provided by the developing organization)
Net Zero 2050 (2021)	NGFS[1]	1.5°C	Orderly	Moderate reliance	Net Zero 2050 is an ambitious scenario that limits global warming to 1.5°C, with stringent climate policies and innovation, reaching net-zero CO_2 emissions around 2050. Some jurisdictions, such as the US, the EU and Japan, reach net zero for all greenhouse gases by this point. This scenario assumes that ambitious climate policies are introduced immediately. CDR is used to accelerate decarbonization but is kept to the minimum possible and broadly in line with sustainable levels of bioenergy production. Net CO_2 emissions reach zero around 2050, giving at least a 50% chance of limiting global warming to below 1.5°C by the end of the century, with no or low overshoot (< 0.1 °C) of 1.5°C in earlier years. Physical risks are relatively low, but transition risks are high.
Below 2°C (2021)	NGFS	1.8°C	Orderly	Moderate reliance	Below 2°C gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C. This scenario assumes that climate policies are introduced immediately and become gradually more stringent, though not as high as in Net Zero 2050. CDR deployment is relatively low. Net-zero CO_2 emissions are achieved after 2070. Physical and transition risks are both relatively low.
Divergent Net Zero (2021)	NGFS	1.5°C	Disorderly	Low reliance	Divergent Net Zero reaches net zero by 2050 but with higher costs due to divergent policies introduced across sectors and a quicker phase-out of fossil fuels. This scenario differentiates itself from Net Zero 2050 by assuming that climate policies are more stringent in the transport and building sectors. This mimics a situation where the failure to coordinate policy stringency across sectors results in a high burden on consumers, while decarbonization of energy supply and industry is less stringent. Furthermore, the availability of CDR technologies is assumed to be lower than in Net Zero 2050. Emissions are in line with a

Scenario name	Developed by	Tempe rature alignm ent	Type[3]	Carbon dioxide removal (CDR)[4]	Description (as provided by the developing organization)
					climate goal giving at least a 50% chance of limiting global warming to below 1.5°C by the end of the century, with no or low overshoot (<0.1°C) of 1.5°C in earlier years. This leads to considerably higher transition risks than Net Zero 2050 but, overall, the lowest physical risks of the six NGFS scenarios.
Delayed Transition (2021)	NGFS	1.8°C	Disorderly	Low reliance	Delayed Transition assumes that global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2°C. Negative emissions are limited. This scenario assumes that new climate policies are not introduced until 2030 and the level of action differs across countries and regions based on currently implemented policies, leading to a "fossil recovery" out of the economic crisis brought about by COVID-19. The availability of CDR technologies is assumed to be low, pushing carbon prices higher than in Net Zero 2050. As a result, emissions exceed the carbon budget temporarily and decline more rapidly than in well-below 2°C after 2030, to ensure a 67% chance of limiting global warming to below 2°C. This leads to both higher transition and physical risks than Net Zero 2050 and below 2°C scenarios.
Nationally Determined Contributions (2021)	NGFS	~2.5°C	Hothouse world	Low reliance	Nationally Determined Contributions (NDCs) includes all pledged policies, even if not yet implemented. This scenario assumes that the moderate and heterogeneous climate ambition reflected in the NDCs at the beginning of 2021 continues over the course of the 21st century (low transition risks). Emissions decline but lead nonetheless to about 2.5°C of warming associated with moderate to severe physical risks. Transition risks are relatively low.
Current Policies (2021)	NGFS	+3.0°C	Hothouse world	Low reliance	Current Policies assumes that only currently implemented policies are preserved, leading to high physical risks. Emissions increase until 2080, leading to about 3°C of warming and severe physical risks. This includes irreversible changes, such as higher sea levels. This scenario can help central banks and supervisors consider the long-term physical risks to the economy and financial system if we continue on our current path to a "hothouse world."
Early Action	BoE – CBES 2021[2]	1.8°C	Orderly	Moderate reliance	The transition to a net-zero economy started in 2021, so carbon taxes and other policies intensify relatively gradually over the scenario horizon. Global CO_2 emissions are reduced to net zero by around 2050. Some sectors are more adversely affected by the transition than others, but the overall impact on GDP growth is muted, particularly in the latter half of the scenario, once a significant portion of the required transition has occurred and the productivity benefits of green technology investments begin to be realized.
Late Action	BoE – CBES 2021[2]	1.8°C	Disorderly	Low reliance	The implementation of policy to drive the transition is delayed until 2031 and is then more sudden and disorderly. The more compressed nature of the reduction in emissions results in material short-term macroeconomic disruption. This affects the whole economy but is particularly concentrated in carbon-intensive sectors. Output contracts sharply in the UK and international economies. The rapid sectoral adjustment associated with the sharp fall in GDP reduces employment and leads to some businesses and households not being able to make full use of their assets, with knock-on consequences for demand and spending. Risk premia rise across multiple financial markets.
No Additional Action	BoE – CBES 20212	3.3°C	Hothouse world	Low reliance	Primarily explores physical risks from climate change. Here, there are no new climate policies introduced beyond those already implemented. A growing concentration of greenhouse gas emissions in the atmosphere and global temperature levels lead to chronic changes in precipitation, ecosystems and sea level. There is also a rise in the frequency and severity of extreme weather events such as heatwaves, droughts, wildfires, tropical cyclones and flooding. There are permanent impacts on living and working conditions, buildings and infrastructure, realized through GDP. Changes in physical hazards are unevenly distributed with tropical and subtropical regions affected more severely. Many of the impacts from physical risks are expected to become more severe later in the 21st century and some will become irreversible.
Representative Concentration Pathways (RCP) 6	IPCC / scientific community	3–4°C	Hothouse world	Low reliance	The RCP 6.0 scenario uses a high greenhouse gas emission rate and is a stabilization scenario where total radiative forcing is stabilized after 2100 by employment of a range of technologies and strategies for reducing greenhouse gas emissions. Emissions peak around 2080, then decline.

Scenario name	Developed by	Temperature alignment	Type[3]	Carbon dioxide removal (CDR)[4]	Description (as provided by the developing organization)
Sustainable Development Scenario (2021)	IEA	1.65°C	Orderly	Moderate reliance	A well-below-2°C pathway, this scenario is a gateway to the outcomes targeted by the Paris Agreement. It is based on a surge in clean-energy policies and investment that puts the energy system on track for key Sustainable Development Goals (the SDGs). In this scenario, all current net-zero pledges are achieved in full and there are extensive efforts to realize near-term emissions reductions; advanced economies reach net-zero emissions by 2050, China around 2060, and all other countries by 2070 at the latest.
The Net-Zero Emissions by 2050 Scenario (2021)	IEA	1.5°C	Orderly	Moderate reliance	This is a normative IEA scenario that shows a narrow but achievable pathway for the global energy sector to achieve net-zero CO_2 emissions by 2050, with advanced economies reaching net-zero emissions in advance of others. This scenario assumes stable and affordable energy supplies, providing universal energy access, and enabling robust economic growth, while minimizing costs.
Stated Policies Scenario (2021)	IEA	2.6°C	Hothouse world	Low reliance	This scenario provides a more conservative benchmark for the future because it does not take for granted that governments will reach all the announced goals. Instead, it takes a more granular, sector-by-sector look at what has actually been put in place to reach these and other energy-related objectives, taking into account not only existing policies and measures but also those that are under development. The policies assessed in the Stated Policies Scenario cover a broad spectrum. These include Nationally Determined Contributions (NDCs) under the Paris Agreement, and many others.

1 Network for Greening the Financial System. 2 Bank of England / Climate Biennial Exploratory Scenario 2021. The BoE built upon the reference scenarios published by the NGFS; UBS performed additional in-house expansion of BoE scenarios, to undertake the analysis across multiple regions and sectors. 3 Orderly: low transition risk and low physical risks; disorderly: higher transition risks and low physical risks; hothouse world: low transition risks and high physical risks. 4 Carbon Dioxide Removal (CDR): indicates reliance on CDR policies and technologies, such as carbon capture and storage (CCS).

› **Refer to "Appendix 5 – Entity-specific disclosures for Credit Suisse AG" in the appendices to this report for more information about Credit Suisse's scenario analysis**

Appendix 4 – Metrics and targets

Key climate- and nature-related achievements

Transition plan theme	Progress in 2023
Foundation	– Made progress toward our ambition of achieving net-zero GHG emissions by 2050 across our scope 1 and 2, and specified scope 3 activities. – Continued to embed considerations of climate risks and opportunities across the Group. – Stayed committed to helping our clients navigate the challenges of an orderly transition to a low-carbon economy and mobilizing capital to support this transition.
Implementation strategy	– Updated our sustainability strategy and approach to climate. – Refined the UBS transition plan to support our own transition and that of our clients. – Undertook an extensive review of the decarbonization targets of the UBS Group, as part of the integration of Credit Suisse. – Underpinned targets in financing, investing and own operations with various actions that we strive to implement in the short-, medium- and long-term.
Engagement strategy	– Engaged with 179 companies regarding climate and achieved 57.3% of positive progress against pre-set objectives in Asset Management. – Continued to engage with clients to support them in their transition to low-carbon and climate-resilient business models. – Continued active participation in sustainability- and impact-related memberships such as the TCFD, the TNFD, the NZBA, the NZAM initiative, the GFANZ and the PCAF. – Co-chaired the UNEP FI Principles for Responsible Banking Nature Working Group. – Asset Management became a founding member of the Nature Action 100, a global investor engagement initiative, and joined the Principles for Responsible Investment's Advisory Committee for its stewardship initiative on nature.
Risk management	– Merged the Sustainability and Climate Risk (SCR) teams under the Chief Risk Office (CRO) for Sustainability. – Developed a combined Group policy for sustainability and climate risks, including new policies and guidelines on sustainability and climate risk for the combined entity and its risk appetite standards. – Continued to consolidate our sustainability and climate risk metrics and quantitative approaches across the combined entity.
Metrics and targets	– Established decarbonization targets to address the emissions of our in-scope lending activities for specified sectors and made progress toward them. – By the end of 2023, aligned 2.9 % of UBS AG Asset Management's total AuM with net zero. – Analyzed the facilitated emissions from capital markets activities for select carbon-intensive sectors. – Reduced net GHG footprint for scope 1 and 2 emissions by 21%.
Governance	– Continued oversight of our approach to climate and nature by the Board of Directors' Corporate Culture and Responsibility Committee including our net zero commitment and approval of targets. – Continued assignment of environmental, social and governance (ESG)-related goals for all GEB members. – The Sustainability and Climate Task Force continued to steer our efforts on climate and sustainability.
External recognition	– CDP A– rating and included in Leadership band. – S&P Global's Corporate Sustainability Assessment (CSA): 98% percentile ranking in the environmental dimension. – 2023 Euromoney award for "Best Bank for ESG Data and Technology".

Climate-related methodologies – decarbonization approach for our financing activities

This section outlines the methodologies and processes used to calculate the climate-related lending metrics and the approach taken to define the UBS Group lending sector decarbonization targets.

The UBS Group had (as set out in the UBS Group Sustainability Report 2022) set targets to address in-scope lending emissions for the residential and commercial real estate, fossil fuels (oil, gas and coal), power generation and cement sectors, while the Credit Suisse Group had (as set out in the Credit Suisse Group Sustainability Report 2022) set targets for the oil, gas and coal, power generation, commercial real estate, iron and steel, aluminum, and automotive sectors. For the shipping sector, the Credit Suisse Group disclosed the portfolio climate alignment to the Poseidon Principles decarbonization index.

During 2023, following the acquisition of the Credit Suisse Group, we refined the UBS Group lending sector decarbonization targets based on the integration of the Credit Suisse Group portfolios and in alignment with our net-zero ambition. Overall, UBS and Credit Suisse followed a similar approach to set their decarbonization targets, but based on a different sector scope and with some methodological differences. We compared and reviewed priority sectors and methodologies to select the most relevant sector scope and design choices to establish decarbonization targets for the combined organization.

For financial market participants, net-zero alignment consists of drawing links between financing activities, the clients' carbon emissions and the objectives of the Paris Agreement. UBS's approach to target setting is built on the guidance from global standards and initiatives such as the NZBA, the Partnership for Carbon Accounting Financials (PCAF), the Paris Agreement Capital Transition Assessment (PACTA) and the Science-Based Targets Initiative (the SBTi). UBS acknowledges Credit Suisse's commitment to SBTi to have its 2030 targets externally validated. To develop the combined 2030 targets, we have utilized SBTi guidance where possible and continue to assess options on target validation and assurance.

UBS's approach to defining and operationalizing decarbonization targets can be broken down in five steps:

Our approach to alignment

1. Determine scope and priority sectors
   Example
   Priority sector: Power generation

2. Establish baselines and relevant emissions metrics to sectors
   Example
   Emissions measured in kg CO_2e / MWh, an emissions intensity figure

3. Select scientifically recognized reference scenarios
   Example
   Net zero by 2050 scenario as modelled by the International Energy Agency (the IEA)

4. Set decarbonization targets
   Example
   60% intensity reduction by 2030 compared with 2021 levels

5. Embed targets into business processes and client offerings
   Example
   Sustainability-linked offerings for renewable energy projects

Determine scope and priority sectors (1)

For our decarbonization targets, we have prioritized sectors that have the highest carbon impact, as per the guidelines of the Net-Zero Banking Alliance (the NZBA), and as per additional considerations which we have applied. These include the materiality of sectors in terms of financial exposure and the availability of data and applicable methodologies to estimate baselines and develop pathways toward the ambition of net-zero. We performed additional analysis to establish transparency around the contribution of each sector in our portfolio to the total.

For non-financial corporate loans, our decarbonization approach is closely aligned to the methodology outlined by Paris Agreement Capital Transition Assessment (PACTA) for Banks white paper. As such, we have considered parts of the value chain within carbon-intensive sectors that hold the bulk of the impact on the climate system and where the decision-making power or capacity to reduce carbon emissions directly or indirectly resides.

Corporate clients are allocated to industry sectors based on our internal sector classification (similar to NACE code[1]). Clients with more than 25% of revenues in activities considered in scope of the respective sectors (except coal activities where a threshold of 5% applies in line with NZBA guidance) are included. Additional reviews are also performed to verify that the sector-specific requirements (often based on the type of activity, the asset type, or the segment of the value chain) are captured correctly.

Targets are based on the full lending commitment made to our clients. This includes our outstanding loans, as well as undrawn irrevocable commitments and guarantees, i.e., amounts that we would be obliged to provide if requested by a counterparty. In our view, this is the most relevant approach to measure and steer our lending portfolio toward our ambitions. The assessment of total financed emissions is calculated based on our outstanding lending exposure in line with PCAF guidance.

Decarbonization targets have been established for Swiss real estate mortgages (commercial and residential real estate) and for financing of in-scope activities in the fossil fuels, power generation, iron and steel and cement corporate sectors. For our in-scope shipping portfolio, we continue to disclose the portfolio's climate alignment to the Poseidon Principles decarbonization index. As the automotive and aluminum sectors previously reported by the Credit Suisse Group did not meet the exposure or emissions materiality thresholds calculated based on estimated 2023 exposure for the combined portfolios, they have been deprioritized for target setting at this time. The revised scope for real estate, focusing on the Swiss portfolio, represents a change versus the scope disclosed in pre-acquisition UBS sustainability reports. Locations outside Switzerland are currently excluded, either for reasons of materiality, with Swiss properties represent 89% of the 2022 *pro forma* exposure for residential and commercial real estate of UBS Group and Credit Suisse Group, or for reasons related to the availability of emissions data. We will regularly re-assess the scope of our targets, considering materiality and the availability of data and methodologies.

We will continue to assess the materiality of the deprioritized sectors annually and aim to develop additional targets for the remaining material carbon-intensive sectors in line with our commitment to the NZBA and as data and methodologies become available.

Establish baselines and relevant emissions metrics to sectors (2)

Based on qualitative and quantitative criteria such as alignment and feasibility (following industry best practice, SBTi permitted time horizon and coverage and quality of data for the selected sectors) and consistency across sectors in existing UBS Group targets and targets previously disclosed by Credit Suisse Group, 2021 has been adopted as a baseline year for the 2023 Sustainability Report across all sectors. 2021 and 2022 metrics are calculated based on consolidated historical pro-forma lending exposure.

Scope 1, 2 and 3 greenhouse gas emissions

As defined in the PCAF standard[2], greenhouse gas (GHG) emissions accounting refers to the processes required to consistently measure the amount of GHGs generated, avoided, or removed by an entity, allowing it to track and report these emissions over time. The emissions measured are the seven gases mandated under the Kyoto Protocol and to be included in national inventories under the United Nations Framework Convention on Climate Change (UNFCCC) – carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). For ease of accounting, these gases are usually converted to and expressed as carbon dioxide equivalents (CO_2e).

According to PCAF's GHG Protocol Corporate Accounting and Reporting Standard, direct emissions are emissions from sources owned or controlled by the reporting company. Indirect emissions are emissions that are a consequence of the operations of the reporting company but that occur at sources owned or controlled by another company.

1 NACE is the acronym used to designate the various statistical classifications of economic activities developed since 1970 in the European Union. The term NACE is derived from the French title "Nomenclature générale des Activités économiques dans les Communautés Européennes" (Statistical classification of economic activities in the European Communities).
2 PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

Direct and indirect emissions are further categorized by scope and distinguished according to the source of the emissions and where in an organization's value chain the emissions occur. The three scopes defined by the GHG Protocol – scopes 1, 2 and 3 – are briefly described below:

- Scope 1: Direct GHG emissions that occur from sources owned or controlled by the reporting company – i.e., emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.
- Scope 2: Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company. Scope 2 emissions physically occur at the facility where the electricity, steam, heating, or cooling is generated.
- Scope 3: All other indirect GHG emissions (not included in Scope 2) that occur in the value chain of the reporting company. Scope 3 can be broken down into upstream emissions that occur in the supply chain (for example, from production or extraction of purchased materials) and downstream emissions that occur as a consequence of using the organization's products or services.

The GHG Protocol further categorizes scope 3 emissions into 15 upstream and downstream categories. For banks like UBS, emissions financed via lending activities fall under Scope 3 downstream emissions, more precisely under scope 3 category 15. Financed emissions reported under scope 3 category 15 include apportioned scope 1 and 2 emissions of the counterparties or assets being financed. Scope 3 is included for certain sectors where methodologies and data are widely available. We have included scope 3 emissions in our assessment of the fossil fuel and automotive sectors.

Quantifying clients´ emissions

To estimate the emissions from our clients we rely on data available in their own disclosures, data from specialized third-party providers and internal data. Current limitations on the availability of emissions data at company or asset level required us to include approximations in the calculations; for example, by applying a sector-level proxy where company- or asset-level data is not available. Corporates often disclose emissions at parent level and not for the specific entities being financed. Parent level data might be used in the calculations if entity level data is not available.

We expect the availability and quality of emissions data to improve in the next few years. Improved data may be used to strengthen the robustness of the reporting, which may result in restatements of our lending sector decarbonization targets and total financed emissions over time. In the preliminary assessment of our total financed emissions, we have included PCAF quality scores facilitating data transparency and encouraging improvements to data quality in the medium and long term.

For corporates, the inherent one-year time lag between the as-of date of our lending exposure and the as-of date of emissions can be explained by two factors: corporates disclose their emissions in annual reporting only a few months after the end of a financial year; and specialized third-party data providers take up to nine months to collect disclosed data and make it available to data users. Consequently, the updated baselines for our lending sector decarbonization targets are calculated on year-end 2021 lending exposure and 2020 emissions data. Our 2022 emissions actuals are calculated on year-end 2022 lending exposure and 2021 emissions data. For asset financing (e.g., real estate, shipping) there is no time lag and exposure and emissions actuals refer to the same year.

Financed emissions

Financed emissions represent the carbon emissions of our clients attributed to UBS. Following PCAF guidance, the attribution factor is the fraction of UBS loan exposure to the client's Enterprise Value Including Cash (EVIC) or the sum of equity and debt for private corporates.

$$\textit{Corporate financed emissions} = \sum \left(\textit{Company emissions} \times \frac{\textit{Financing to company}}{\textit{EVIC (or total equity + debt)}} \right)$$

In the case of real estate, the attribution is based on the loan-to-value (LTV) of the property. In accordance with PCAF guidance, residential real estate LTV is calculated using the original property value, while for commercial real estate the most recently available property valuation is used.

$$\textit{Real estate financed emissions} = \sum(\textit{Real estate emissions} \times \textit{LTV})$$

Physical emissions intensity

The physical emissions intensity is a metric that normalizes a corporate's emissions by its output (e.g., the megawatt-hours electricity or tons of cement produced). Through this metric, we can monitor whether our clients are becoming increasingly efficient. The physical emissions intensity effectively demonstrates the progress made to transition climate sensitive-sectors in our lending portfolio towards net-zero. Generally, we believe that most sectors will be best steered by using physical emissions intensity. This encourages the transition of our clients toward emissions-efficient technologies and makes sustainable growth possible. In addition, emissions intensity measures tend to be less volatile.

$$\textit{Corporate physical emis. intensity} = \sum\left(\frac{\textit{Corporate emissions}}{\textit{Corp. output (e.g., MWh, tons produced)}} \times \frac{\textit{Financing to corporate}}{\textit{Total sector financing}}\right)$$

For real estate, the physical emissions intensity is calculated by dividing the sum of financed emissions by the sum of financed areas.

$$\textit{Real estate physical emissions intensity} = \frac{\sum(\textit{Real estate emissions} \times \textit{LTV})}{\sum(\textit{Real estate area} \times \textit{LTV})}$$

For our in-scope shipping portfolio, the portfolio's climate alignment is calculated using the current technical guidance from the Poseidon Principles.[3]

Select scientifically recognized reference scenarios (3)

For Swiss real estate mortgage lending (commercial and residential real estate), targets are aligned to the Swiss Government's trajectory following the Implied Energy Perspectives 2050+ ZERO Basis benchmark.

For the fossil fuels (oil, gas, and coal), power generation, iron and steel and cement corporate sectors, we selected the scenario – IEA NZE by 2050 (updated in the last edition of IEA's World Energy Outlook of October 2023) – in accordance with NZBA guidelines, as one of the most recent and widely accepted models that achieves a temperature increase of 1.5°C by 2050. Over time we will seek to augment our sector pathways, as we gain greater clarity on the validity of key technological and regulatory uncertainties identified within the IEA NZE scenario (e.g., biofuels, carbon capture utilizations or CCUs). Until that point, the possibility of overshoot is factored into certain sector pathways due to the heavy reliance on external factors beyond our steering capabilities.

As previously mentioned, for our Credit Suisse AG in-scope shipping portfolio, we continue to disclose the portfolio's climate alignment to the Poseidon Principles decarbonization index in accordance with their current technical guidance following the new 2023 IMO ambition, which is not yet 1.5°C aligned.

Set decarbonization targets (4)

Combining our portfolio baseline and the selected reduction scenario, we developed tailored 2030 decarbonization targets for each sector.

For the fossil fuels sector (oil, gas and coal), we have defined absolute emissions reduction targets and applied the Absolute Contraction Approach, which means that we are using contraction of absolute emissions to get to net zero.

3 Poseidon Principles *Technical Guidance – Version 4.2*

For all other sectors in scope, we have defined physical emissions intensity targets, applying the Sector Decarbonization Approach (SDA). The SDA assumes global convergence of key sector's emissions intensities by 2050 and we set our 2030 decarbonization targets to be in line with this assumption. The graphs included in the sector approach section below include the 2050 convergence points used to define the 2030 targets.

For Shipping, we continue to disclose in-scope ship finance portfolios according to Poseidon Principles trajectory with the aim to align.[4]

We have opted for physical emissions intensity-based trajectories for sectors that have a clear primary metric that can be taken as reference (e.g., amount of CO_2e emitted per kWh in the case of power generation) to provide a fair representation of progress made, which is not biased by the amount of lending business that UBS undertakes in different years. On the other hand, setting an absolute target for a sector such as power generation may have led to constraints in lending, even to low-carbon clients, in addition to the existing book, thus acting as an obstacle in the provision of affordable and low-carbon energy. However, for transparency, we also disclose the total value of absolute emissions for the sectors covered by the trajectories. Although we do not set an explicit target for absolute emissions, we expect these figures to also trend down in line with intensity-based targets in the medium- to long-term, in the absence of large shifts in lending volumes.

Embed targets into business processes and client offerings (5)

We strive to measure and monitor progress toward our targets and their alignment against our climate commitments and emerging standards. We have deployed and will continue to improve relevant systems and metrics to enable a consistent measurement approach, allowing us to adjust our strategy if needed and steer our activities to ensure ongoing progress. We plan to disclose our progress publicly on an annual basis.

We recognize that there is more to do and aim to phase in additional scope 3 activities over time. Whilst we continue to take steps to align our business activities to our net zero ambition, it is important to note that progress towards our targets may not be linear, and year-on-year volatility is expected due to changes in the portfolios' composition over time. Our priority is to support the transition of clients to a low-carbon economy, and their transition-financing needs.

However, it is crucial to highlight that the decarbonization of the global economy, emissions reductions by clients, and the realization of our own targets and ambitions is dependent on various factors which are outside of our direct influence.

We will continue to adjust our approach in line with external developments, as well as evolving best practices for the financial sector and climate science. In line with NZBA guidelines for climate target setting, we intend to review our targets at a minimum every five years, and, if necessary, recalculate and revalidate our targets to reflect significant changes that would compromise the relevance and consistency of the existing targets.

› **Refer to the "Overview of climate-related targets and action" in the UBS Group Sustainability Report, available at *ubs.com/sustainability-reporting* for a high-level overview of our activities to support our own transition and that of our clients**

› **Refer to the "Basis of Reporting" section of the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for detailed information about our climate-related lending metrics**

4 As part of our ship finance strategy, we apply criteria which aim at portfolio's alignment to the Poseidon Principles decarbonization trajectories. The Poseidon Principles are a framework for assessing and disclosing, on an annual basis, the climate alignment of in-scope ship finance portfolios to the ambition of the International Maritime Organization (the IMO), including its 2023 Revised GHG Strategy for GHG emissions from international shipping to decrease to net zero by or around 2050 (compared with 2008 levels).

2030 lending sector decarbonization targets

NZBA sectors and targets	2022 (proforma)		Target-related					
NZBA sectors **with** target	**Gross exposure (USD billion)**[1]	**Exposure covered with target (USD billion)**	Scope of targets	Carbon emissions scopes	Unit	2021 baseline	2022 actuals	2021–2030 target
Residential real estate	**364.9**	**224.9**	Region Switzerland only	1,2	kg CO_2e / m² ERA[2]	38.7	36.5	(45%)
Commercial real estate		**99.1**	Region Switzerland only	1,2	kg CO_2e / m² ERA[2]	31.3	32.1	(48%)
Fossil fuels (coal, oil and gas)[3]	**20.0**	**7.4**	B.05, B.06, C.19[6]	1,2,3	million metric t CO_2e	64.7	45.9	(70%)
Power generation	**13.7**	**12.2**	D.35.1.1, D.35.1.3[6]	1	kg CO_2e / MWh	339	297	(60%)
Iron and steel	**1.4**	**0.7**	C.24.1[6]	1,2	metric t CO_2 / metric t steel	1.75	1.68	(27%)
Cement	**1.1**	**1.0**	C.23.5.1[6]	1,2	metric t CO_2 / metric t cementitious	0.64	0.63	(24%)
Transportation								
– *Shipping*	**9.4**	**6.9** [7]	Poseidon Principles vessels in scope (Credit Suisse AG)	n/a	% delta alignment vs trajectory	n/a	-4.6%	n/a

	2022 (proforma)		
NZBA sectors **without** target	**Gross exposure (USD billion)**[1]	**Exposure in scope of target-setting standard (USD billion)**	Scope of target-setting standards
Transportation			
– *Automotive*	**2.1**	**1.2**	C.29[6]
– *Air* [4]	**6.2**	**2.0**	H.51[6]
Aluminum	**0.8**	**0.8**	C.24.4.2[6]
Agriculture[5]	**12.7**	**0.8**	A.01[6]

1 Gross exposure includes total loans and advances to customers, fair value loans and guarantees as well as irrevocable loan commitments. Refer to the Basis of Reporting for exclusions and parts of the value chain within sectors covered by metrics and targets. **2** ERA: Energy Reference Area. **3** For fossil fuels, a significant share of our gross exposure not covered by this target is commodity trade financing for which guidelines and methodologies have yet to be developed. Refer to "Climate-related methodologies – decarbonization approach for our financing activities" in the "Environment" section of the Supplement to the UBS Group Sustainability Report 2023, available at ubs.com/sustainability-reporting, for details about our climate-related methodologies. **4** For air transportation, a significant share of our gross exposure is to aircraft financing, for which guidelines and methodologies have yet to be developed. Target setting standards consider passenger and freight commercial airlines. **5** For agriculture, a significant share of our gross exposure is to food manufacturing. Target setting standards for agriculture focus on land related emissions (e.g. farming activities). **6** For corporate sectors, NACE codes are referenced. **7** In the case of ship finance, following the Poseidon Principles technical guidance, this value excludes irrevocable loan commitments.

Financed emissions covered by lending sector decarbonization targets

	2022 (proforma)						
	Gross exposure (USD billion)[1]	**Outstanding exposure (USD billion)**[2]	Financed emissions, scopes 1 and 2 (mt CO_2e)[3]	Financed emissions, scope 3 (mt CO_2e)[3]	PCAF score, scopes 1 and 2[4]	PCAF score, scope 3[4]	Economic intensity (mt CO_2e / USD billion)[3]
Exposure covered by target							
Swiss residential real estate	**224.9**	**223.6**	1.5		4		0.01
Swiss commercial real estate	**99.1**	**98.7**	1.0		4		0.01
Fossil fuels (coal, oil and gas)	**7.4**	**1.3**	1.0	6.5	2	2	5.61
Power generation	**12.2**	**2.4**	2.0		2		0.85
Iron and steel	**0.7**	**0.3**	0.5		2		1.69
Cement	**1.0**	**0.1**	0.5		3		3.10
Shipping (Credit Suisse AG)	**6.9** [6]	**6.9**	n/a	n/a	n/a	n/a	n/a
Exposure not covered by target							
Other non-financial corporates not covered by targets	**186.7**	**88.0**	2.9	0.2	5	4	0.03
Estimated total non-financial corporates and real estate mortgages (incl. fair value loans)[5]	**539.0**	**421.3**	**9.3**	**6.7**			
Financial services firms, private individuals and other	**348.1**	**253.8**					
Proforma total loans and advances to customers (incl. fair value loans)	**887.1**	**675.1**					

1 Gross exposure includes total loans and advances to customers, fair value loans, and guarantees as well as irrevocable loan commitments. **2** Outstanding exposure includes total loans and advances to customers and fair value loans. **3** Based on outstanding exposure. **4** PCAF scores shown represent weighted average based on outstanding exposures. **5** Based on outstanding exposure which includes total loans and advances to customers, fair value loans and guarantees as well as irrevocable loan commitments. Refer to the Basis of Reporting for exclusions and parts of the value chain within sectors covered by metrics and targets. **6** In the case of ship finance, following the Poseidon Principles technical guidance, this value excludes irrevocable loan commitments.

The sectors for which decarbonization targets have been set represent USD 352.3 billion, or 40%, of the USD 887.1 billion in total gross exposure for 2022, and 65% of the USD 539.0 billion in gross exposure for which data and methodologies are available to estimate emissions. These sectors account for 13.0 million metric tons of CO_2e emissions financed, or 81% of the total financed emissions of 16.0 million metric tons. We expect these numbers to be restated over time as the availability and quality of data improve.

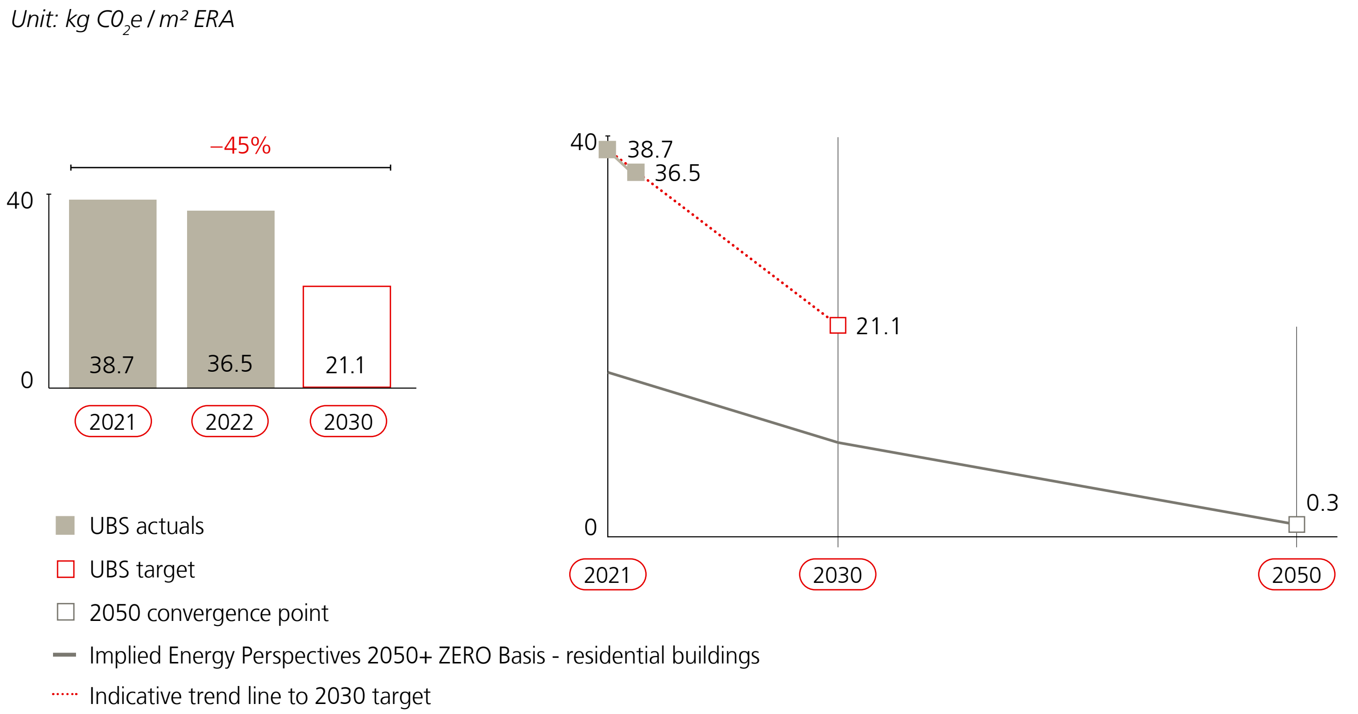
A significant share of the remaining 19% of our estimated total financed emissions relates to lending to sectors outside of the NZBA's current scope, the gross exposure for the remaining sectors in the NZBA's current scope (transportation, aluminum, and agriculture) is USD 21.8 billion. However, only USD 4.8 billion of that total is to parts of the value chain currently addressed by net-zero target-setting standards.

Approach for our lending sectors with decarbonization targets

Swiss residential real estate

UBS is committed to reducing the emissions intensity (measured in kilograms of CO_2e per m² ERA[5]) of our Swiss residential real estate financing activity by 45% by 2030 (compared with 2021 levels).

Swiss residential real estate decarbonization pathway, 2021 – 2030



Progress against target

Our residential real estate portfolio includes mortgage loans to finance owner-occupied properties and properties rented out on a non-commercial scale. The scope of this decarbonization pathway has been limited to our financing activity in Switzerland, as described previously.

As of the end of 2022, on a pro forma combined basis, UBS achieved an estimated emissions intensity reduction in the portfolio of 6% against a 2021 baseline, with an emissions intensity of 36.5 kg CO_2e / m² ERA. This reduction was primarily driven by clients upgrading their heating systems to more energy-efficient solutions. The reduction rate is in line with the decarbonization rate implied by the Swiss government's "Energy Perspectives 2050+ ZERO Basis" (EP 2050+) scenario for residential buildings that is used as benchmark. This scenario, which is a representative, country-specific pathway for the scope of this target and is reflective of the government's climate strategy, has been selected instead of the IEA Net Zero Emissions by 2050 scenario, which Pre-acquisition UBS had used. The EP 2050+ also informs Switzerland's decarbonization ambitions for real estate as prescribed in the Swiss Climate and Innovation Act. The reported emissions intensities for UBS's combined portfolio lie above the benchmark levels mainly as a result of conservative assumptions such as e.g., the use of higher emissions factors per unit of energy or the application of an oil heating where the actual heating system is not known.

Methodology aspects

- **Scenario:** "Energy Perspectives 2050+ ZERO basis for residential buildings"
- **Metric:** Portfolio emissions intensity reported as kg CO_2e / m² ERA
- **GHG coverage:** CO_2 as reported or estimated, other GHG are considered immaterial for this sector
- **Emissions scope:** Scopes 1 and 2
- **Value chain coverage**: Owners' operational use

5 ERA: Energy Reference Area

How we support the transition to a low-carbon economy

We have continued to build out our product and advisory offering to support our real estate clients in retrofitting their properties. For example, on the firm's website[6], we now offer a comprehensive online renovation journey and CO_2 calculator. These allow our clients to work out expected renovation costs and timelines, as well as calculate their CO_2 emissions footprint and energy consumption levels before and after renovation. Going beyond the requirements established by the mortgage-self regulation issued by the Swiss Bankers' Association, we have rolled out a training program to support client advisors in discussing the advantages and possibilities of refurbishment during the mortgage advisory process.

In addition, we have significantly invested in enhanced methodologies and data availability, including emissions calculations at a property-by-property level. In cases where data gaps remain e.g., regarding the type of heating system, we apply conservative assumptions. As a result of these changes, our residential real estate baseline is higher than the 2020 baseline shown in the sustainability reports 2021and 2022.

Globally, buildings contribute a substantial amount of the world's greenhouse gas emissions. Within Switzerland, the real estate sector overall (including commercial real estate) accounts for approximately 25% of the CO_2e emissions[7] and is thus at a central focus of Switzerland's net zero ambition, alongside the transport sector and industrial production.

Our 2030 targets for Swiss residential real estate can only be achieved if supported by concerted policy action to further decarbonize real estate, e.g., by incentivizing improved building efficiency and the use of non-fossil fuel heating systems. UBS remains committed to contributing to a decarbonization of real estate in Switzerland and will continue to work closely with the industry associations, and government.

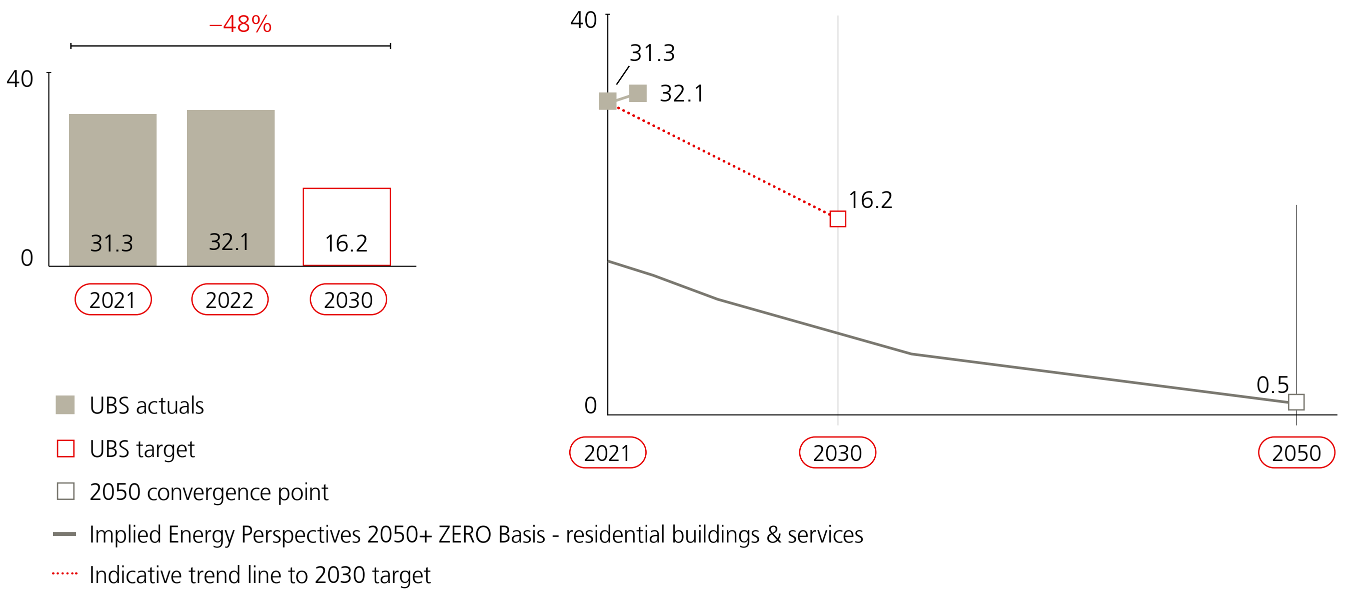
6 *https://www.ubs.com/ch/en/private/mortgages/renovation-calculator.html*
7 *https://www.bafu.admin.ch/bafu/en/home/topics/climate/state/data/greenhouse-gas-inventory/buildings.html*

Swiss commercial real estate

UBS is committed to reducing the emissions intensity (measured in kilograms of CO_2e per m² ERA[8]) of our Swiss commercial real estate financing activity by 48% by 2030 (compared with 2021 levels).

Swiss commercial real estate decarbonization pathway, 2021 – 2030

Unit: kg CO_2e / m² ERA



Progress against target

Our commercial real estate book includes loans that finance rented-out properties in multi-family homes, any other income-producing real estate, and own-use commercial real estate. This decarbonization pathway covers the lending engagements of our Swiss business, as described previously. As for residential real estate, our commercial real estate financing portfolio has substantially expanded due to the acquisition of Credit Suisse Group.

As of the end of 2022, on a *pro forma* combined basis, UBS's estimated emissions intensity for the portfolio increased by 2% against the 2021 baseline, with an emissions intensity of 32.1 kg CO_2e / m² ERA. The increase was primarily driven by a change of the portfolio mix of properties financed by Credit Suisse Group, with an increased weight of properties with higher emissions characteristics.

This compares to a 7% reduction requirement implied by the Swiss government's "Energy Perspectives 2050+ ZERO Basis" scenario for residential buildings and services. We have selected this country-specific scenario as it is more representative than the IEA Net Zero Emissions by 2050 scenario used in Pre-acquisition UBS sustainability reports. This scenario also informed Switzerland's decarbonization ambitions for real estate as prescribed in the Swiss Climate and Innovation Act. UBS's emissions intensities actuals are higher than the benchmark for the reasons outlined above.

Methodology aspects

- **Scenario:** "Energy Perspectives 2050+ ZERO basis" for residential buildings & services
- **Metric:** Portfolio emissions intensity reported as kg CO_2e / m² ERA
- **GHG coverage:** CO_2 as reported or estimated, other GHG are considered immaterial for this sector.
- **Emissions scope:** Scopes 1 and 2
- **Value chain coverage:** Owners' or tenants' operational use

8 ERA: Energy Reference Area

How we support the transition to a low-carbon economy

Similar to the efforts made in respect to residential real estate, to help our clients with their renovations we have further developed our offering for Swiss commercial real estate clients and established partnerships with real estate specialists outside the financial industry. Among other benefits, these partnerships allow our clients to access a network of suppliers that can help implement energy efficiency measures for their investment properties.

As for residential real estate, we upgraded the approach for calculating the associated CO_2e emissions. We further aim to continue improving our methodology as well as the availability of building data, to ensure that we have consistent and accurate measurements, for example for the type of heating systems and energy-related building conditions, which will allow us to trade conservative assumptions for actual conditions.

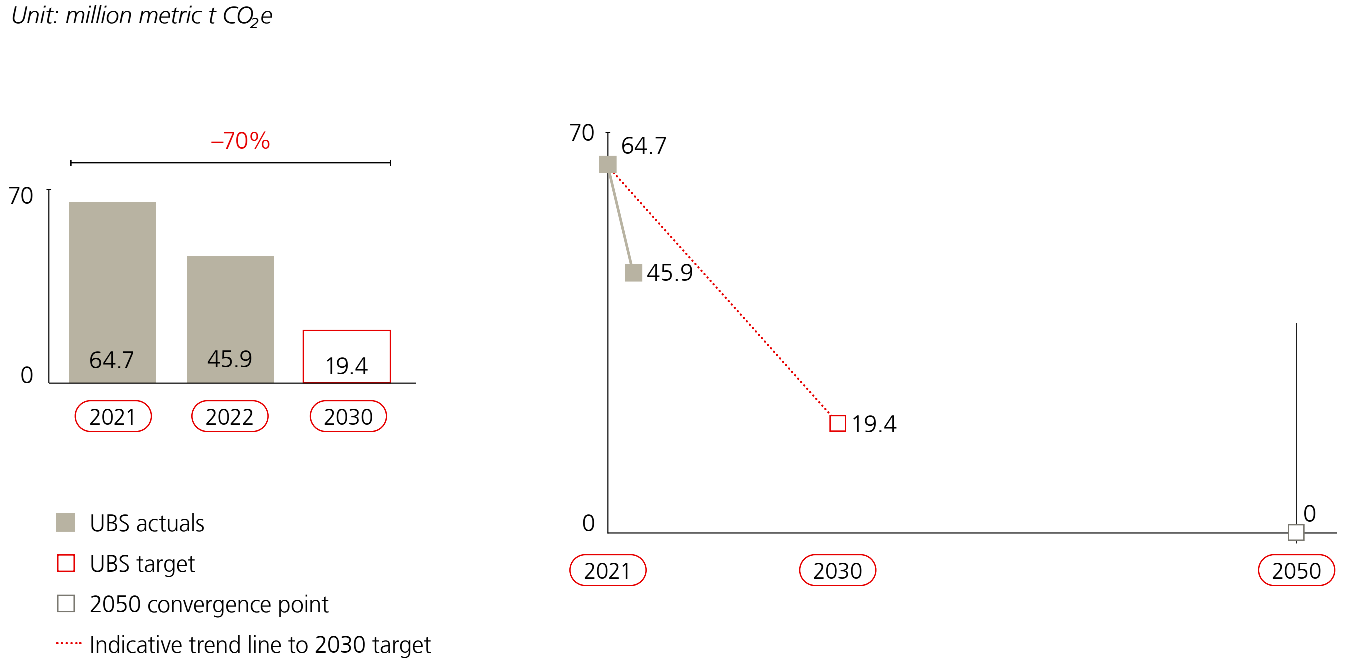
As with residential real estate, the decarbonization of commercial real estate will be crucial for Switzerland to achieve its net zero ambition.

UBS remains committed to delivering on our 2030 decarbonization target across our commercial real estate portfolio and will continue to work with government and our industry peers to align on the required actions.

Fossil fuels

UBS is committed to an absolute emissions reduction (measured in millions of metric tons of CO_2e) of our fossil fuels portfolio by 70% by 2030 (compared with 2021 levels).

Fossil fuels decarbonization pathway, 2021 – 2030



Progress against target

As part of the acquisition of Credit Suisse Group, we have undertaken an extensive review of the combined fossil fuels portfolio. Informed by this review, we refined our fossil fuels target, which ensures the ambition level for absolute financed emissions reductions by 2030 is maintained relative to the previously disclosed targets of the separate entities.

As of the end of 2022, UBS achieved an estimated financed emissions reduction in the portfolio of 29% against the 2021 baseline, with financed emissions totaling 45.9 million metric tons of CO_2e, which is 23% below our indicative trend line to 2030. The reduction was primarily driven by an overall reduction of the financed portfolio and a significant reduction in exposure to coal.

Our assessment of the fossil fuels sector includes exploration, production, and refinery activities, as well as integrated companies operating across the value chain. Our baseline and target exclude activities such as transportation, retailing and trading. A significant share of our gross exposure not covered by this target is commodity trade financing for which guidelines and methodologies have yet to be developed.

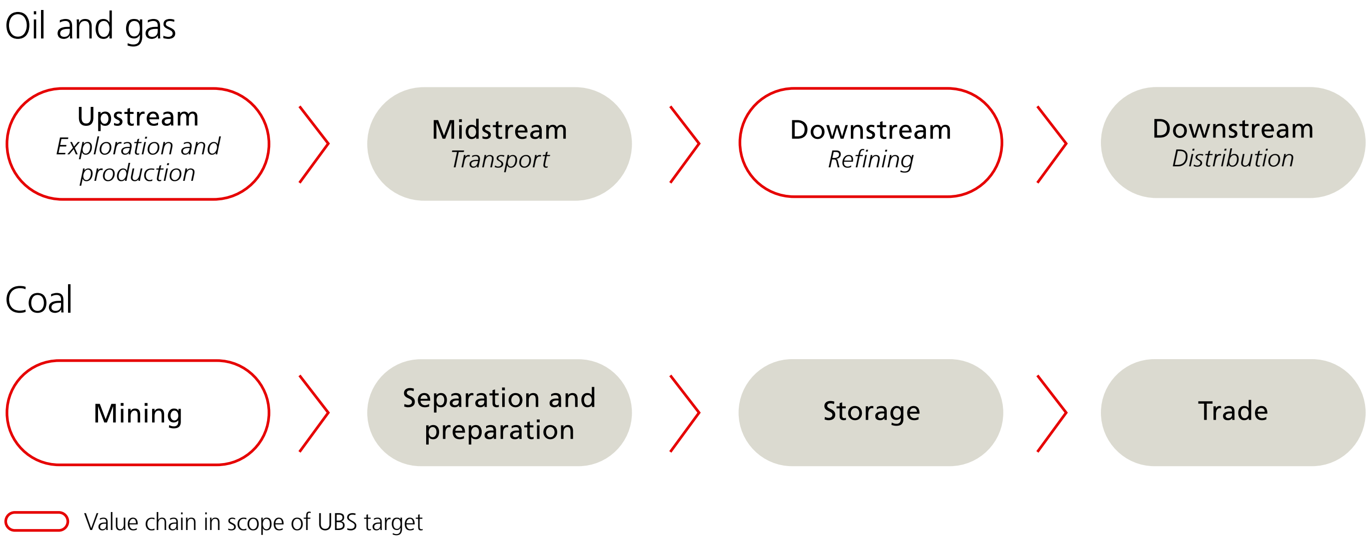
The energy market is gradually recovering from the COVID-19 pandemic and the impact of the Russia–Ukraine war. The IEA reported a record demand for oil in 2023[9] but still expects demand for all fossil fuels to peak before 2030.[10] In December 2023, COP28 ended with an historic agreement to accelerate action to transition away from fossil fuels in energy systems in this critical decade, so as to achieve net zero by 2050 in line with the science.

9 *https://www.iea.org/reports/oil-market-report-january-2024*
10 *https://www.iea.org/reports/world-energy-outlook-2023*

Methodology aspects

- **Scenario:** IEA NZE 2050 (WEO 2023 update)
- **Metric:** Absolute portfolio-financed emissions in million metric tons CO_2e
- **GHG coverage:** CO_2 as reported by counterparties
- **Emissions scope:** Scopes 1, 2 and 3
- **Value chain coverage:**

Part of the sectors' value chains in scope



How we support the transition to a low-carbon economy

Decarbonizing the fossil fuel sector is a key component of the transition to a low-carbon economy. Our clients are embarking on complex transition journeys and demand for transition financing is growing / remains robust.

We look for opportunities to help clients with diversifying their business mix, either through acquisitions, asset sales, or financing, as the world decarbonizes. For example, in 2023 UBS syndicated a loan for an independent Chinese energy client that has growth plans aimed at the energy transition, including areas such as clean energy infrastructure and aviation fuel.

The fossil fuels sectors account for a large proportion of global GHG emissions, while still being relied upon for energy security and affordability in many countries. The transition of oil and gas companies to provide lower-emissions energy will require the redeployment of capital toward low-carbon businesses such as renewables and green hydrogen, in addition to investments in energy efficiency, carbon capture and sequestration, and reduction of routine flaring.

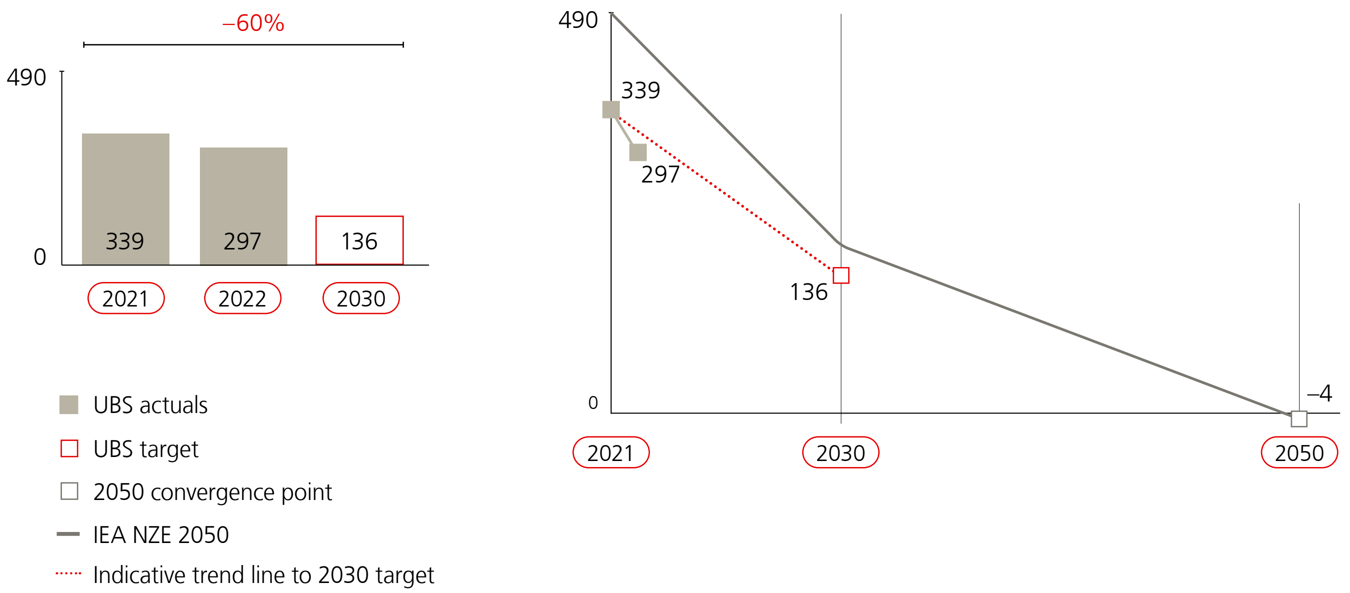
To achieve net zero by 2050 the sector remains dependent on the deployment of carbon capture utilization and storage (CCUS) for those facilities that are still in operation to cover the future demand. The oil and gas industry may be able to support the development at scale of several clean energy technologies which require high level of CAPEX investments, such as CCUS, low-carbon hydrogen, biofuels and renewables.

Power generation

UBS is committed to reducing the emissions intensity (measured in kg CO_2e / MWh) of our power generation portfolio by 60% by 2030 (compared with 2021 levels).

Power generation decarbonization pathway, 2021 – 2030

Unit: kg CO_2e / MWh



Progress against target

As of the end of 2022, UBS achieved an estimate emissions intensity reduction in the portfolio of 13% against the 2021 baseline, with an emissions intensity of 297 kg CO_2e / MWh, which is 6% below our indicative trend line to 2030. The reduction was primarily driven by an increase in exposure to clients with relatively low carbon intensity.

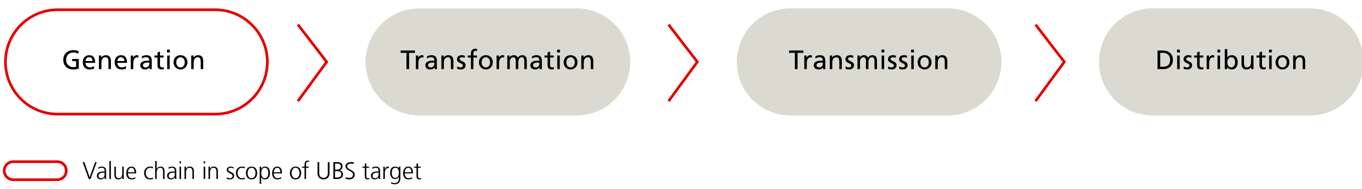
Recent data indicates that global annual investment in clean energy is growing faster than investment in fossil fuels, and the increased volatility in fossil fuels prices has accelerated the deployment of clean energy projects.[11] 90% of the increase in investments in clean energy in the period 2021–2023 took place in advanced economies (mainly the EU and the US) and China.[12]

Methodology aspects

- **Scenario:** IEA NZE 2050 (WEO 2023 update)
- **Metric:** Portfolio emissions intensity reported as kg CO2e / MWh
- **GHG coverage:** CO2e as reported by counterparties.
- **Emissions scope:** Scope 1
- **Value chain coverage:**

Part of the sectors' value chain in scope

Power generation



11 *https://www.iea.org/reports/world-energy-investment-2023*
12 Idem

How we support the transition to a low-carbon economy

The power generation sector accounts for over 40% of global CO_2 emissions from fuel combustion.[13] Increased electric power demand, particularly driven by the electrification of the transport and industry sectors, will require a rapid scaling up of low-carbon and renewable power, especially in solar and wind.

We aim to engage with our clients to support them in adapting their energy mix and also increase our own exposure to lower emissions sources of energy. In 2023, we supported a power generation company based in Southeast Asia in the investment of a majority stake in an integrated developer and operator of solar power projects. The proceeds of the transaction will help fund a large solar photovoltaic and battery energy storage system (BESS) installation. It will displace approximately 2.8 million metric tons of coal per year and is a key project for the successful energy transition of the country. UBS's high share of renewable energy production, especially in Switzerland, contributes to our emissions intensity being below the IEA benchmark.

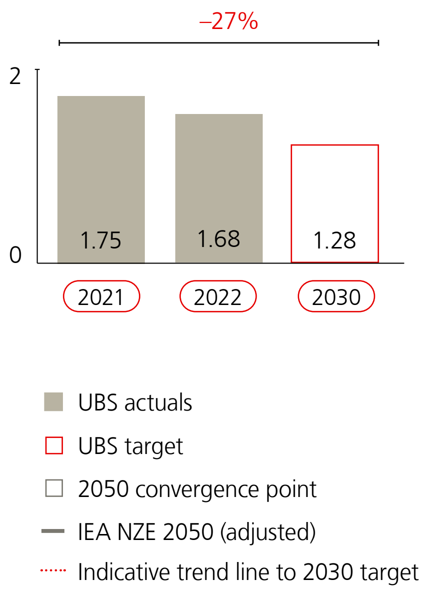
13 *https://www.iea.org/commentaries/tracking-the-decoupling-of-electricity-demand-and-associated-co2-emissions*

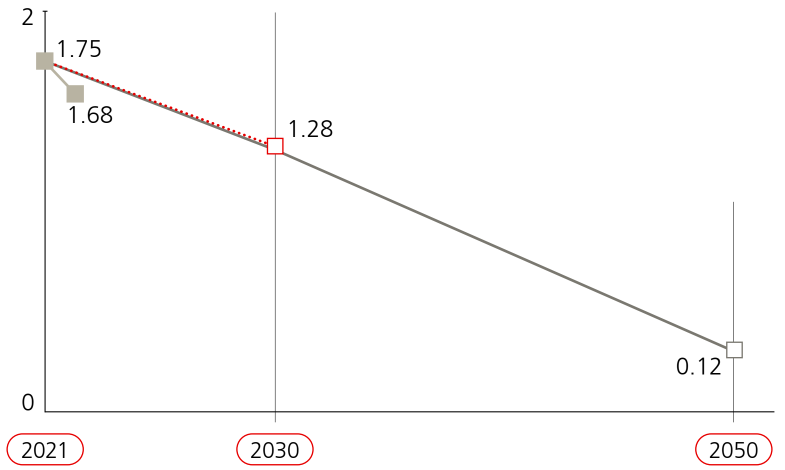
Iron and steel

UBS is committed to reducing the emissions intensity (measured in metric t CO_2 / metric t steel) of our iron and steel portfolio by 27% by 2030 (compared with 2021 levels).

Iron and steel decarbonization pathway, 2021 – 2030

Unit: metric t CO_2 / metric t steel





Progress against target

As of the end of 2022, UBS achieved an estimated emissions intensity reduction in the portfolio of 4% against the 2021 baseline, with an emissions intensity of 1.68 metric t CO_2 / metric t steel, which is 1% below our indicative trend line to 2030. The reduction was primarily driven by fluctuations in client exposure and emissions intensity reduction reported by our clients.

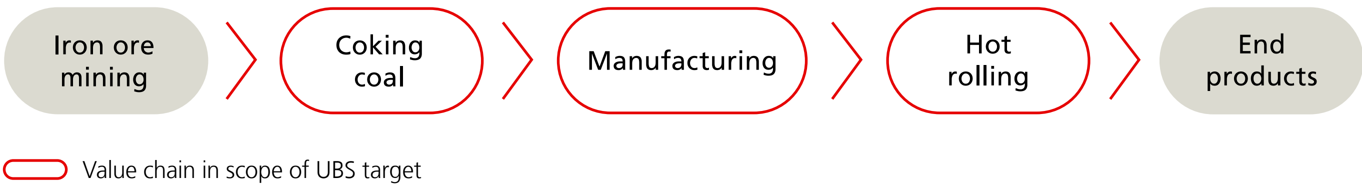
The iron and steel sector is the largest industrial coal user, being responsible for 7% of total energy-related CO_2 emissions. Shifting production to reduce the sector's reliance on coal while increasing scrap production and the use of direct reduction and electric arc furnaces will be crucial in the short term. While steel production decreased in 2022, it is expected to recover and grow in the coming years.[14]

Methodology aspects

- **Scenario:** IEA NZE 2050 (WEO 2023 update) The scenario is adjusted to consider scope 2 emissions.
- **Metric:** Portfolio emissions intensity reported as metric t CO2 / metric t steel produced
- **GHG coverage**: CO2 only as reported by counterparties and most material GHG for the sector
- **Emissions scope:** Scopes 1 and 2
- **Value chain coverage:**

Part of the sectors' value chain in scope

Iron and steel



14 *https://www.iea.org/energy-system/industry/steel*

How we support the transition to a low-carbon economy

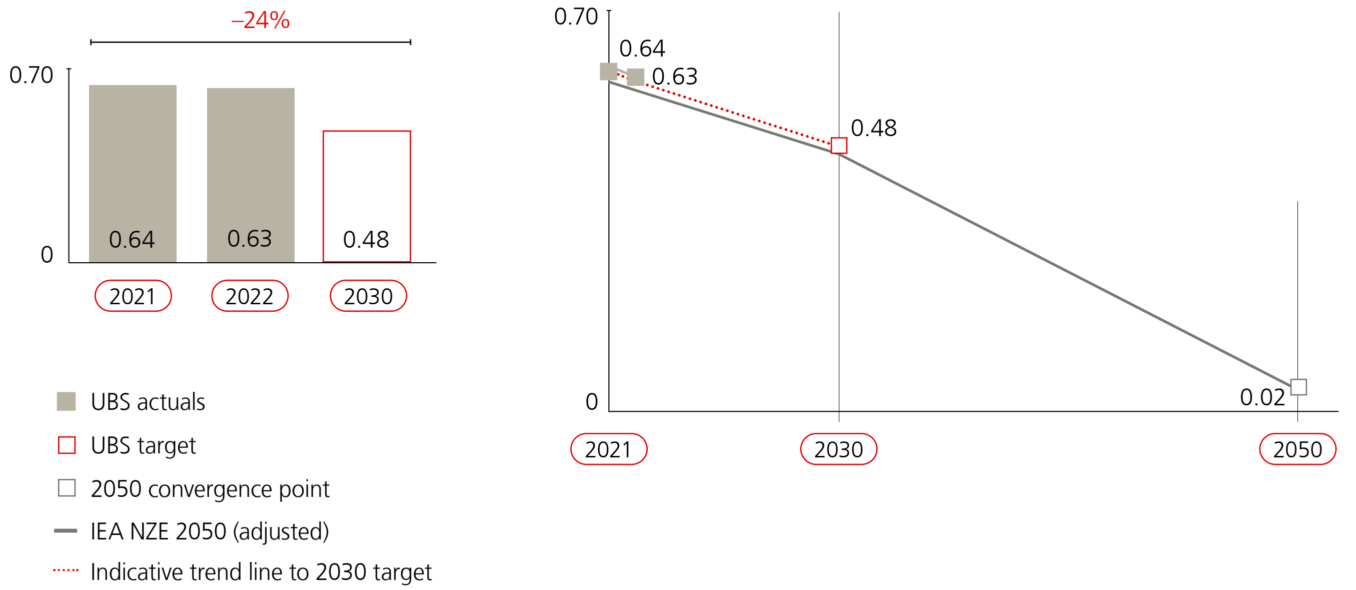
We will continue to support the transition of our clients' businesses. Transition projects in the steel sector are capital intensive and need to be adapted to their intrinsic long investment cycles. For one of our steel clients, green hydrogen is a key area of focus and a contributor towards its decarbonization journey. Our main clients are actively involved in engagement and transparency, showing commitment to reporting applying the Global Reporting Initiative (GRI) Standards and the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations as well as via CDP, and obtaining certifications for its sustainability efforts. We advise clients in strategic transformations to position their business for long-term viability and to support the low-carbon economy. To achieve net zero by 2050 the sector remains dependent on the commercialization and scaling up of low-carbon steelmaking technologies, which requires R&D, as well as robust policy and market incentives.

Cement

UBS is committed to reducing the emissions intensity (measured in metric t CO_2 / metric t cementitious) of our cement portfolio by 24% by 2030 (compared with 2021 levels).

Cement decarbonization pathway, 2021 – 2030

Unit: metric t CO_2 / metric t cementitious



Progress against target

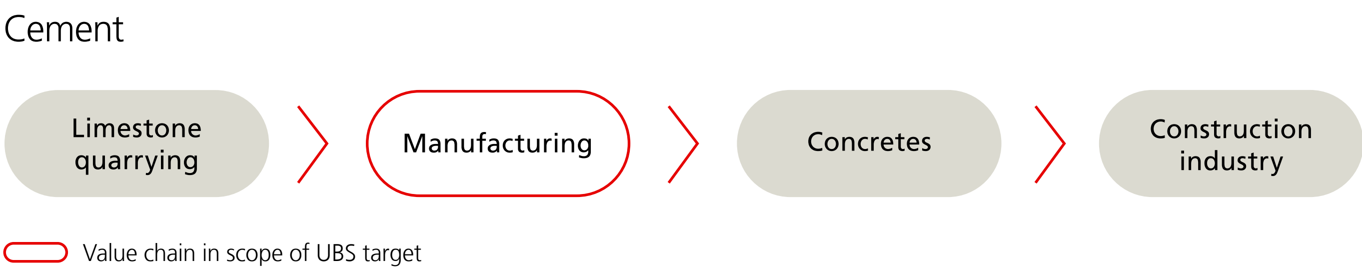
As of the end of 2022, UBS achieved an estimated emissions intensity reduction in the portfolio of 1% against the 2021 baseline, with an emissions intensity of 0.63 metric t CO_2 / metric t cementitious, which is 1% above our indicative trend line to 2030. The reduction was primarily driven by the reduction in emissions intensity achieved by our clients.

The global demand for cement declined in 2023, mainly as a result of China's real estate crisis and is expected to remain relatively flat in the IEA's Net-Zero Emissions scenario. Emissions intensity of cement production has remained flat in recent years, highlighting the need for development and deployment of new technologies.[15]

Methodology aspects

- **Scenario:** IEA NZE 2050 (WEO 2023 update) The scenario is adjusted to consider scope 2 emissions.
- **Metric:** Portfolio emissions intensity reported as metric t CO_2 / metric t cementitious
- **GHG coverage**: CO_2 only as reported by counterparties and most material GHG for the sector
- **Emissions scope:** Gross scope 1 and Scope 2
- **Value chain coverage:**

Part of the sectors' value chain in scope



15 *https://www.iea.org/reports/world-energy-investment-2023*

How we support the transition to a low-carbon economy

We believe our main clients in the cement industry are best in class in terms of ESG disclosures and externally verified emissions reduction targets, some of which contain interim 2030 targets. UBS has been a longstanding advisor to our larger cement clients, advising on various transactions across products, such as the acquisition of assets, disposal of certain business lines, equity raises and share buybacks. Our clients have identified significant opportunities to decarbonize and established credible climate roadmaps, with a proven track record of increasing emissions reductions. We will continue to support the transition of our clients, especially given the need for technological disruption in this sector.

Shipping (Credit Suisse AG – Poseidon Principles 2023 disclosure)

Purpose of the metric: To support our clients in the shipping sector to transition in line with our commitment to the Poseidon Principles (the PP). The PP are a framework for assessing and disclosing, on an annual basis, the climate alignment of in-scope ship finance portfolios (individual vessels weighted by their loan exposure with the reporting financial institution) to the ambition of the International Maritime Organization (the IMO),[16] including its 2023 Revised GHG Strategy[17] for GHG emissions from international shipping to decrease to net zero by or around 2050 (compared to 2008 levels) with interim targets in 2030 and 2040 on a well-to-wake (WTW) basis.

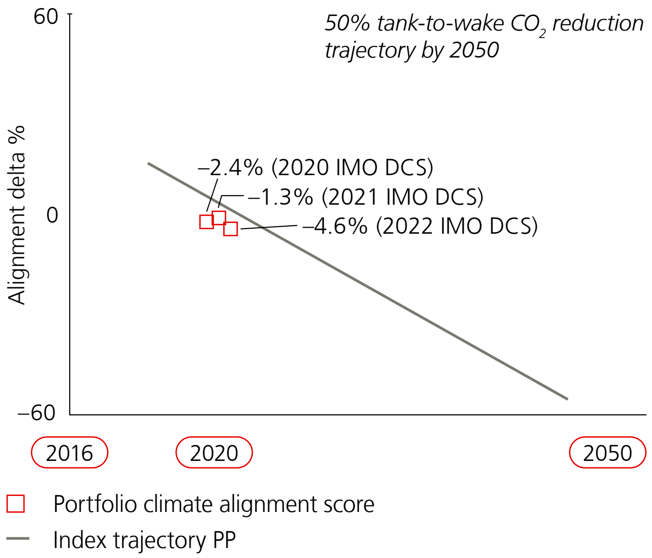
The first public disclosure of Credit Suisse's climate alignment took place through the PP organization in December 2021, alongside 22 reporting co-signatories,[18] based on 2020 data. The IMO's data collection regime is for each whole year, in arrears, with data collection being verified during the first half of the following year and provided to financiers thereafter. The PP initiative has since grown to 34 signatories, indicating that it is becoming well established in the ship finance industry. In December 2022, Credit Suisse made its second annual disclosure (based on 2021 data),[19] followed by its third public reporting under the PP (based on 2022 data).[20]

Coverage: Credit Suisse's reported portfolio (the Portfolio) is composed of in-scope vessels financed by the bank with individual vessel emissions assessed based on client data, all in accordance with the technical guidance of the PP. The reporting level for this year's disclosure is 96.9% (by loan exposure).

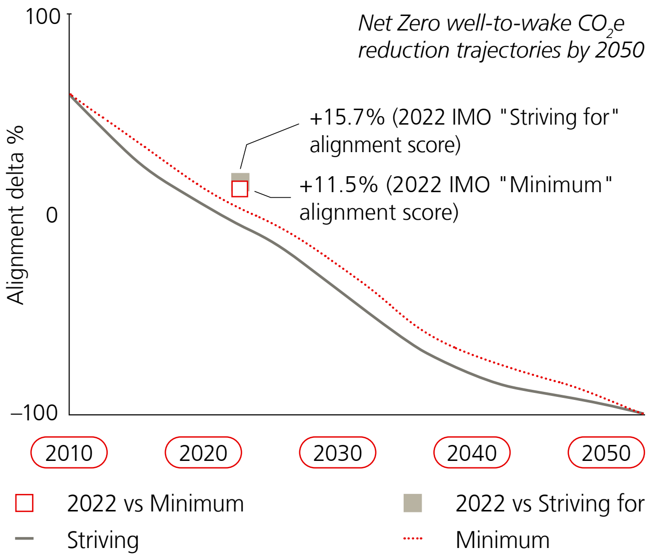
Direction: Credit Suisse has a focus on modern, energy-efficient tonnage operated by shipowners. The aim is to ensure that, notwithstanding fluctuations (largely due to vessel operational reasons and global market trends), the portfolio remains as closely aligned as possible to the decarbonization trajectories, as we support our clients in their transition to sustainable business models.

Shipping (Credit Suisse AG):

2018 IMO GHG Strategy
("IMO initial GHG Strategy")



2023 IMO GHG Strategy
("IMO Revised GHG Strategy")



16 "IMO 50" portfolio climate alignment with benchmark trajectory based on the IMO Initial GHG strategy to reduce GHG emissions by 50% until 2050 (measured on a tank-to-wake CO2 basis, i.e., considers emissions from fuel usage).
17 The IMO Revised GHG Strategy sets out the following absolute reduction levels of ambition: (i) to reduce total annual GHG emissions by at least 20%, striving for 30%, by 2030 (compared with 2008); (ii) to reduce total annual GHG emissions by at least 70%, striving for 80%, by 2040 (compared with 2008); (iii) GHG emissions to peak as soon as possible and to reach net-zero GHG emissions by or around 2050; and (iv) carbon intensity to decrease in order to reduce CO2 emissions per transport unit by at least 40% by 2030 (compared with 2008). The Revised GHG Strategy considers well-to-wake CO2e emissions, i.e., it includes upstream emissions, as well as accounting for the impact of methane (CH4) and nitrous oxide (N2O).
18 Poseidon Principles 2021 annual disclosure reporting is published at: *https://www.poseidonprinciples.org/finance/wp-content/uploads/2021/12/Poseidon-Principles-Annual-Disclosure-Report-2021.pdf*
19 Poseidon Principles 2022 annual disclosure reporting is published at: *https://www.poseidonprinciples.org/finance/wp-content/uploads/2022/12/Poseidon-Principles-Annual-Disclosure-Report-2022.pdf*
20 Poseidon Principles 2023 annual disclosure reporting is published at: *https://www.poseidonprinciples.org/finance/wp-content/uploads/2023/12/Poseidon-Principles-2023-Annual-Disclosure-Report.pdf*

Progress against target

This is our third year of disclosure under the Poseidon Principles. We are pleased with the further improved reporting level and responsiveness of our clients. With our portfolio alignment under the "IMO initial GHG Strategy" remaining below trajectory we note that results under the "IMO Revised GHG Strategy" are reflective of the integration of lifecycle fuel emissions, methodological adjustments and the more ambitious stance taken by the IMO as an outflow of MEPC 80. Results continue to be materially driven and may fluctuate each reporting year by ship types, vessel operations, markets, trading patterns and portfolio composition. Ongoing work at the Poseidon Principles, enhanced regulatory guidance and other external factors such as the increasing availability of different fuel types are expected to impact future results. Whilst the use and publication of climate alignment scores facilitates transparency, long term and sustainable alignment of shipping portfolios will require further rigid and well-coordinated decarbonization efforts by the industry.

Methodology aspects

- Following the IMO Revised GHG Strategy adopted during MEPC 80 in July 2023, the PP reporting framework was revised so as to be aligned with the revised IMO ambition. The PP 2023 reporting consists of benchmarking against three trajectories, one based on IMO 50 as in previous years and two new trajectories based on the IMO Revised GHG Strategy for reporting accordingly: (i) defined by the minimum requirement with a 20% reduction by 2030, a 70% reduction by 2040 (compared with 2008 emissions) leading to net zero by 2050; and (ii) defined by the higher level of ambition with a 30% reduction by 2030, a 80% reduction by 2040 (compared with 2008 emissions) leading to net zero by 2050.
- The IMO Revised GHG Strategy based trajectories inter alia includes the expansion of reporting to WTW emissions, and emissions boundary now includes the impact of non-CO_2 GHG species, i.e., methane (CH_4) and nitrous oxide (N_2O).
- Following the inclusion of WTW CO_2e emissions by providing a set of emission factors that can be applied to the existing IMO DCS data and the Annual Efficiency Ratio (AER) calculation, the existing carbon intensity metric g CO_2 / dwt-nm for the IMO Revised GHG Strategy based trajectories is replaced by the WTW GHG intensity metric g CO_2e / dwt-nm. This metric is calculated by using the total possible annual transport work performed by a ship, obtained from its total distance travelled and DWT (in metric ton units).
- According to the PP, there is ongoing industry discussion on the usage of appropriate methodologies (such as AER and Energy Efficiency Operational Index) to measure shipping emissions, decarbonization trajectories and the means to drive improvement.
- Ongoing work at the PP and more granular guidance becoming available from the IMO will likely lead to further revisions of trajectories and underlying methodologies going forward.

How we support the transition to a low-carbon economy

The Poseidon Principles are embedded in our sustainability and risk assessment process for Ship Finance which forms part of the bank's ship financing strategy. Understanding clients' decarbonization strategies is important to us as determining our future alignment score under the Poseidon Principles. We are assisting clients in lowering the GHG emission intensity of their fleets through customized products (which include financings for vessels equipped with solar panels, air lubrication or other energy saving technologies as well as green loans). The transparency of data and the participation in decarbonization initiatives, including the Poseidon Principles, assist in informing and supporting our client discussions.

Entity-specific disclosure

UBS AG consolidated

Climate-related lending metrics (UBS AG consolidated)

	For the year ended		% change from
	31.12.22	31.12.21	31.12.21
Lending[1, 2]			Baseline 2021
Swiss residential real estate (scopes 1 and 2 kg CO_2e / m² ERA)[3]	**34.0**	36.4	(7)
Swiss commercial real estate (scopes 1 and 2 kg CO_2e / m² ERA)[3]	**26.1**	25.2	4
Fossil fuels (scopes 1, 2 and 3 million metric t CO_2e)	**6.4**	7.3	(13)
Power generation (scope 1 kg CO_2e / MWh)	**154**	157	(2)
Iron and steel (scopes 1 and 2 metric t CO_2 / metric t of steel)	**0.64**	0.78	(19)
Cement (scopes 1 and 2 metric t CO_2 / metric t of cementitious)	**0.64**	0.65	(1)

1 Refer to "Climate-related methodologies – decarbonization approach for our financing activities" in the "Environment" section of the Supplement to the UBS Group Sustainability Report 2023, available at ubs.com/sustainability-reporting, for more information about scope and methodologies used to estimate metrics. 2 Based on gross exposure, which includes total loans and advances to customers, fair value loans and guarantees as well as irrevocable loan commitments. Refer to the Basis of Reporting for exclusions and parts of the value chain within sectors covered by metrics and targets. 3 ERA: Energy Reference Area.

Credit Suisse AG consolidated

Credit Suisse AG had (as set out in the Credit Suisse Group Sustainability Report 2022) previously set targets for the automotive and aluminum sectors. As these sectors did not meet the exposure or emissions materiality thresholds calculated based on estimated 2023 exposure for the combined portfolios, they have been deprioritized for target setting at this time and are not included in the present appendix.

Climate-related lending metrics (Credit Suisse AG consolidated)

	For the year ended		% change from
	31.12.22	31.12.21	31.12.21
Lending[1, 2]			Baseline 2021
Swiss residential real estate (scopes 1 and 2 kg CO_2e / m² ERA)[3]	**40.7**	42.1	(3)
Swiss commercial real estate (scopes 1 and 2 kg CO_2e / m² ERA)[3]	**37.9**	37.5	1
Fossil fuels (scopes 1, 2 and 3 million metric t CO_2e)	**39.5**	57.4	(31)
Power generation (scope 1 kg CO_2e / MWh)	**324**	364	(11)
Iron and steel (scopes 1 and 2 metric t CO_2 / metric t of steel)	**1.77**	1.84	(4)
Cement (scopes 1 and 2 metric t CO_2 / metric t of cementitious)	**0.61**	0.62	(1)
Poseidon Principles disclosure [1]			
Shipping (delta alignment to Poseidon Principles "IMO 50" trajectory)[4]	**-4.6%**	-1.3%	n/a
Shipping (delta alignment to "IMO 2023 minimum trajectory")[5]	**11.5%**	n/a	n/a
Shipping (delta alignment to "IMO 2023 striving for trajectory")[5]	**15.7%**	n/a	n/a

1 Refer to "Climate-related methodologies – decarbonization approach for our financing activities" in the "Environment" section of the Supplement to the UBS Group Sustainability Report 2023, available at ubs.com/sustainability-reporting, for more information about scope and methodologies used to estimate metrics. 2 Based on gross exposure, which includes total loans and advances to customers, fair value loans and guarantees as well as irrevocable loan commitments. Refer to the Basis of Reporting for exclusions and parts of the value chain within sectors covered by metrics and targets. 3 ERA: Energy Reference Area. 4 Poseidon Principles "IMO 50" trajectory is not 1.5C aligned. 5 The IMO Revised GHG Strategy sets out the following absolute reduction levels of ambition: (i) to reduce total annual GHG emissions by at least 20%, striving for 30%, by 2030 (compared with 2008); (ii) to reduce total annual GHG emissions by at least 70%, striving for 80%, by 2040 (compared with 2008); (iii) GHG emissions to peak as soon as possible and to reach net-zero GHG emissions by or around 2050; and (iv) carbon intensity to decrease in order to reduce CO_2 emissions per transport unit by at least 40% by 2030 (compared with 2008). The Revised GHG Strategy considers well-to-wake CO_2e emissions, i.e., it includes upstream emissions, as well as accounting for the impact of methane (CH_4) and nitrous oxide (N_2O). The IMO updated trajectories are not 1.5°C aligned.

Climate-related methodologies – defining investment portfolios with net-zero ambition

To provide choice for our clients and to effectively monitor our progress towards our target, UBS AG Asset Management uses a clearly defined framework to assess whether a product has a net-zero ambition. The framework is based on the Net Zero Asset Managers initiative's guidance on assets committed to be managed in line with attaining net-zero emissions by 2050 or earlier, as well as guidance from other industry bodies. From this we have derived the following guiding principles when defining an investment portfolio as having a net-zero ambition:

- The portfolio has a defined decarbonization target, a commitment to increasing portfolio coverage of SBTi-verified targets and/or invests in climate solutions that enable net-zero global GHG emissions by 2050.
- The portfolio makes a contribution to the transition to a low-carbon economy where relevant companies, partners, managers, borrowers, tenants and vendors that are not currently meeting or aligned with net zero are the subject of direct or collective engagement and stewardship actions.
- Offsets may be used to enable or support long-term carbon removal where there are no technologically and/or financially viable alternatives to eliminate emissions; and
- Monitoring and annual disclosure of progress toward portfolio-level targets.

Our framework provides guidance on using decarbonization pathways and net-zero-aligned benchmarks with the aim of reducing the weighted average carbon intensity of individual strategies consistent with a fair-share reduction of 50% in the period 2019–2030. Portfolio target levels are expressed in terms of interim milestones or an annualized decarbonization rate (absolute or intensity) and reference a relevant science-based net-zero pathway (currently defined in relevant climate models as 1.5°C). Targets are set using scope 1 and 2 emissions, with the inclusion of scope 3 guided by the availability of quality data and regulatory requirements. Decarbonization can be achieved through various approaches depending on the strategy. Some examples include tracking a relevant index that follows a net-zero pathway, actively managing the portfolio carbon profile against a relevant benchmark and managing carbon reduction to a specified pathway. During 2023, we also introduced the industry-accepted Science-Based Targets initiative (SBTi) verification of corporate targets as an additional indicator of net-zero alignment.

For our direct investments in real estate, we apply science-based carbon and energy reduction pathways and the IPCC "below 1.5°C with no or limited overshoot" scenario emissions-reduction target range to guide the decarbonization of assets. The pathways and decarbonization targets support the progress of an asset's carbon reduction performance toward achieving interim targets and reaching net zero by 2050.

Climate-related methodologies – our own operations

We have prepared our greenhouse gas (GHG) reporting in accordance with the key concepts and requirements stated by the International Organization for Standardization (the ISO) in ISO 14064-1:2018 (specification with guidance at the organization level for quantification and reporting of GHG emissions and removals), the World Business Council for Sustainable Development and the World Resources Institute in the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

All GHG emission figures are in metric tons of carbon dioxide equivalents (CO_2e) and include three of the six GHGs covered by the Kyoto Protocol: carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). Hydrofluorocarbons (HFCs) emissions have been included in our reporting where we've had losses of refrigerant gases. We have no GHG sources contributing to perfluorocarbons (PFCs) or sulfur hexafluoride (SF_6) emissions.

Direct GHG emissions and indirect GHG emissions from electricity have been reported by UBS Group and its branches and representative offices, and entities where UBS has operational control and through which UBS conducts its banking and finance business or provides services in support of such business.

We have determined the GHG emissions associated with UBS's activities on the basis of measured or estimated activity data (e.g. kWh electricity used, km air travel), multiplied by relevant GHG emission factors. Where possible, fuel or energy use is based on direct measurement, purchase invoices or actual mileage data covering more than 80% of our reported energy usage. In other cases, it has been necessary to make estimations.

GHG emissions sources are included as follows:

Direct emissions (scope 1) incurred through: burning of fossil fuels (e.g. heating oil, gas), loss of refrigerants, use of company vehicles.

Indirect emissions (scope 2) incurred through: purchased electricity, including electricity related to IT usage at various type of data hosting facilities not under UBS operational control; district heating and cooling of buildings.

Other indirect GHG emissions (scope 3) incurred through: paper consumption, waste generation, water usage, business travel in non-company-owned or –controlled vehicles such as rental cars, employee cars, trains, commercial planes or chartered jets, energy related activities not covered under scopes 1 and 2.

We have used published national conversion factors and global warming potentials to calculate emissions from operations. In the absence of any such national data, the UK Department for Environment, Food & Rural Affairs (DEFRA)'s "Greenhouse Gas Conversion Factors for Company Reporting" and in some cases VfU[1] indicators have been used for the calculation of GHG emissions.

In June 2023, UBS acquired the Credit Suisse Group. Through the similarity of the operational scope and boundaries as well as both companies' history of voluntary GHG emissions disclosure, it was possible to integrate the GHG emissions calculations. The new joint base year was set to 2019 (Jan to Dec). The appropriateness of the base year is reviewed on an annual basis.

Due to the significant change in scope, UBS is therefore restating its 2019-2022 GHG emissions reporting.

Climate-related methodologies – identifying GHG key vendors in our supply chain

We have used a combination of our annual spend with vendors and emission factors – with vendors' primary emission intensity taken from the CDP, where data is adequate and verified, and for others the WaterShed CEDA multi-regional input/output emission factor database per industry – to identify likely top emitters in our supply chain. When identifying supply-chain-relevant top emitters, we excluded any spend that is covered in scope 1 and 2 or in non-vendor relevant scope 3 subcategories. Vendors that collectively account for more than 50% of our estimated vendor GHG emissions are called GHG key vendors.

Formula:

Sum across purchased goods or services

$\sum$ (value of purchased goods or services (USD) × emission factor of purchased good or service per unit of economic value (kg CO_2e/USD))

Our GHG key vendor list is revised annually to take into consideration changes in spend and business relationships.

Our transition plan

Our transition plan supports our current decarbonization targets and ambition to achieve net-zero greenhouse gas (GHG) emissions across our scope 1 and 2, and specified scope 3, activities. The structure of our plan follows the recommendations of the Glasgow Financial Alliance for Net Zero (GFANZ) outlined in the "Financial Institutions Net-zero Transition Plans" guidelines. GFANZ published these guidelines, to which UBS contributed during their development, at the 27th session of the Conference of the Parties of the United Nations Framework Convention on Climate Change (the UNFCCC) (COP 27).

UBS's contribution to the development of these guidelines forms part of the Group's industry engagement in the financial services sector to determine how best to support and finance clients' transition to a low-carbon economy. Contributing to such frameworks, in turn, forms an important basis for developing our own approach to transition finance.

We consider the GFANZ guidelines to be comprehensive and relevant for the financial sector but continue to monitor other emerging standards that are compatible and have the potential to enhance our continued transition plan development. Our transition plan touches on numerous aspects within the UBS Group Sustainability Report 2023 and the UBS Group Climate and Nature Report 2023, which are referenced in the table below.

› **Refer to *gfanzero.com/our-work/financial-institution-net-zero-transition-plans* for GFANZ's recommendations on transition plans**

#	Theme	Principles and key activities engaged in by UBS	References for more information
		Foundation	
1	**Objectives and priorities**	– It is our ambition to support clients through the world's transition to a low-carbon economy and embed considerations of climate change risks and opportunities across the bank for the benefit of our stakeholders, now and in the future. – Helping our clients navigate the challenges of an orderly transition to a low-carbon economy and build climate-resilient business models, as well as mobilizing private and institutional capital toward this transition, is at the core of this ambition and our approach to climate. – We have updated our sustainability strategy and approach to climate to better support our own transition as well as the transition of our clients, and we continue to refine and enhance our transition plan in line with evolving client needs and industry guidance to ensure it remains appropriate for our business activities and aligned to external market practice and standards. – By 2050, our ambition is to achieve net-zero greenhouse gas (GHG) emissions across our scope 1 and 2, and specified scope 3 activities. – We aspire to address our financed emissions by aligning specified sectors to decarbonization pathways. In line with this, we aim to reduce the emission intensity of our loan book across sectors that account for a sizable share of our credit portfolio and financed emissions and have set 2030 lending sector decarbonization targets for the following sectors: Swiss residential real estate, Swiss commercial real estate, fossil fuels (oil, gas and coal), power generation, iron and steel and cement (for shipping we currently disclose our Credit Suisse AG in-scope shipping portfolio climate alignment to the Poseidon Principles decarbonization index). – We provide our financing and investing clients with the choices they need to meet their sustainability and impact objectives, including climate impact, where that is their priority and in line with our fiduciary duties. – Our transition plan for financing activities prioritizes emissions reductions in line with science-based climate targets and credible trajectories to achieve these targets. In addition, we anticipate that the deployment of carbon-removal solutions will be needed to counterbalance hard-to-abate emissions and supplement the reduction strategies of some of our clients. As best practice guidance, regulation, methodologies and technologies develop, our approach to decarbonization, including offsets, will continue to evolve. – As we work toward our targets and further develop our transition strategies, we aim to consider a just transition to a low-carbon economy, one that is as fair and inclusive as possible. – We continue to integrate sustainability and climate risk considerations into our firm's various traditional financial and non-financial risk management frameworks.	– Refer to the "Strategy" section, "Our aspirations and progress" sub-section of this report for a description of our targets and progress on financing, investing and own operations. – Refer to the "Metrics and targets" section, "Our climate roadmap" sub-section of the UBS Group Climate and Nature Report 2023 for an overview of what we are aiming for to support the transition to a low-carbon economy. – Refer to the "Our approach to climate" sub-section of the "Strategy" section to the UBS Group Climate and Nature Report 2023 for more information about our approach and key objectives to support our climate-related ambitions. – Refer to the "Metrics and targets" section, "Supporting our clients' low-carbon transition" sub-section of this report for an overview of how we support our clients' transition. – Refer to the "Metrics and targets" section, "Supporting our financing clients' low-carbon transition" – "Carbon reduction and removal" sub-section of this report for more details on our approach to carbon markets and carbon-removal solutions. – Refer to the "Overview of climate-related targets and actions" section in "Appendix 4 – Metrics and targets" in the appendices to this report for an overview of our targets and actions that we strive to implement in the short-, medium- and long-term. – Refer to the "Appendix 4 – Metrics and targets" section of this report for an overview of our reviews of risks, opportunities in the climate materiality assessment and impacts expected from implementation.

		Implementation strategy	
2	**Products and services**	– One of the four key objectives of our sustainable finance product and service offering is to support our clients in their transition to a low-carbon economy, and we strive to provide them with the choices they need to meet their specific sustainability objectives. – We are developing innovative advisory, lending, basic banking and transition financing solutions, and are offering our clients access to various sustainable investment (SI) solutions. – Our climate-related client offering provides investors with solutions that contribute to a lower-carbon economy while satisfying various risk and return objectives. – Our Investment Bank offers our clients global advice and access to the world's primary, secondary and private capital markets through an extensive array of sustainability- and climate-focused services, products, research and events. – By offering research and thematic insights, as well as data and analytics services - combined with targeted advice – we aim to help clients better understand and mitigate risks and identify new opportunities. Further, we provide support in the form of tools, platforms and education. – We continue to develop and refine our solutions and approaches on an ongoing basis and strive to support our clients to orient their business efforts toward the objectives of the Paris Agreement. We aim to do this by further strengthening our operating model and increasing our efforts in the field of transition and green finance.	– Refer to the "Supporting opportunities" sub-section of this report for more information about our sustainable finance ambitions, our approach to sustainable finance and our sustainable finance products and services offerings. – Refer to the "Metrics and targets" section, "Supporting our clients' low-carbon transition" sub-section of this report for more information about how we are embedding climate considerations into products and services for financing and investing. – Refer to "Appendix 2 – Strategy" section, "our approach to climate – our climate-related materiality assessment" sub-section of this report which speaks to how we think about future climate-related opportunities.
3	**Activities and decision-making**	– To deliver our transition plan and operationalize our approach to climate, it is important to embed sustainability and climate considerations into our operating model, leading to regular adjustments of evaluation and decision-making frameworks, governance structures, control and monitoring processes and underlying systems. – For example, following the integration of Credit Suisse, UBS reassessed the lending emissions and targets for sectors with a high-carbon impact for the combined organization. To operationalize our target approach, we are reviewing whether our planning and governance processes, risk appetite, sector strategies and so on are still appropriate. In parallel, we are assessing required enhancements to our loan origination, credit granting, monitoring and reporting processes. – In addition, Group Risk Control manages our sustainability and climate risk program to further integrate sustainability and climate risk into our various traditional financial and non-financial risk management frameworks and related processes. This ensures that sustainability and climate risks are identified, measured, monitored, managed, reported and escalated in a timely manner. Such integration covers processes including client onboarding, transaction due diligence, product development and investment decision processes, own operations, supply chain management, and portfolio reviews. – We have a systematic approach in place aimed at better understanding UBS's future opportunities around climate. On an annual basis, and in line with the TCFD's recommendations, we are assessing potentially relevant climate-related opportunities for UBS, encompassing commercial products and services, social finance, resource efficiency and energy consumption, operational resilience and climate-related funding.	– Refer to the "Metrics and targets" section, "Supporting our financing clients' transition to a low-carbon economy" – "Sustainable lending operating model" sub-section of this report for more information about how we operationalize our approach to climate and the "Our lending sector decarbonization targets" sub-section for more information about our emissions and targets for specified sectors. – Refer to the "Risk management" section of this report for a description of our sustainability and climate policy risk framework. – Refer to the "Supporting opportunities" sub-section of this report for an overview of our sustainable finance products and services offerings.
4	**Policies and conditions**	– Our sustainability and climate risk policy framework: – applies Group-wide to relevant activities, including client and supplier relationships; – is integrated into management practices and control principles and overseen by senior management; and – supports the transition toward a low-carbon future. – Our sustainability and climate risk policy framework will continue to evolve to address regulatory guidance and market practices. – We conduct reviews of our voting, stewardship and exclusion policies to reflect our latest approaches in UBS AG Asset Management.	– Refer to the "Sustainability and climate risk policy framework" sub-section of the "Appendix 3 – Risk management" of this report for more information about how we are setting our standards including "Controversial activities – where UBS will not do business" and "Areas of concern – where UBS will only do business under stringent criteria." – Refer to our *Asset Management Sustainability Exclusion policy* for more information about AM's exclusion approaches where we exclude individual companies or industries from a portfolio, either because their activities do not meet certain ESG criteria, and/or they do not align with the client's values and/or UBS's.

		Engagement strategy	
5	**Clients and portfolio companies**	– Understanding the needs and expectations of our clients and investors enables us to best serve their interests and to create value for them. Through engagement and collaboration, we help our clients and portfolio companies access best practice, robust science-based approaches, standardized methodologies and quality data that enable them to better measure and mitigate climate-related risks and act on climate-related opportunities. – For our lending activities, we have assessed where our corporate clients currently stand on their journey toward a low-carbon economy and climate-resilient business models. By establishing a view on their current decarbonization ambitions and activities, we aim to work alongside them to support their transition efforts. This can include the disclosure of current emissions, the setting of future decarbonization targets in line with Paris-aligned pathways and the development of credible transition plans. – We recognize that the transition of investment portfolios requires real-economy emission reductions, and see our active ownership strategy as a powerful tool in influencing corporate behavior to achieve real-economy outcomes. For example, our UBS AG Asset Management business has been running a dedicated climate engagement program for more than five years to address climate-related risks with measurable progress tracked. We have also aligned our voting policy with our climate engagement efforts and objectives. UBS AG Asset Management is using evidence-based metrics to assess transition plans and set engagement objectives with a focus on engagement outcomes. In situations where an engagement has not achieved set objectives, escalation steps are taken.	– Refer to the "Metrics and targets" section, "Supporting our clients' low-carbon transition" – "Supporting our financing clients' low-carbon transition" sub-section of this report for more information about how we are engaging with our corporate clients and "Supporting our investing clients' low-carbon transition" for more information about how we are engaging with our investees. – Refer to the "Asset Management" sub-section of this report for more information about how we approach active ownership and our climate engagement program. – Refer to the *Asset Management Stewardship Website* and our *Global Stewardship Policy* for more information about our active approach to stewardship as a crucial part of any sustainable investing strategy across asset classes through engagement, proxy voting and advocacy, enabling us to work with firms to influence behaviors, drive changes and achieve better outcomes.
6	**Industry**	– Partnerships within the financial services sector are a critical part of our sustainability strategy and approach to climate, underpinning our efforts to progress toward our stated ambitions. – We actively engage in regular discussions relating to corporate responsibility, sustainability and climate with peers, and more widely through trade bodies and associations. Sharing experiences and assessments of corporate responsibility and sustainability issues helps us to compare and improve our strategy, approach and tools and processes. – Through proactive engagement we aim to: (i) as appropriate and in line with local rules and regulations, exchange transition expertise and collectively work on finding solutions to common challenges; and (ii) represent the financial sector's views cohesively to external stakeholders, such as clients and governments. – At the end of 2023, we were engaged in a variety of sustainability- and climate-related memberships and commitments, either at Group level or the level of the business divisions or Group Functions. – For example, UBS is a founding member or current signatory of groups such as the Task Force on Climate-related Financial Disclosures (the TCFD), the Net-Zero Banking Alliance (the NZBA), the Net Zero Asset Managers (the NZAM) initiative, the Glasgow Financial Alliance for Net Zero (GFANZ) and the Partnership for Carbon Accounting Financials (PCAF). Members of UBS senior management contribute to many of the working groups within these bodies and our Group CEO joined the GFANZ Principals Group in 2023. – We have thorough processes in place for renewing existing memberships and for vetting new ones.	– Refer to the "Supporting our strategy through stakeholder engagement" sub-section of the Supplement to the UBS Group Sustainability Report 2023 for more information about our approach to engaging with our clients, investors, peers, governments and regulators, political parties, communities and further stakeholders. – Refer to the "Helping to achieve our strategy by working with key climate- and nature-related organizations" sub-section to the "Appendix 2 – Strategy" of this report. And refer to "Supporting our strategic goals – our engagement in partnerships" and "Our contributions to the advancement of sustainability and culture" sub-sections of the UBS Group Sustainability Report 2023 Supplement.

7	**Government and public sector**	– We actively participate in political discussions to share our expertise on proposed regulatory and supervisory changes (e.g. via the International Institute of Finance (IIF), the Association for Financial Markets in Europe (AFME) and the Swiss Bankers Association (SBA)). Sustainability and sustainable finance continue to remain key focus topics in our interactions with our financial regulators and supervisors. – We also engage in political initiatives and discussions relating to corporate responsibility, sustainability and climate, in line with our approach to climate and decarbonization planning. We supported the Climate Protection and Innovation Act, proposed by the Swiss Federal Council and accepted by the Swiss population in a 2023 referendum, to enshrine the Swiss net zero commitment into law and establish pathways for transition in key sectors of the Swiss economy. – Regarding climate, our engagement aims to share expertise on an orderly transition that is aligned with the Paris Agreement and we welcome regulatory requirements that would harmonize reporting standards to create transparency and comparability across companies. Thus, UBS supported the work of the International Sustainability Standards Board to establish a global baseline for sustainability and climate reporting in 2023. – UBS was also part of the working group that further developed the Swiss Climate Scores in 2023 as a key instrument to further increase transparency on the climate alignment of financial products. During 2023 we published the first set of Swiss Climate Scores for 136 of our Swiss investment funds. – On a regional basis, we engage with policy makers in the EU, UK, Americas and key Asia Pacific jurisdictions. – We maintain a regular dialogue with politicians globally and strive to establish long-term relationships with political representatives.	
		Metrics and targets	
8	**Metrics and targets**	– It is our ambition to align our own operations and business activities with the objectives of the Paris Agreement. – To support this ambition, we have established a suite of metrics and targets across financing, investing and own operations to drive execution of our transition plan and monitor progress of results. – For example, we measure our financed emissions and emissions intensity for most material carbon-intensive sectors, have established 2030 lending sector decarbonization targets and are continuously tracking our progress toward these targets. – We also conducted a preliminary analysis of the facilitated emissions from our capital markets activities for select carbon-intensive sectors. – To underpin our targets, we have defined various actions that we strive to implement in the near-, medium- and long-term. – UBS has a strategic multi-year and Group-wide ESG data and technology strategy in place and we are leveraging best-in-class solutions to further accelerate our strategic ESG ambitions. – Our Group ESG (data) architecture supports our business users' ESG needs, and we continue to enhance data acquisition, analytics capabilities and systems to monitor climate-related metrics and enhance associated climate disclosures.	– Refer to the "Strategy" section, "Our aspirations and progress" sub-section of this report for a description of our targets and progress for financing, investing and own operations. – Refer to the "Metrics and targets" section, "Our climate roadmap" sub-section of this report for an overview of what we are aiming for to support the transition to a low-carbon economy. – Refer to the "Metrics and targets" section, "Supporting our clients' low-carbon transition" sub-section of this report and the Appendix" of this report for more information about methodologies, metrics and targets for lending and investing and to the "Basis of Reporting" sub-section of the Supplement to the UBS Group Sustainability Report 2023 for capital markets. – Refer to the "Metrics and targets" section "Reducing our environmental impact" sub-section of this report for a description of how we will manage any residual scope 1 and 2 emissions that cannot be mitigated through reducing at source. – Refer to the "Metrics and targets" section, "Monitoring the environmental impact of our supply chain" sub-section of this report and the "Social" section, "Managing our supply chain responsibly" sub-section of the UBS Group Sustainability Report 2023 report for our actions pertaining to our supply chain.

		Governance	
9	**Roles, responsibilities and remuneration**	– The UBS Group Sustainability and Impact (GSI) framework provides an overview of the governance and key Group-wide policies, guidelines, and key topics applying to sustainability and impact at UBS, including climate. – Our approach to climate and related activities is overseen at the highest level of UBS Group. The Board of Directors' Corporate Culture and Responsibility Committee (CCRC) is the body primarily responsible for corporate culture, corporate responsibility and sustainability including climate. It oversees our firm-wide sustainability and impact strategy and activities and approves related objectives. – The responsibility for setting the firm-wide sustainability and impact strategy and developing associated objectives, in agreement with fellow GEB members, has been delegated to the GEB Lead for Sustainability and Impact by the Group Chief Executive Officer (the Group CEO). Progress against strategy and the associated objectives are reviewed at least once a year by the GEB and the CCRC. – The Group CEO and GEB performance scorecards include sustainability objectives, comprising climate-related goals, and their progress is measured via robust quantitative metrics and qualitative criteria. Sustainability objectives are individually assessed for each GEB member, and consequently directly impact their performance assessments and compensation decisions. – Our management of sustainability and climate risk (SCR) is steered at the GEB level. The Sustainability and Climate Task Force (the SCTF) is the cross-divisional and cross-functional authority for sustainability and climate governance, as well as the Group's sustainability and climate governance body. – We have dedicated teams and individuals assigned to ensure an effective delivery of our transition plan. The net-zero workstreams within the Group Sustainability and Climate Initiative coordinate the implementation of our net-zero ambitions, with a specific focus on addressing emissions related to our financing activities and own operations and in the context of clients' investments focuses on managing specified assets in line with net-zero. – In 2023, Ernst & Young has provided independent assurance on certain sustainability metrics and information. – We are continuously improving the governance, execution and control of the processes in place to support our decarbonization and sustainability efforts.	– Refer to the "Governance" section, "Our sustainability governance" sub-section of this report for a description of how UBS governs its sustainability strategy and approach to climate. – Refer to "Appendix 4 – Other supplemental information" of the UBS Group Sustainability Report for the independent assurance report by Ernst & Young. – Refer to the "Compensation for GEB members" section, "GEB performance assessments" sub-section of the Annual Report 2023 for more information about the GEB performance measurement process. – Refer to the "Compensation philosophy and governance" section, "Environmental, Social and Governance considerations" sub-section of the Annual Report 2023 for more information about how ESG is included in the compensation process.
10	**Skills and culture**	– To support the development and implementation of our transition plan, we implemented the Group Sustainability and Climate Initiative to ensure alignment therewith and embed the plan into our culture and practices. – Our initiative is underpinned by current and future resource requirements and specified roles and responsibilities, and we are providing support to individuals so that they have sufficient skills and knowledge to perform their roles. – Helping our workforce understand why sustainability and sustainable finance is a strategic priority, for both the Group and our stakeholders, is an important part of ensuring we meet our sustainability and climate ambitions. – At the end of 2022, we made a Foundational Sustainability Training Program available to all staff at UBS. This training complements the specialist sustainability training delivered by the business divisions to targeted cohorts, such as client advisors and risk specialists. – In 2023, the number of headcount instances of specialized training totaled 54,364 , while headcount instances of awareness training on sustainability and climate totaled 177,585. For example, in 2023 the SCR team provided training and education sessions focused on sustainability and climate risks as well as emerging risks, such as greenwashing risk. These sessions were delivered to relevant colleagues. – We expect sustainability training and education to become an increasing focus for regulators in the coming years. We keep abreast of this changing landscape through regular updates with our regulatory monitoring teams and strive to continue developing and prioritizing the roll-out of climate- and net-zero-specific training for employees and the Board of Directors. – Through regular, Group-wide Town Halls, hosted by the GEB Lead for Sustainability and Impact, the Chief Sustainability Officer and the Head of Social Impact, staff are provided with updates on our net zero strategy and progress. In addition, our key ambitions and progress against those ambitions are published on our external website, UBS.com.	– Refer to the "Supporting our approach to climate: key enablers" sub-section of the Strategy section of this report for more information about training provided to employees. – Refer to the "Sustainability and climate risk framework" section, "Risk management and control" sub-section of this report for more information about training provided to employees with regard to climate risk. – Refer to the "Sustainability-related training and raising awareness" sub-section of the Supplement to the UBS Group Sustainability Report 2023 for more information about how we engage in education and awareness raising for staff, clients and local communities, regarding corporate responsibility and sustainability topics and issues.

Overview of climate-related targets and actions

As part of our transition plan, which outlines principles supporting our ambition to achieve net-zero greenhouse gas (GHG) emissions across our scope 1, scope 2 and specified scope 3 activities, we have set targets in financing, investing and own operations. To underpin these targets, we have defined various actions that we strive to implement in the short-, medium- and long-term. In line with our continued transition plan development, we will continue to define additional actions and refine current plans to further drive progress toward our targets.

Area	Short term	Medium term	Long term	
	Planned actions, targets and ambitions			
Overarching	**Transition plan:** – Continue to refine and enhance our transition plan in line with evolving client needs and industry guidance – outlining how we aim to achieve net-zero GHG emissions across our scope 1 and 2, and specified scope 3, activities while supporting our clients through their own transitions.			**2050 ambitions:** – Net-zero GHG emissions across our scope 1 and 2, and specified scope 3, activities.
Financing	**Targets:** – Aim to develop additional targets for remaining material carbon-intensive sectors in line with NZBA commitment and as data and applicable methodologies become available. **Frameworks and tools:** – Incorporate criteria into pre-deal assessments to understand climate impacts and identify associated risks and opportunities. – Develop transition framework to understand where corporate clients are on their lower-carbon journey and inform appropriate actions to support. **Policies:** – Continue to enhance and develop standards aimed at supporting mitigation and de-risking of the Group's risk profile, aligned to climate objectives. **Engagement:** – Formalize approach to client engagement to support their transition efforts.	**By 2030:** – Reduce emissions intensity associated with UBS in-scope lending from 2021 levels for Swiss residential real estate by 45%; Swiss commercial real estate by 48%; power generation by 60%; iron and steel by 27%; cement by 24%.[1] – Reduce absolute financed emissions associated with UBS in-scope lending from 2021 levels for fossil fuels (oil, gas and coal) by 70%.[1] – Continue disclosing in-scope ship finance portfolios according to Poseidon Principles trajectory with the aim of aligning.[2]	– Continue to reduce emissions intensity / financed emissions for in-scope sectors and enhance approach in line with our transition plan and evolving market practice and standards. – Supplement emissions reductions with carbon removals to counterbalance hard-to-abate residual emissions in-line with net-zero guidelines.	
	Framework and tools: – Continue to embed sustainability and climate considerations into sustainable lending operating model. **Products and services:** – Continue to build our offering of sustainability-focused analysis, advisory and on-balance sheet (e.g., green or sustainable loans and mortgages) or off-balance sheet (such as access to debt and equity capital markets) financing solutions.			
Investing	**Frameworks and tools:** – Conduct climate stress testing for current in-scope portfolios, – Measure and track in-scope portfolio alignment.	**By 2030:** – Aiming, by 2030, to align 20% of UBS AG Asset Management's total assets under management (AuM) with net zero. This Pre-acquisition UBS aspiration will be reassessed in 2024.	– Continue to align our approach and aim to increase the scope of AuM that are subject to net-zero targets, as methodologies and market practice and standards evolve over time.[3]	
	Policies: – Conduct annual review of voting and stewardship policies to continue to evolve our approach. **Engagement:** – Continue to engage with clients, investees and third-party fund managers. **Products and services:** – Continue to build our investment solutions for private and institutional investors to help them navigate climate-related risks and opportunities.			

<table>
<tr>
<td rowspan="3">Operations</td>
<td>Energy consumption and sustainable buildings:
– Continue to reduce operational energy consumption and optimize corporate real estate portfolio.
– Continue to invest in more sustainable buildings and upgrading existing buildings.
– Continue to increase share of renewable energy.
– Source 100% renewable electricity according to RE100.
Waste:
– Continue to reduce overall waste and improve recycling rates.
Travel:
– Update travel policy and continue to reduce air travel-related CO_2 emissions.</td>
<td>By 2025:
– Minimize our scope 1 and 2 emissions through energy efficiencies and by switching to more sustainable energy sources. After which, procure credible carbon removal credits to neutralize any residual emissions down to zero by 2025.[4]
– Reduce our own energy consumption by 15% from 2019 levels.
– Use 100% paper from sustainable sources.
– Offset historical emissions from scopes 1 and 2 (own operations) back to 2000 (UBS AG consolidated).</td>
<td rowspan="2">By 2035:
– Engage with our GHG key vendors, for 100% of them to declare their emissions and set net-zero-aligned goals by 2026, and reduce their scope 1 and 2 emissions in line with net-zero trajectories by 2035.[5]</td>
<td rowspan="2">– Continue to drive direct (scope 1) and indirect (scope 2) emissions reductions through energy efficiencies and by switching to more sustainable energy sources, thus reducing our reliance on carbon removal credits over time.
– Continue to monitor key vendors and expand ambition to reduce emissions in line with net-zero trajectories to additional vendors.</td>
</tr>
<tr>
<td colspan="2">Frameworks and tools:
– All environmental activities for UBS Group, including the entire scope of in-house operations are subject to our environmental management system (EMS) run in accordance with ISO 14001.
– Quantify and manage relevant scope 3 emissions from categories 1 to 14 to inform appropriate actions.
Engage with key vendors:
– Capture climate information, monitor progress on reductions and incorporate ESG criteria into vendor selection.</td>
</tr>
<tr>
<td colspan="4">Framework and tools:
– Continue to disclose the environmental impact from joint operations, with clear commitments to sustainability and the reduction of environmental impact.
Travel:
– Strengthen reporting incl. comprehensive insights into travel-related emissions to measure and manage our travel footprint, incentivize employees to opt for eco-friendly transportation.</td>
</tr>
<tr>
<td>Enablers</td>
<td colspan="4">Governance and accountabilities:
– Continue to ensure suitable governance processes and accountability for decarbonization targets.
Engagement and partnerships:
– Continue to engage with industry, governments, regulators, and other relevant external stakeholders on exchanging transition expertise, developing standardized guidance and implementing policies that support an orderly transition; participate in advocacy groups to drive necessary changes.
Training and culture:
– Continue to develop and prioritize roll-out of climate- and net-zero-specific training for employees and the Board of Directors.
Climate data and analytics:
– Continue to enhance data acquisition, analytics capabilities and systems to monitor climate-related metrics and enhance associated climate disclosures.</td>
</tr>
</table>

1 While we continue to take steps to align our business activities to our targets, it is important to note that progress towards our targets may not be linear and that the realization of our own targets and ambitions is dependent on various factors which are outside of our direct influence. We will continue to adjust our approach in line with external developments, as well as evolving best practices for the financial sector and climate science. Refer to the "Climate-related methodologies – decarbonization approach for our financing activities" section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for more information about parts of the value chain within sectors covered by metrics and targets. Metrics are based on gross exposure, which includes total loans and advances to customers, fair value loans and guarantees as well as irrevocable loan commitments. Exclusions from scope of analysis primarily comprise Financial Services and other exposure to private individuals. 2 As part of our ship finance strategy, ships in scope of Poseidon Principles are assessed on criteria which aim at portfolio´s alignment to the Poseidon Principles decarbonization trajectories. The Poseidon Principles are a framework for assessing and disclosing, on an annual basis, the climate alignment of in-scope ship finance portfolios to the ambition of the International Maritime Organization (the IMO), including its 2023 Revised GHG Strategy for GHG emissions from international shipping to decrease to net zero by or around 2050 (compared to 2008 levels). 3 In line with the Net Zero Asset Managers initiative, we acknowledge that the scope for asset managers to invest for net zero depends on the mandates agreed with clients and clients' and managers' regulatory environments. Also, on the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met, including increasing the ambition of their Nationally Determined Contributions, and in the context of investing, our legal duties to clients and unless otherwise prohibited by applicable law. In some asset classes or for some investment strategies, agreed net-zero methodologies do not yet exist. Where our ability to align our approach to investments with the goal of net zero emissions by 2050 is, today, constrained, we commit to embark with determination and ambition on a journey, and to challenge and seek to overcome the constraints we face. 4 Scope 2 emissions are market-based emissions. The remaining scope 1 and 2 emissions may be in excess of the approximately 5–10% residuals required for net zero (per the definition of a "net-zero target" by the ESRS E1 Climate Change per delegated act, adopted on 31 July 2023), which is our ambition for 2050. In 2024, we will be reviewing our 2025 scope 1 and 2 target for achievability for the combined organization and for alignment with latest guidance. 5 In 2024, we may review our target for GHG key vendors for the combined organization and for alignment with latest guidance. Our GHG key vendors are those vendors that collectively account for more than 50% of our estimated vendor GHG emissions.

Reducing our environmental footprint – additional information

Environmental targets and performance in our operations

Our environmental and greenhouse gas (GHG) reporting has been prepared based on UBS's financial reporting period (1 January 2023 to 31 December 2023). Unless otherwise stated, we have adopted UBS previously stated targets for the new combined group. To be able to show the joint progress against these targets and be aligned with the financial reporting year, we have revised the target baseline from 2020 (1 July 2019 to 30 June 2020) to calendar year 2019 (1 January to 31 December).

Approach to climate and GHG emissions

Our GHG footprint consists of direct (scope 1) emissions from gas, oil and fuel consumption as well as refrigerant losses, indirect (scope 2) emissions from electricity and district heating and other indirect emissions (scope 3) from energy-related activities, paper, waste, water and business travel. Since 2007, we have voluntarily purchased carbon avoidance credits equivalent to our air travel emissions for UBS Group excluding Credit Suisse. In 2021, Pre-acquisition UBS committed to also offset historical scope 1 and 2 emissions dating back to the year 2000.

We have set an ambitious target for minimizing our scope 1 and 2 emissions through energy efficiencies and switching to more sustainable energy sources. We will also procure credible carbon removal credits to neutralize any residual emissions down to zero by 2025[1]. Our first priority in reaching this target is reducing emissions at source. We are accelerating the switch from fossil fuel heating systems to heat pumps or district heating in our real estate and refurbishing our buildings to make them more energy-efficient. In addition, we purchase renewable electricity through recognized instruments (RECs, vPPA, PPA). Our second priority is ensuring that we have enough high-quality carbon removal certificates available from 2025 onward to neutralize the residual emissions[1]. Our focus here is on technology solutions, as we want to ensure that the captured CO_2 is permanently stored. To this end we opted in 2022 to contract more than 80,000 metric tons of carbon removal.

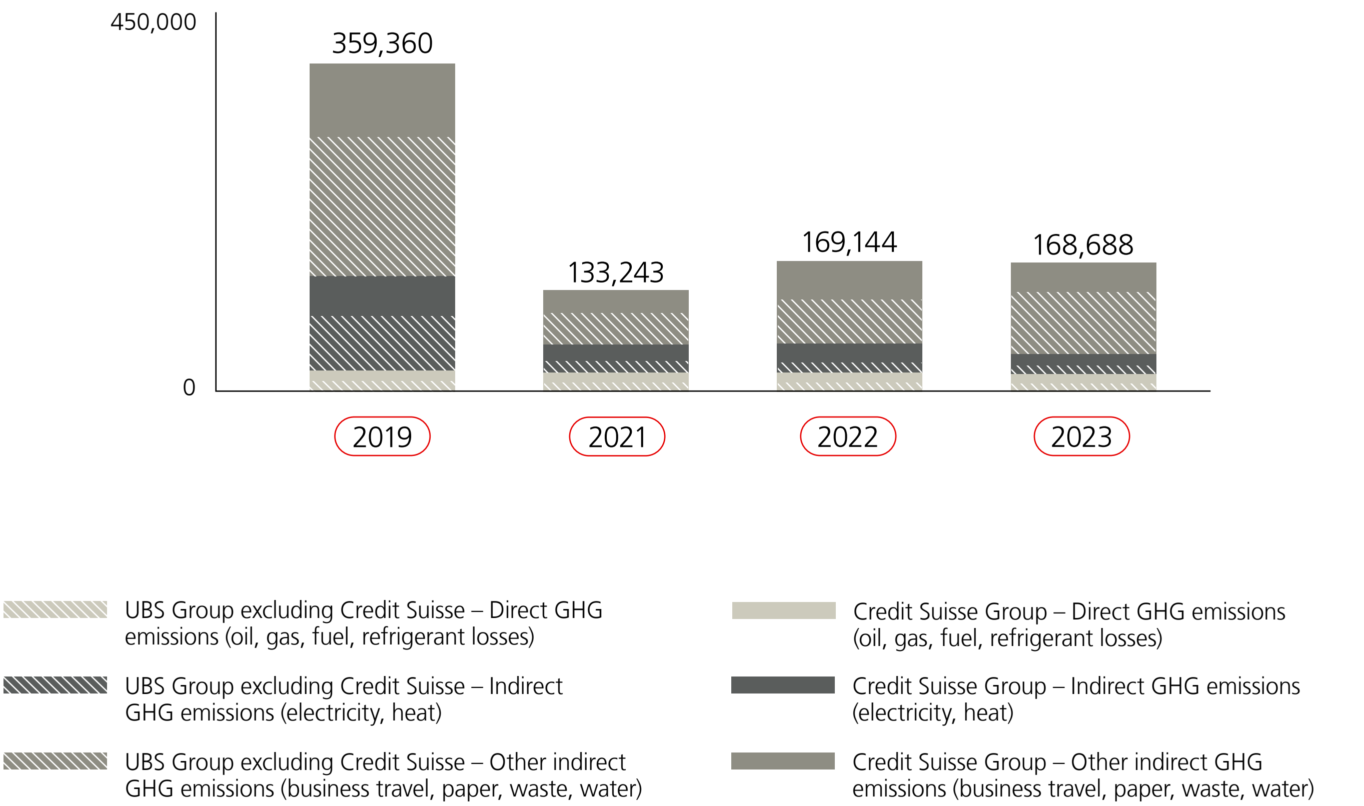
We are working with two Swiss companies, Climeworks and neustark, which both offer pioneering innovative carbon removal technologies. While neustark endeavors to remove CO_2 from the atmosphere and permanently store it in recycled concrete, Climeworks' Orca direct air capture and storage facility in Iceland captures CO_2 directly from the atmosphere and stores it underground in basalt rock for thousands of years. The solution provided by neustark is the first-ever technological carbon removal approach with a Gold Standard-approved methodology. We were also among the five companies joining the NextGen CDR Facility (NextGen) as founding buyers to scale up carbon removal technologies and catalyze the market for high-quality carbon removal.

As part of our transition strategy to 2025, we are committed to purchasing high-quality carbon offsets verified against the Gold, Verra VCS and additional Climate, Community and Biodiversity Standards for our net scope 1 and 2 emissions, as well as our scope 3 air travel emissions as part of beyond-value chain mitigation.[2] Our carbon offset commitments undergo rigorous due diligence processes with increasingly stringent internal quality checks with our Sustainability and Climate Risk team, to ensure that our projects have genuine and verifiable positive impact. We are also increasing our focus on transparent, credible, and sustainable projects that will form the core foundation of our net-zero commitment, and we will continue working with our partners and industry to support and invest in the most scalable and effective solutions in the market.

1 Scope 2 emissions are market-based emissions. The remaining scope 1 and 2 emissions may be in excess of the approximately 5-10% residuals required for net zero (per the definition of a "net-zero target" by the ESRS E1 Climate Change per delegated act, adopted on 31 July 2023), which is our ambition for 2050. In 2024, we will be reviewing our 2025 scope 1 and 2 target for achievability for the combined organization and alignment with latest guidance.
2 Scope UBS Group excluding Credit Suisse

Greenhouse gas (GHG) footprint UBS Group

In metric tons CO_2e



Sustainable real estate

Our commitment to sustainability is evident throughout our real estate footprint and the continual improvement of our sustainable real estate guidelines, a critical step in driving our locations' evolution toward achieving our long-term ambitions. We strive to align our real estate footprint with the needs of our clients, our employees and our businesses. This means rightsizing our portfolio, increasing the collaboration space and transforming our workplace as digitalization redefines the way we do business and use our space. Our buildings are built to the highest standards, as confirmed by our certification by internationally recognized green-building standards.

Total number of LEED certifications in UBS regions

UBS locations	LEED Platinum	LEED Gold	LEED Silver	LEED certified
Switzerland	1	1		
EMEA	5	2		
Americas	5	23	5	4
Asia Pacific	11	9		

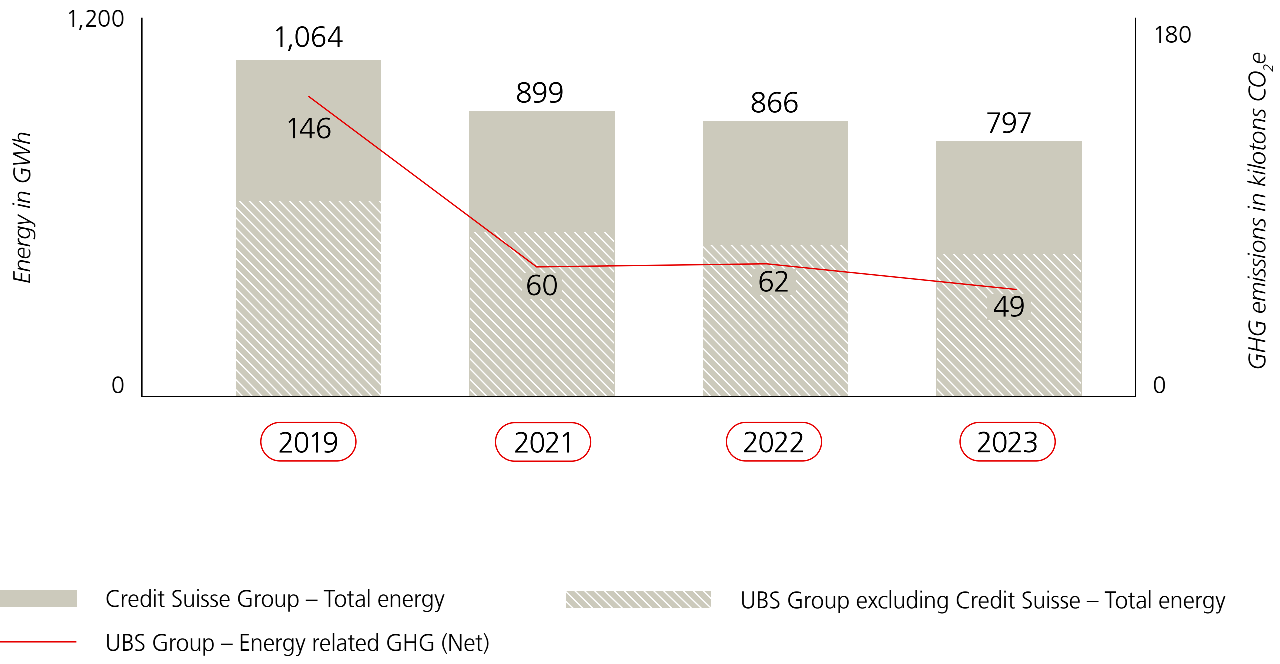
› **For more details on Leadership in Energy and Environmental Design (LEED) certifications refer to usgbc.org/projects**

Energy consumption

In 2023, we used 797 GWh gigawatt hours (GWh), an 8% reduction compared with 2022. Our success was mainly driven by firm-wide environmental and energy management measures and the transition to a flexible hybrid working model.

We recognize the need to reduce emissions at source and apply an "only use what you need" philosophy. Data centers account for a significant proportion of global carbon emissions. Our Sustainable Technology initiative is aimed at reducing that figure and boosting awareness of the issue among technology professionals and other stakeholders. Pre-acquisition UBS had already committed to a 15% reduction in energy consumption by 2025 and has now integrated Credit Suisse consumption into this target. A series of flagship consolidation projects will significantly contribute toward achieving this target.

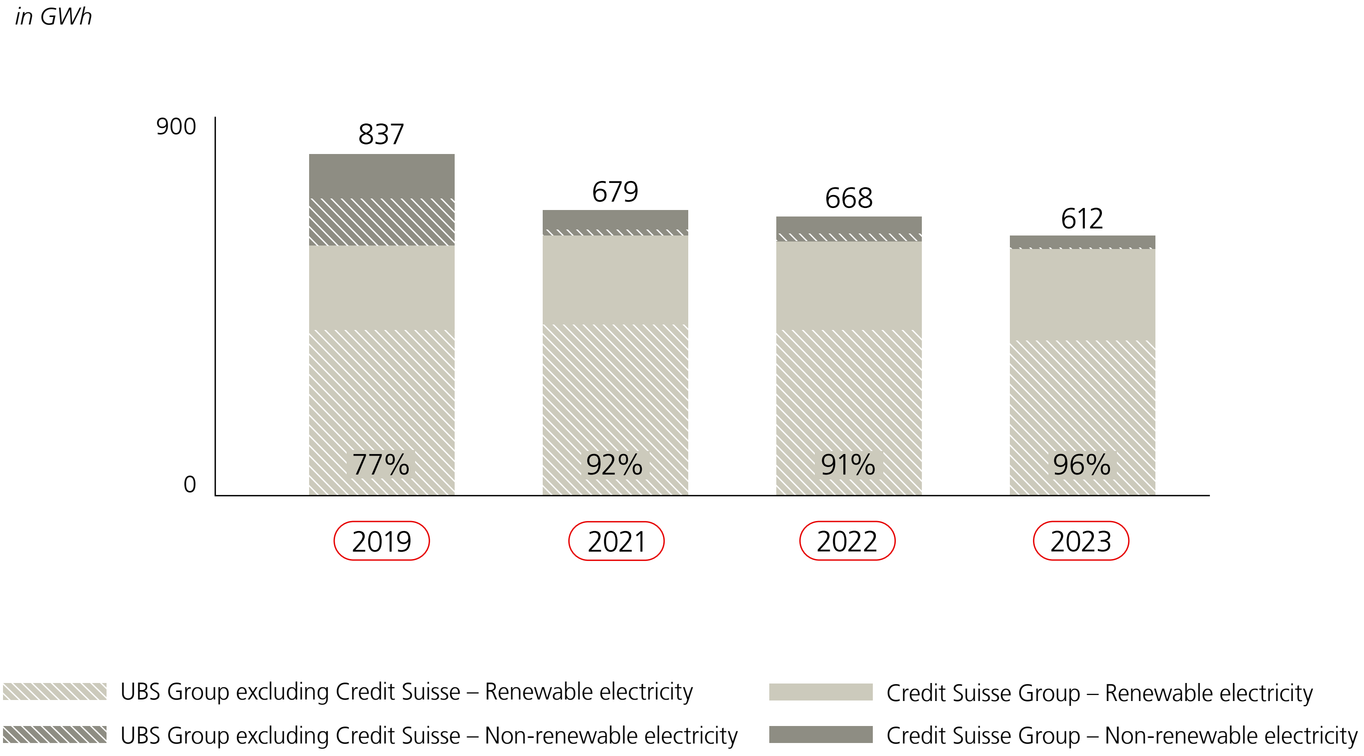
Energy consumption and related greenhouse gas emissions UBS Group



Renewable energy

We have significantly increased the level of renewable electricity consumed since the baseline year 2019. We have done this through recognized renewable electricity instruments, blending long-term agreements (vPPA/PPA) and the purchase of renewable energy credits (RECs). We opted to disclose only renewable electricity in line with RE100 in the UBS Group Sustainability Report 2023 as we are committed to achieving the sourcing of 100% according to this high standard across the combined group. Due to the increased real estate portfolio globally, and limited supply in certain markets, we were able to procure 96% renewable electricity according to RE100's guidelines. In keeping with UBS's high ambition in sustainability, we will analyze a feasible timeline for 100% RE100 compliance during 2024 and review our purchasing strategy to define acceptable quality criteria on the way to full compliance. We will continue to, wherever possible, invest in on-site renewables for our strategic sites.

Electricity consumption and share of electricity from renewable sources UBS Group



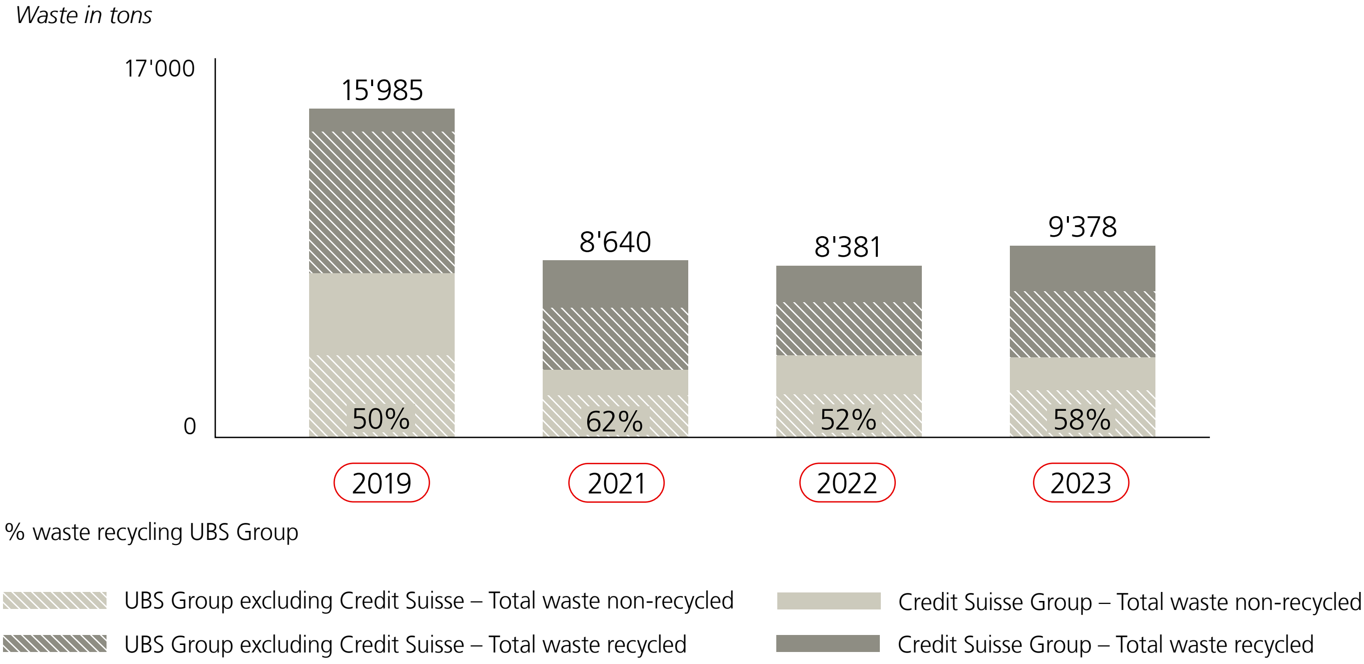
Business travel

In 2023, we saw an increase in business travel as the effects of the pandemic faded. Our commitment is to continue putting sustainability at the heart of our business travel program. Through transparent internal reporting of emissions associated with travel, targeted awareness measures and offering the most sustainable travel alternatives, we work to keep the environmental impact of travel at a low level.

Paper

The paper consumption per FTE increased in 2023 by 27% year on year. Globally, around 65% of our paper consumption originates from recycled sources or those certified by the Forest Stewardship Council (the FSC).

Waste generation and disposal method UBS Group



Waste and recycling

We continued our ongoing waste reduction activities but currently see an increase in the amount of waste generated per FTE as shown in the graph above. We donate, recycle and resell unwanted office furniture at sites across the globe. We also target food waste reduction through close collaboration with our catering partners.

Zero waste to landfill

In 2023, we sent approximately 2,009 metric tons of waste to landfill globally, which is a reduction by 21% compared to the prior year. We are working with local teams to explore opportunities to reduce general waste volumes and divert remaining general waste from landfill, in buildings where UBS has influence and alternatives are available.

Water

Preserving water resources remains critical. As part of our ongoing commitment to implement our sustainable real estate guidelines, we are focused on enhancing water efficiency within our premises. This helps us to accelerate our water savings, through measures such as rainwater collection and aerator taps. As a consequence of the rebound from the pandemic years when water consumption dropped to a minimum, we've seen an increase in our water consumption compared to 2022. We are however still overachieving the announced 2025 water consumption reduction target.

Environmental indicators (UBS Group)[1]

Section	Indicator	GRI[3]	2023[2] Absolute normalized[4]	2023[2] Trend[5]	2022[2] Absolute normalized[4]	2021[2] Absolute normalized[4]
Environment	**Total direct and intermediate energy consumption[6]**	302	797 GWh	↘	866 GWh	899 GWh
	Total direct energy consumption[7]	302	104 GWh	→	109 GWh	119 GWh
	Natural gas		68.9%	→	70.6%	88.1%
	Heating oil		17.9%	↑	15.3%	5.2%
	Fuels (petrol, diesel, gas)[8]		12.6%	↘	13.5%	6.1%
	Renewable energy (solar power, etc.)		0.6%	→	0.6%	0.7%
	Total intermediate energy purchased[9]	302	693 GWh	↘	757 GWh	781 GWh
	Electricity		612 GWh	↘	668 GWh	679 GWh
	Electricity from gas-fired power stations[10]		2.0%	↓	2.8%	2.2%
	Electricity from oil-fired power stations[10]		0.6%	↘	0.6%	0.6%
	Electricity from coal-fired power stations[10]		1.4%	↓	3.2%	2.2%
	Electricity from nuclear power stations[10]		0.4%	↓	2.3%	2.7%
	Electricity from hydroelectric power stations[10]		37.9%	↑	29.5%	45.1%
	Electricity from other renewable resources[10]		57.7%	↘	61.6%	47.2%
	Heat (e.g., district heating)[11]		81 GWh	↘	89 GWh	102 GWh
	Share of electricity from renewable sources[12]	302	95.6%	→	91.1%	92.3%
Travel	**Total business travel**		310 m Pkm	→	311 m Pkm	88 m Pkm
	Rail travel[13]		3.6%	↗	3.1%	5.9%
	Road travel[13]		10.0%	↑	5.4%	13.7%
	Air travel		86.4%	↘	91.5%	80.3%
	Number of flights (segments)		130,836	→	137,218	40,383
Paper	**Total paper consumption**	301	4,150 t	↑	3,401 t	4,473 t
	Post-consumer recycled		4.5%	↓	6.0%	4.1%
	New fibers FSC[14]		60.6%	↑	46.7%	57.1%
	New fibers ECF + TCF[14]		34.9%	↓	47.3%	38.8%
	New fibers chlorine-bleached[14]		0.00%	↓	0.01%	0.01%
Waste	**Total waste**	306	9,378 t	↗	8,381 t	8,640 t
	Valuable materials separated and recycled		57.7%	↗	52.2%	61.5%
	Incinerated		20.9%	↑	17.3%	16.3%
	Landfilled		21.4%	↓	30.5%	22.2%
	Total water consumption[15]	303	1.22 m m³	↑	1.04 m m³	0.84 m m³
Greenhouse Gas (GHG)	**Direct greenhouse gas (GHG) emissions (scope 1)[16]**	305-1	23,005 t	↘	25,167 t	24,941 t
	Gross location-based energy indirect GHG emissions (scope 2)[16]	305-2	156,316 t	↘	164,717 t	196,195 t
	GHG reductions from renewable energy[17]		130,799 t	→	128,257 t	161,247 t
	Market-based energy indirect GHG emissions (scope 2)[16]	305-2	25,517 t	↓	36,460 t	34,948 t
	Gross other indirect GHG emissions (gross scope 3)[16]	305-3	120,166 t	↗	107,517 t	73,354 t
	GHG offsets (business air travel)[18]		0 t	→	0 t	0 t
	Net other indirect GHG emissions (net scope 3)[16]		120,166 t	↗	107,517 t	73,354 t
	Total gross GHG emissions	305-3	299,486 t	→	297,401 t	294,490 t
	Total net GHG emissions (GHG footprint)[19]		168,688 t	→	169,144 t	133,243 t

Legend: GWh = gigawatt hour; Pkm = passenger kilometer; t = metric ton; m³ = cubic meters; m = million; CO_2e = CO_2 equivalents

1 All figures are based on the level of knowledge as of January 2024. 2 Reporting period: 2023 (1 January 2023 to 31 December 2023), 2022 (1 January 2022 to 31 December 2022), 2021 (1 January 2021 to 31 December 2021). 3 Reference to GRI Sustainability Reporting Standards (see also globalreporting.org). 4 Non-significant discrepancies from 100% are possible due to roundings. 5 Trend: the respective trend is stable (→) if the variance is less than 5%, low decreasing / increasing (↘,↗) if it is bigger than 5% and less than 15% and decreasing / increasing (↓,↑) if the variance is bigger than 15%. 6 Refers to energy consumed within the operational boundaries of UBS Group. 7 Refers to primary energy purchased that is consumed within the operational boundaries of UBS Group (oil, gas, fuels). 8 Includes non-material share of biomass. 9 Refers to energy purchased that is produced by converting primary energy and consumed within the operational boundaries of UBS Group (electricity and district heating). 10 The percentages are approximates based on best available information. 11 Includes heating consumption, cooling consumption and steam consumption. 12 Includes self-generated renewable electricity. Non-significant deviations due to summing and rounding may occur. 13 Rail and road travel: where data available. 14 Paper produced from new fibers. FSC stands for Forest Stewardship Council, ECF for Elementary Chlorine Free and TCF for Totally Chlorine Free. UBS Group regards recycled paper as well as paper with FSC certification as renewable and sustainable. We disclose their share as "Share of recycled and FSC paper". New Fiber Chlorine Bleached is considered non renewable material. 15 Water consumption includes utility water and excludes unpolluted withdrawn water. 16 Refers to ISO 14064 and the "GHG Protocol Corporate Standard" (ghgprotocol.org), the international standards for GHG reporting: GHG emissions reported in metric tons of CO_2e; scope 1 accounts for direct GHG emissions by UBS Group; scope 2 accounts for gross indirect GHG emissions associated with the generation of imported / purchased electricity (location-based reflects grid average emission factor, market-based reflects emission factors from contractual instruments), heat or steam; gross scope 3 accounts for other indirect GHG emissions associated with business travel, paper and water consumption, energy related activities and waste disposal. Biogenic emissions are not reported separately as not material. Baseline 2019 in metric tons of CO_2e "Scope 1: 26,851, Scope 2 market based: 119,060, Net scope 3: 213,450. 17 GHG savings by consuming electricity from renewable sources. 18 As of the Sustainability Report 2023, UBS Group will no longer deduct carbon emissions from carbon avoidance offsets purchased, from the Gross GHG footprint. This change has been implemented from the 2019 baseline onwards. 19 GHG footprint equals total gross GHG emissions minus GHG reductions from renewable energy.

The table below shows our environmental indicators per full-time equivalent employee.

Environmental indicators per full-time employee (UBS Group)

	Unit[1]	2023	Trend	2022	2021
Direct and intermediate energy	kWh / FTE	**6,550**	→	6,854	7,212
Business travel	Pkm / FTE	**2,545**	→	2,459	708
Paper consumption	kg / FTE	**34.1**	↑	26.9	35.9
Waste	kg / FTE	**77.1**	↑	66.3	69.3
Water consumption[2]	m^3 / FTE	**10.0**	↑	8.3	6.7
CO_2 footprint[3]	t / FTE	**1.39**	→	1.34	1.07

Legend: FTE = full-time employee; kWh = kilowatt hour; Pkm = passenger kilometer; kg = kilogram; m^3 = cubic meter; t = metric ton

1 FTEs are calculated on monthly / quarterly average basis as applicable and include FTEs which were employed through third parties on short-term contracts. 2 Water consumption includes utility water and excludes unpolluted withdrawn water. 3 Total net GHG emissions.

Section	Environmental indicators (UBS Group excluding Credit Suisse)[1]	GRI[3]	2023[2] Absolute normalized[4]	2023[2] Trend[5]	2022[2] Absolute normalized[4]	2021[2] Absolute normalized[4]
Environment	**Total direct and intermediate energy consumption[6]**	**302**	**444 GWh**	↘	**471 GWh**	**511 GWh**
	Total direct energy consumption[7]	**302**	**53 GWh**	→	**52 GWh**	**57 GWh**
	Natural gas		**63.4%**	→	61.5%	79.4%
	Heating oil		**15.3%**	→	14.9%	10.2%
	Fuels (petrol, diesel, gas)[8]		**20.2%**	↘	22.4%	9.5%
	Renewable energy (solar power, etc.)		**1.11%**	→	1.1%	0.9%
	Total intermediate energy purchased[9]	**302**	**390 GWh**	↘	**419 GWh**	**454 GWh**
	Electricity		**338 GWh**	↘	**362 GWh**	**390 GWh**
	Electricity from gas-fired power stations[10]		**2.0%**	↓	2.8%	2.2%
	Electricity from oil-fired power stations[10]		**0.6%**	↘	0.6%	0.6%
	Electricity from coal-fired power stations[10]		**1.4%**	↓	3.2%	2.2%
	Electricity from nuclear power stations[10]		**0.4%**	↓	2.3%	2.7%
	Electricity from hydroelectric power stations[10]		**37.9%**	↑	29.5%	45.1%
	Electricity from other renewable resources[10]		**57.7%**	↘	61.6%	47.2%
	Heat (e.g., district heating)[11]		**53 GWh**	↘	**57 GWh**	**64 GWh**
	Share of electricity from renewable sources[12]	**302**	**98.6%**	→	94.3%	93.9%
Travel	**Total business travel**		**229 m Pkm**	↑	**157 m Pkm**	**39 m Pkm**
	Rail travel[13]		**4.3%**	↘	4.7%	8.8%
	Road travel[13]		**6.7%**	↓	8.0%	22.6%
	Air travel		**89.0%**	→	87.3%	68.6%
	Number of flights (segments)		**102,968**	↑	**69,468**	**17,196**
Paper	**Total paper consumption**	**301**	**3,481 t**	↑	**2,570 t**	**3,314 t**
	Post-consumer recycled		**5.4%**	↓	7.9%	5.6%
	New fibers FSC[14]		**72.3%**	↑	61.8%	77.0%
	New fibers ECF + TCF[14]		**22.4%**	↓	30.2%	17.4%
	New fibers chlorine-bleached[14]		**0.00%**	↓	0.02%	0.01%
Waste	**Total waste**	**306**	**5,466 t**	↑	**4,492 t**	**4,356 t**
	Valuable materials separated and recycled		**58.6%**	→	57.5%	70.2%
	Incinerated		**19.8%**	→	19.6%	16.3%
	Landfilled		**21.6%**	↘	22.9%	13.5%
	Total water consumption[15]	**303**	**0.75 m m³**	↑	**0.58 m m³**	**0.46 m m³**
Greenhouse Gas (GHG)	**Direct greenhouse gas (GHG) emissions (scope 1)[16]**	**305-1**	**11,941 t**	→	**11,583 t**	**11,404 t**
	Gross location-based energy indirect GHG emissions (scope 2)[16]	**305-2**	**87,849 t**	→	**89,393 t**	**110,374 t**
	GHG reductions from renewable energy[17]		**77,641 t**	→	77,086 t	96,699 t
	Market-based energy indirect GHG emissions (scope 2)[16]	**305-2**	**10,208 t**	↓	**12,307 t**	**13,675 t**
	Gross other indirect GHG emissions (gross scope 3)[16]	**305-3**	**77,829 t**	↑	**54,570 t**	**40,411 t**
	GHG offsets (business air travel)[18]		**0 t**	→	0 t	0 t
	Net other indirect GHG emissions (net scope 3)[16]	**305-3**	**77,829 t**	↑	**54,570 t**	**40,411 t**
	Total gross GHG emissions		**177,619 t**	↗	**155,546 t**	**162,188 t**
	Total net GHG emissions (GHG footprint)[19]		**99,978 t**	→	**78,460 t**	**65,489 t**

Legend: GWh = gigawatt hour; Pkm = passenger kilometer; t = metric ton; m³ = cubic meters; m = million; CO_2e = CO_2 equivalents
1 All figures are based on the level of knowledge as of January 2024. 2 Reporting period: 2023 (1 January 2023 to 31 December 2023), 2022 (1 January 2022 to 31 December 2022), 2021 (1 January 2021 to 31 December 2021). 3 Reference to GRI Sustainability Reporting Standards (see also globalreporting.org). 4 Non-significant discrepancies from 100% are possible due to roundings. 5 Trend: the respective trend is stable (→) if the variance is less than 5%, low decreasing / increasing (↘,↗) if it is bigger than 5% and less than 15% and decreasing / increasing (↓,↑) if the variance is bigger than 15%. 6 Refers to energy consumed within the operational boundaries of UBS Group excluding Credit Suisse. 7 Refers to primary energy purchased that is consumed within the operational boundaries of UBS Group excluding Credit Suisse (oil, gas, fuels). 8 Includes non-material share of biomass. 9 Refers to energy purchased that is produced by converting primary energy and consumed within the operational boundaries of UBS Group excluding Credit Suisse (electricity and district heating). 10 The percentages are approximates based on best available information, indicative based on information for UBS Group. 11 Includes heating consumption, cooling consumption and steam consumption. 12 Includes self-generated renewable electricity. Non-significant deviations due to summing and rounding may occur. 13 Rail and road travel: where data available. 14 Paper produced from new fibers. FSC stands for Forest Stewardship Council, ECF for Elementary Chlorine Free and TCF for Totally Chlorine Free. UBS Group regards recycled paper as well as paper with FSC certification as renewable and sustainable. We disclose their share as "Share of recycled and FSC paper". New Fiber Chlorine Bleached is considered non renewable material. 15 Water consumption includes utility water and excludes unpolluted withdrawn water. 16 Refers to ISO 14064 and the "GHG Protocol Corporate Standard" (ghgprotocol.org), the international standards for GHG reporting: GHG emissions reported in metric tons of CO_2e; scope 1 accounts for direct GHG emissions by UBS Group excluding Credit Suisse; scope 2 accounts for gross indirect GHG emissions associated with the generation of imported / purchased electricity (location-based reflects grid average emission factor, market-based reflects emission factors from contractual instruments), heat or steam; gross scope 3 accounts for other indirect GHG emissions associated with business travel, paper and water consumption, energy related activities and waste disposal. Biogenic emissions are not reported separately as not material. Baseline 2019 in metric tons of CO_2e "Scope 1: 13,741, Scope 2 market based: 69,810, Net scope 3: 114,285. 17 GHG savings by consuming electricity from renewable sources. 18 As of the Sustainability Report 2023, UBS Group excluding Credit Suisse will no longer deduct carbon emissions from carbon avoidance offsets purchased, from the Gross GHG footprint. This change has been implemented from the 2019 baseline onwards. 19 GHG footprint equals total gross GHG emissions minus GHG reductions from renewable energy.

Environmental targets and performance in our operations (UBS Group excluding Credit Suisse)[1]

	GRI[2]	2023	Target 2025	Baseline[3]	% change from baseline	Progress / Achievement[4]	2022	2021
Total net greenhouse gas emissions (GHG footprint) in t CO_2e[5]	305	**99,978**	n/a[6]	137,066	-27	green	78,460	65,489
Scope 1 and net scope 2 greenhouse gas emissions in t CO_2e	305	**22,149**	0	83,551	-73	amber	23,890	25,079
Energy consumption in GWh	302	**444**	-15%	612	-28	green	471	511
Share of renewable electricity[7]	302	**98.6%**	100%	73.1%	35	amber	94.3%	93.9%
Paper consumption in kg per FTE[8]	301	**46.1**	-50%	67.3	-31	amber	34.8	45.0
Share of recycled and FSC paper	301	**77.6%**	100%	88.3%	-12	amber	69.8%	82.6%
Waste in kg per FTE[8]	306	**72.5**	-10%	183.8	-61	green	60.8	59.2
Zero waste to landfill[9]	306	**21.6%**	0%	25.1%	-14	amber	22.9%	13.5%
Waste recycling ratio	306	**58.6%**	60%	53.1%	10	amber	57.5%	70.2%
Water consumption in m m^3	303	**0.75**	-5%	0.68	10	amber	0.58	0.46

Legend: CO_2e = CO_2 equivalents; FTE = full-time employee; GWh = gigawatt hour; kWh = kilowatt hour; km = kilometer; kg = kilogram; m m^3 = million cubic meters; t = metric ton

1 Detailed environmental indicators are available on the internet *www.ubs.com/environment*. Reporting period 2023 (1 January 2023 - 31 December 2023). 2 Reference to GRI Sustainability Reporting Standards (see also *www.globalreporting.org*). 3 Baseline year 2019. 4 Green: on track; Amber: improvements required. 5 GHG footprint equals gross GHG emissions minus GHG reductions from renewable energy (gross GHG emissions include: direct GHG emissions by UBS Group excluding Credit Suisse; indirect GHG emissions associated with the generation of imported / purchased electricity (grid average emission factor), heat or steam and other indirect GHG emissions associated with business travel, paper consumption and waste disposal). 6 Net Zero Target 2050. 7 Non-significant deviations due to summing and rounding may occur. 8 FTEs are calculated on monthly / quarterly average basis as applicable and include FTEs which were employed through third parties on short-term contracts. 9 In locations where UBS Group excluding Credit Suisse has influence and where alternatives are available.

The table below shows our environmental indicators per full-time equivalent employee.

Environmental indicators per full-time employee (UBS Group excluding Credit Suisse)

	Unit[1]	2023	Trend	2022	2021
Direct and intermediate energy	kWh / FTE	**5,881**	↘	6,382	6,945
Business travel	Pkm / FTE	**3,039**	↑	2,129	532
Paper consumption	kg / FTE	**46.1**	↑	34.8	45.0
Waste	kg / FTE	**72.5**	↑	60.8	59.2
Water consumption[2]	m^3 / FTE	**9.9**	↑	7.9	6.2
CO_2 footprint[3]	t / FTE	**1.33**	↑	1.06	0.86

Legend: FTE = full-time employee; kWh = kilowatt hour; Pkm = passenger kilometer; kg = kilogram; m3 = cubic meters; t = metric ton

1 FTEs are calculated on monthly / quarterly average basis as applicable and include FTEs which were employed through third parties on short-term contracts. 2 Water consumption includes utility water and excludes unpolluted withdrawn water. 3 Total net GHG emissions.

We continue the work to quantify and provide transparency for our value chain emissions related to our operations. The table below shows a more detailed view of the greenhouse gas scope 3 categories.

Greenhouse gas scope 3 categories

Category number	Scope 3 subcategory	Status	GHG 2023 [tCO_2eq] UBS Group	GHG 2023 [tCO_2eq] UBS Group excl. Credit Suisse
Category 1	Purchased goods and services	Water, paper: reported	**3,941**	**3,253**
Category 2	Capital goods	Not separated from Cat. 1	-	-
Category 3	Fuel- and energy-related activities	Reported	**51,369**	**28,736**
Category 4	Upstream transportation and distribution	Not reported	-	-
Category 5	Waste generated in operations	Reported	**1,521**	**977**
Category 6	Business travel	Reported	**63,335**	**44,863**
Category 7	Employee commuting	Employees work from home: estimated[1]	**10,600**	**6,000**
Category 8	Upstream leased assets	Included under S1&2	-	-
Category 9	Downstream transportation and distribution	Not reported	-	-
Category 10	Processing of sold products	Not reported	-	-
Category 11	Use of sold products	Not reported	-	-
Category 12	End-of-life treatment of sold products	Not reported	-	-
Category 13	Downstream leased assets	Included under S1&2	-	-
Category 14	Franchises	No franchises	-	-
Category 15	Investments	See other chapters	-	-

1 Not included in total GHG footprint.

Our engagement and outlook

Participation in various industry collaborations is part of our effort to support our clients and further develop nature markets. In addition to our work in the global TNFD network, we helped Swiss Sustainable Finance and the UN Global Compact's Swiss network to establish a Swiss TNFD national consultation group in 2022. In 2023, we gave presentations on the TNFD several times to support capacity building in our home market. In the same year, we also co-chaired the UNEP FI Principles for Responsible Banking Nature working group that developed initial guidance on nature target setting for financial institutions. Also in 2023, we joined a World Economic Forum and Tropical Forest Alliance industry working group and a local Brazil working group with Global Canopy to explore collaboration on the critical issue of deforestation.

To support the development and growth of the conservation finance market, Credit Suisse Group was a co-founder of the Coalition for Private Investment in Conservation (CPIC) in 2016. CPIC's members included leading civil society organizations, private and public-sector financial institutions, and academia, with the shared aim of working together to deliver a material increase in private, return-seeking investment in conservation. We are continuing this long-standing relationship going forward as UBS.

We also engage with policymakers and regulators regarding nature-related risk management. Through our leadership of the Institute of International Finance Sustainable Finance Working Group, we engaged with the Network for Greening the Financial System, the G20 Sustainable Finance Working Group and the International Platform for Sustainable Finance (among others working on the topic).

In future years, we expect rapid improvements in data and methodologies, as well as the development of new financing and investing approaches. In particular, we expect an increased focus on location- and company-specific aspects of nature and a shift away from sector and country averages that form the basis for most of the portfolio-level analytical approaches today. We are exploring the application of emerging analytical approaches, such as biodiversity footprints and nature value-at-risk methodologies. We will continue to engage with regulators, industry peers, collaborative platforms and individual service providers, and vendors to understand and support emerging practices and offerings in the market.

Appendix 5 – Entity-specific disclosures for Credit Suisse AG

During 2023, certain sustainability-related policies, processes and activities have continued at Credit Suisse, following the acquisition of the Credit Suisse Group by UBS Group. This appendix therefore sets out pertinent information and data where it has not been integrated in the information and data set out in the core part of this report (and indicated, for example, via footnotes therein).

In strategic terms, following the acquisition, the sustainability (and impact) strategy of UBS Group has superseded that of Credit Suisse. Credit Suisse AG does not maintain a separate sustainability strategy, but its activities are integrated within the strategy of UBS Group.

Environmental matters at Credit Suisse

Credit Suisse Group AG's net-zero ambition included investment activities on behalf of clients within Asset Management (Credit Suisse) and Investment Solutions & Sustainability (IS&S), part of Wealth Management (Credit Suisse). It included a 2030 interim goal for the reduction of investment-associated emissions in intensity terms by 50% by 2030 across Credit Suisse's listed equities and corporate bonds investments. The goals of Asset Management (Credit Suisse) and IS&S aimed to consider the scope 1 and 2 emissions of portfolio companies, as well as scope 3 emissions for portfolio companies in the energy sector. Given the reliance on companies to report their emissions, at this point in time, Credit Suisse can only report progress on this target for 2022.

As previously disclosed in the 2022 Credit Suisse Group Sustainability Report, Credit Suisse's investment-associated emissions disclosures require restatement each year as further assets come into scope and as more emissions data is reported by investee companies. As a result, prior years have been recalculated and re-baselined to reflect the updated emissions reported in the MSCI database. We have aligned the currency for this disclosure to the UBS reporting currency of USD (with Credit Suisse having previously reported this disclosure in CHF). Comparative periods are converted at the spot rate as of December 31 in the relative period.

The Asset Management (Credit Suisse) and Investment Solutions & Sustainability disclosure was previously reported, using USD equivalents, as 30,578,651 for 2021, 31,439,331 for 2020 and 32,045,782 for 2019 for "Investment associated emissions (absolute) (t CO_2e)" and 130 for 2021, 151 for 2020 and 190 for 2019 "Emission intensity (t CO_2e per USD million invested)". In addition, the previously reported "Assets under management (AuM) in scope %" and "In-scope AuM with emissions data %" was 44% and 39% for 2021, 44% and 36% for 2020 and 41% and 32% for 2019.

The investment-associated emissions of a listed equity and corporate bond portfolio are calculated as the company emissions weighted by the outstanding amount divided by the enterprise value including cash, summed up over all investee companies. The emissions intensity corresponds to the total investment-associated emissions normalized by the invested amount. For 2022, Asset Management (Credit Suisse) and IS&S measured investment-associated emissions in intensity terms as 126 t CO_2e per million US dollars invested. This represents a decrease of 7% compared with 2021 and compares with an annual target reduction of 6% for both Asset Management (Credit Suisse) and IS&S compared with 2019 as the baseline year.

Portfolio emissions (Credit Suisse)	For the year ended			
Credit Suisse Asset Management	31.12.22	31.12.21	31.12.20	31.12.19
Investment associated emissions (absolute) (tCO_2e)	19,167,144	26,212,036	27,442,394	25,008,330
Emissions intensity (tCO_2e per USD million invested)	124	129	151	172
AuM in scope %	42%	44%	44%	41%
In-scope AuM with emissions data %	35%	39%	37%	32%
Credit Suisse Asset Management and Investment Solutions & Sustainability (IS&S)				
Investment associated emissions (absolute) (tCO_2e)	22,462,090	31,977,454	32,807,157	29,778,625
Emissions intensity (tCO_2e per USD million invested)	126	136	157	176
AuM in scope %	42%	44%	44%	41%
In-scope AuM with emissions data %	35%	39%	37%	33%

Between 2021 and 2022, absolute investment-associated emissions decreased by 30% for Asset Management (Credit Suisse) and Wealth Management (Credit Suisse) combined. This is driven by a reduction in managed AuM during this period as the emission intensity only decreased by 7%. The major factor contributing to the reduction in emission intensity is the general increase in market values for positions in the energy sector, mostly due to geopolitical tensions. These market value increases introduce a dilution effect.

Due to the current lack of available data (fund look-through data as well as carbon data), it is not possible to accurately measure the investment-associated emissions of all our in-scope assets. Overall, investment-associated emissions were calculated for 178 (USD billion) of total AuM in 2022 within Asset Management (Credit Suisse) and IS&S that relate to discretionary mandates. The 35% figure refers to the AuM marked as in scope with data (listed equities and corporate bonds).

In-scope AuM are expressed as a share of the total AuM of Asset Management (Credit Suisse) including pooled funds and discretionary mandates, and Wealth Management (Credit Suisse) for discretionary mandates managed within IS&S. Excluded locations for Asset Management (Credit Suisse) include Americas and Asia Pacific. Excluded locations for Wealth Management (Credit Suisse) include Spain, Brazil, and Mexico.

As we strive to operate seamlessly as one organization and to publish a target which will cover the combined UBS and Credit Suisse Asset Management business, the previous interim targets for the reduction of investment-associated emissions announced by Credit Suisse and the corresponding Climate Action Plan will be withdrawn in 2024.

Credit Suisse-specific environmental footprint

The table below contains the 2023 annual environmental data across the Credit Suisse operational footprint. The table contains instances where units and indicator names have changed compared to prior Credit Suisse disclosures in order to align with the corresponding UBS terminology. To enable the integration within the consolidated UBS Group figures, the figures contained within this table have been recalculated to align with the methodology in use at UBS.

Credit Suisse-specific environmental footprint

	Environmental indicators (Credit Suisse)[1,3,4,5]		GRI[2]	2023	2022	2021
Energy	**Total direct and intermediate energy consumption**	**(GWh)**	**302**	**353 GWh**	395 GWh	388 GWh
Energy	Electricity	GWh		**274 GWh**	306 GWh	289 GWh
Energy	**Share of electricity from renewable sources**	**(%)**	**302**	**90.5%**	83.1%	84.9%
Paper	**Total paper consumption**	**(tons)**	**301**	**669 t**	832 t	1,160 t
Paper	Paper consumption in kg per FTE	(kg/FTE)		**14 kg**	16 kg	23 kg
Water	**Total water consumption**	**(m m^3)**	**303**	**0.47 m m^3**	0.46 m m^3	0.38 m m^3
Water	Water consumption m^3 / FTE	(m^3/FTE)		**10 m^3**	9 m^3	7 m^3
Greenhouse Gases (GHG)	**Direct greenhouse gas (GHG) emissions (scope 1)[6]**	**(t CO_2e)**	**305-1**	**11,063 t**	13,584 t	13,537 t
Greenhouse Gases (GHG)	**Gross location-based energy indirect GHG emissions (scope 2)[7]**	**(t CO_2e)**	**305-2**	**68,467 t**	75,324 t	85,821 t
Greenhouse Gases (GHG)	**Market-based energy indirect GHG emissions (scope 2)[8]**	**(t CO_2e)**	**305-2**	**15,309 t**	24,153 t	21,274 t
Greenhouse Gases (GHG)	**Gross other indirect GHG emissions (gross scope 3)[9,10]**	**(t CO_2e)**	**305-3**	**42,337 t**	52,947 t	32,943 t
Greenhouse Gases (GHG)	Purchased goods and services (scope 3 cat 1) (only paper and water)	(t CO_2e)		**688 t**	820 t	1,327 t
Greenhouse Gases (GHG)	Scope 3 cat 3 Fuel- and energy-related activities (not included in scope 1 or scope 2)	(t CO_2e)		**22,632 t**	25,365 t	23,369 t
Greenhouse Gases (GHG)	Emissions from waste - (scope 3 cat 5)	(t CO_2e)		**545 t**	968 t	895 t
Greenhouse Gases (GHG)	Travel emissions - (scope 3 cat 6)	(t CO_2e)		**18,472 t**	25,794 t	7,352 t
Greenhouse Gases (GHG)	**Total Gross GHG Emissions[11]**	**(t CO_2e)**		**121,868 t**	141,855 t	132,301 t
Greenhouse Gases (GHG)	**Total Net GHG Emissions (GHG Footprint)[12]**	**(t CO_2e)**		**68,710 t**	90,684 t	67,754 t
Greenhouse Gases (GHG)	**Greenhouse gas (GHG) footprint (t CO_2e / FTE)**	**(t CO_2e/FTE)**	**305-4**	**1.4 t**	1.6 t	1.2 t

Legend: GWh = gigawatt hour; km = kilometer; t = metric ton; m^3 = cubic meter; m = million; CO_2e = CO_2 equivalents

1 Reporting periods: 2023 (1 January 2023 to 31 December 2023), 2022 (1 January 2022 to 31 December 2022), 2021 (1 January 2021 to 31 December 2021). 2 Reference to GRI Sustainability Reporting Standards (see also globalreporting.org). 3 Metrics relate to the activities under the operational control of Credit Suisse, therefore excludes any environmental impacts resulting from the products, services, or other downstream client activities. 4 GHG emissions pertain to Credit Suisse. 5 FTEs used for intensity metrics are calculated on monthly / quarterly average basis as applicable and include Credit Suisse employees and contractors to provide a more representative number of individuals using Credit Suisse facilities. 6 Previously reported as "Total scope 1 emissions" by Credit Suisse. 7 Previously reported as "Total scope 2 (location-based) GHG emissions" by Credit Suisse. 8 Previously reported as "Total scope 2 (market-based) GHG emissions (t CO2e)" by Credit Suisse. 9 Previously reported as "Total scope 3 emissions" by Credit Suisse. 10 Due to limited data availability a full GHGP-aligned Scope 3 emissions report is not currently possible to produce. The reported Scope 3 emissions figures are limited to the following categories only: 3.1 Purchased goods and services (water and paper only), 3.3 Fuel and energy-related emissions, 3.5 Waste generated in operations, 3.6 Employee business travel. 11 Previously reported as "Total scope 1, 2 (location based), 3 GHG emissions" by Credit Suisse. 12 Previously reported as "Total scope 1, 2 (market based), 3 GHG emissions" by Credit Suisse.

2025 objectives[1]	2023 progress toward 2025 objectives	2022 progress toward 2025 objectives	2021 progress toward 2025 objectives
75% reduction in GHG emissions (compared with 2010 levels on reported operational aspects)	**n/a**	77.2%	83.0%
100% renewable electricity (consistent with RE 100)	**90.5%**	83.1%	84.9%
50% green label office space (in m²) certified to a green building standard[2]	**48%**	47%	37%
1.5% annual energy efficiency improvement (on a year-on-year basis)	**1.4%**	0.7%	N/A
Reduce single-use plastic items (and increase the share of products made from recycled material and reusable materials	We have identified single-use plastic (SUP) categories and alternatives in partnership with our global FM provider. Phase 1 of the project, launched in 2023, encompassed 7 locations and resulted in the implementation of sustainable alternatives for almost half the SUP items identified.		
10% paper reduction (on an FTE basis, compared to 2018 baseline)	Has not previously been, and will continue to not be, disclosed due to a combination of poor quality data and long-term distortion in the data arising from changes to working patterns as a result of the COVID pandemic.		
100% environmental label paper			
10% water efficiency improvement (on a per FTE basis, compared to 2018 baseline)			

2030 enterprise goal			
61% reduction in scope 1 and scope 2 enterprise GHG emissions (against 2019 baseline)	**58%** [3]	n/a	n/a

1 All figures have been retrospectively aligned to the prevailing UBS reporting methodology which has resulted in deviations to the previously reported figures. 2 Scope limited to Credit Suisse facilities that contain office space. "Green" office space refers to third-party accredited certifications such as LEED, BREEAM, DGNB, Minergie as well as the Credit Suisse green property quality seal. 3 All figures have been retrospectively aligned to the prevailing UBS reporting methodology which has resulted in deviations to the previously reported figures. Retrospective changes to the 2019 Scope 2 market based emissions baseline methodology to align with the prevailing UBS methodology have resulted in significant changes to the 2019 Scope 1 and 2 baseline used to calibrate the 61% reduction target. The original baseline adopted a GHGP-aligned renewable electricity definition which has subsequently been changed to a more stringent RE-100 definition. The impact of this is a reduction in the renewable electricity coverage across our updated 2019 baseline, and a corresponding increase in our Scope 2 market based emissions figures. As such the 2023 performance against this target now appears much higher. This target will be retired in 2024 as the business aligns under a single suite of consolidated environmental targets.

Managing sustainability and climate risk at Credit Suisse

Credit Suisse's approach to the management of sustainability and climate risk consists of four phases, (1) risk identification, (2) monitoring, (3) management, and (4) reporting. This approach has been further operationalized through a dedicated climate risk strategy program, launched in 2020. Since its inception, this program has underpinned the progressive expansion of policies, frameworks and capabilities to manage the transition and physical risks arising from a changing climate. In 2023, the program continued to deliver on different fronts: at the Credit Suisse Group level (prior to the acquisition by UBS Group), key developments included the enhancement of data analytics and quantitative capabilities to integrate climate risk into risk management models; in parallel, Credit Suisse continued to work on embedding sustainability and climate risk considerations into its legal entities' policies and frameworks, refining Credit Suisse Group's frameworks to reflect specific local regulatory provisions. These activities were underpinned by an increased focus on regulatory monitoring to ensure alignment with emerging legislative requirements across different locations, while continuing to inform business strategy and risk management decisions.

Client Energy Transition Framework (CETF)

Launched in 2020 and progressively expanded over time as part of Credit Suisse's climate risk strategy program, the CETF has been part of Credit Suisse's risk management practices aimed at addressing the diverse risks that could arise from its business activities, in line with legal and regulatory obligations. The underlying methodology categorizes clients operating in eight priority sectors, according to the clients' energy transition readiness. They include oil and gas, coal mining, power generation (fossil-fuel-related), shipping, aviation, commodity trade finance (fossil-fuel-related), petrochemicals, and agriculture.

Internal criteria have been applied by the Credit Suisse Sustainability & Climate Risk (SCR) team to define in-scope clients and to assess their level of readiness for a low-carbon transition, leveraging quantitative key performance indicators, third-party ratings, and qualitative assessments based on climate-related questions. Clients active in the priority sectors have been assigned to one of five categories of transition readiness, spanning "unaware," "aware," "strategic," "aligned" and "green". This approach has enabled Credit Suisse staff to engage in critical sustainability discussions with clients, opening the door to financing potential solutions that can contribute toward a low-carbon transition, as well as to further expansion of our services. Under the framework, Credit Suisse would not engage in new lending or advisory activities with clients having the lowest level categorization in terms of transition readiness.

Until the decommission of the CETF at the end of 2023, Credit Suisse continued to leverage the framework to engage with clients to understand their approach to managing environmental and social risks, as well as their transition strategy.

Climate risk materiality assessment

During 2023, Credit Suisse continued to leverage the climate-related materiality matrix that was developed as part of its Risk Identification and Assessment Framework (RIAF). This matrix classifies climate-related risks by looking at their potential financial and non-financial impacts, providing an indication of how they might affect the business. Risk prioritization depends on severity and probability. The financial and non-financial materiality assessments taken together can provide a more comprehensive understanding of the risk being considered and can help to inform decision-making. The chart below shows Credit Suisse's materiality matrix for assessing potential financial and non-financial impacts of climate-related risks.

Specific thresholds were defined to assess the potential impacts of climate-related risks on financial items such as profit and loss (P&L), leverage ratio, or balance sheet. Based on such thresholds, four main impact categories were identified: minor, moderate, significant, and major.

The assessment also includes potential non-financial considerations, including:

- regulatory impacts;
- impact on clients;
- impact on reputation; and
- impact on market and competition.

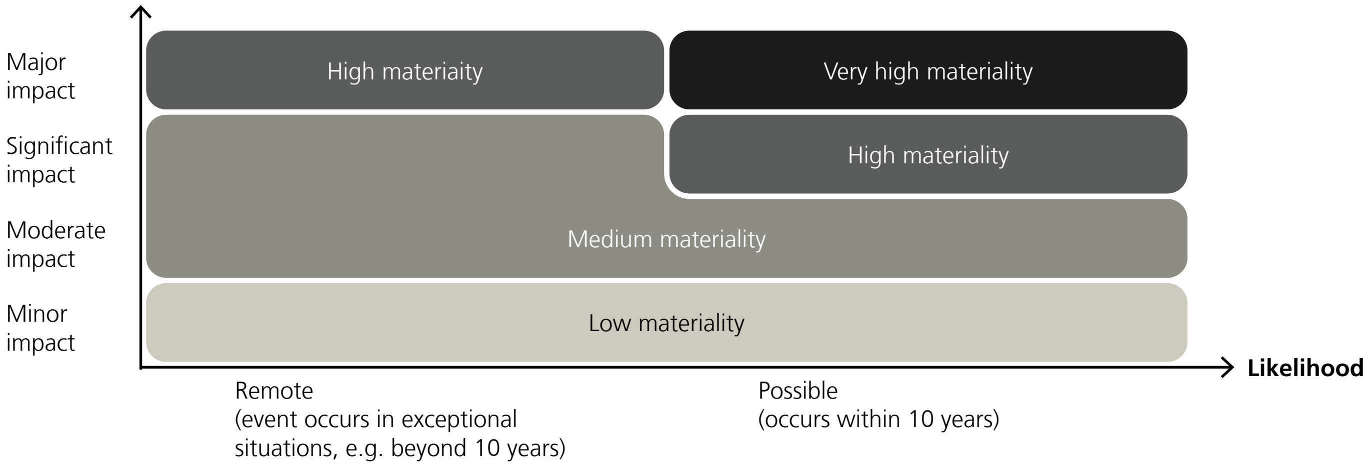
The combination of impacts (both financial and non-financial) and likelihood (remote or possible) determines whether the materiality of a risk should be categorized as low, medium, high, or very high. The heatmap that is generated following this approach enables Credit Suisse to identify critical risk exposures and areas for prioritization or mitigation.

During 2024, Credit Suisse's approach to assessing climate risk materiality will be reviewed, with the aim of applying a consistent approach across the UBS Group.

Assessing climate-risk materiality

Categories for financial impact assessment	Categories for non-financial impact assessment
P&L	Regulatory impact
Leverage ratio	Impact on clients
Risk-weighted assets	Impact on marked and competition
Balance sheet	Reputational impact

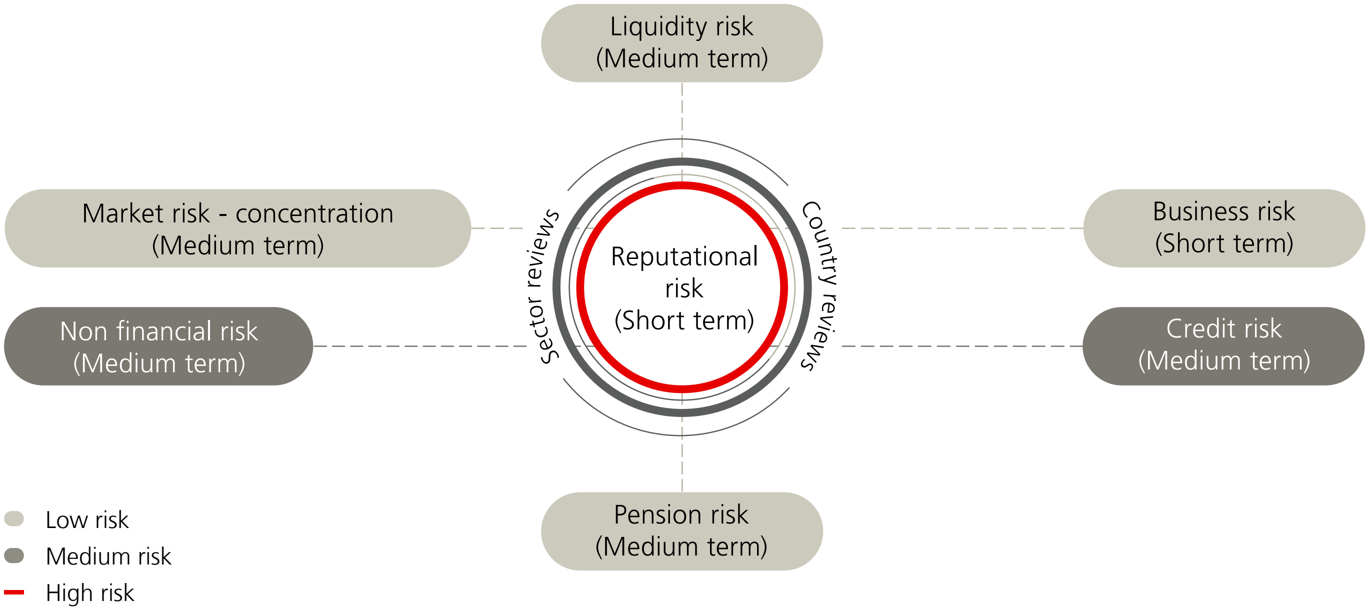
Financial and non-financial materiality



Climate-related risk methodologies and scenarios

Following an approach similar to UBS's, Credit Suisse has been assessing potential manifestations of climate-related risks across other risk categories such as market/ liquidity risk, credit risk, business risk, pension risk, reputational risk, and non-financial risk. This approach considered the most likely time horizon[1] for climate-related risk to materialize across these risk categories and assessed possible impacts against the short, medium and long term. For instance, non-financial risks are more likely to manifest in the medium term, while business risks are expected to manifest in the short term. The approach followed the overall RIAF, described above. In 2023 the RIAF assessment was refreshed at Group level and for specific locations, and, where appropriate, jurisdiction-specific amendments were applied to the framework. The results of the assessment are shown in the following chart.

1 Time horizons have been defined consistently with the ones mentioned in the Explanatory Report to the Ordinance on Climate Disclosures issued by the Swiss Federal Council on November 23, 2022:
– short term is 1–5 years
– medium term is 6–15 years
– long term is 16–30 years



In 2023, Credit Suisse continued to work on the integration of climate-related risk into credit risk across all stages of the transaction cycle, from loan origination processes to ongoing monitoring of counterparties. Key developments included the following:

– Roll out of Credit Suisse's ESG Risk Assessment tool to EBA- and PRA-regulated booking entities. The tool was initially developed and pilot tested in 2022, enhancing internal processes by bringing together different ESG frameworks, and highlighting key ESG risks and mitigants. The aim of the tool was to enable a more informed assessment of potential climate-related impacts on the creditworthiness of clients.

– Expansion of Credit Suisse's Single Name Analysis. The assessment started in response to the UK Prudential Regulation Authority's Supervisory Statement (SS3/19), and in 2023 was expanded to include additional entities and branches such as Singapore, Hong Kong, Australia, Luxembourg, Brazil, and CS Deutschland. The aim of the analysis is to identify clients that are significantly exposed to climate-related risk. For each counterparty under the analysis, transition and physical risk materiality was determined through a transition risk assessment as well as physical risk assessment, leveraging information from several data sources, including MSCI Low-Carbon Transition (LCT) scores and data from the CDP. Sustainability reports and other qualitative information were also considered (emissions reduction initiatives, risk framework and governance, etc.).

Scenario analysis

At Credit Suisse, scenario-based approaches have been deployed to assess transition and physical risk, allowing the organization to monitor its resilience and its alignment with climate commitments. For example, this analysis included an assessment of the resilience of critical activities across different locations, and the firm's ability to continue delivering critical services. Following evolving regulatory requirements and the expansion of internal methodologies, the scope of Credit Suisse's scenario-based analysis in 2023 was extended to include new jurisdictions and legal entities. The following table summarizes the scenario analysis conducted in 2023, and associated results.

Test/model	Purpose and scope	Approach	Results
Stress test for share-backed lending portfolio	Assessment of transition risk for the Lombard and share-backed lending collateral portfolio within the Credit Suisse Group	The model generates instantaneous price shocks for shares, bonds and equity and fixed income mutual funds. The shocks represent a climate-driven "Minsky moment" scenario (i.e., a scenario characterized by a sudden collapse in asset prices). Under this scenario, following unforeseen announcements of strict climate policies – such as punitive carbon taxes – market participants re-price expected future cash flows for traditional and green businesses in light of the realization that the world is about to experience a rapid and disorderly transition to a low-carbon economy. The analysis relies on two primary datasets: – MSCI LCT Score dataset at issuer level, which measures companies' exposure to, and management of, risks and opportunities related to the low-carbon transition – Network of Central Banks and Supervisors for Greening the Financial System (NGFS) Disorderly-transition scenario	The analysis performed in 2023 highlighted that Credit Suisse's Lombard and Securities-Based Lending portfolio has low transition risk, due to limited exposure to assets that have high transition risk and conservative collateral haircuts across the portfolio.
Equity and credit market concentration analysis	Assessment of equity and credit concentration risk across all Credit Suisse legal entities	This concentration analysis framework shocks equity spot prices and credit spreads on a monthly basis to evaluate the impact of sudden market moves across all Credit Suisse legal entities. Positions with the largest loss profile are identified, representing companies that are significantly exposed to carbon transition risk. The analysis leverages MSCI LCT scores, which rank companies between zero and ten based on the carbon intensity of their products and processes as well as the policies and strategies in place to help mitigate the transition risk to a low carbon intensity business model. Companies with business that is primarily dependent on fossil fuels are at the lower end of the LCT score spectrum and are seen as most likely to witness asset stranding as the world evolves to lower carbon alternatives.	The equity analysis showed that exposure to risky companies is generally moderate and kept well within internal limits. The largest exposure generally comes from derivative desks that are required to reduce their risk, and so do not stay in the books for a sustained period. For credit, the level of risk to companies with high carbon intensity is moderate, with the highest exposures generally having moderate estimated losses. Given the moderate risks assessed, remediation action was not warranted.
Flooding risk simulation	Scenario-based simulation model to assess surface water (pluvial) flooding risk for Credit Suisse (UK) Ltd, as well as CS Luxembourg and Singapore.	The model simulates multiple future heavy-rainfall events over the selected areas, specifying peak intensity and geographical extent. The simulation is run on a daily frequency for the lifetime of the relevant mortgage books. The property level results are generated by considering the impact of flooding events between a chosen reference date and the expiry date of each corresponding loan. Floods are assumed to have a negative impact on property value, with successive floods compounding the effect, and hence impact the collateral value of the mortgage book. The model aggregates property-level impacts from flooding into portfolio-level metrics such as total collateral devaluation and aggregate credit shortfall. The analysis leverages the assumptions in the Climate Biennial Exploratory Scenario (CBES) defined by the Bank of England.	The analysis performed showed that the materiality of flooding risk for the real estate collateral portfolio in scope is low, and the potential for credit losses is limited, even under conservative assumptions on the level of flood losses. Consequently, no remediation actions were deemed necessary.
Non-financial risk analysis (NFR)	Assessment of climate-related physical and transition operational risks for major offices and data centres globally	Dynamic monitoring of climate-related physical and transition operational vulnerabilities and dependencies, as identified within the Group-wide risk taxonomy. The analysis allows for the identification of concentrations of high-value assets and critical business processes across geographies and determines risk ratings with respect to business continuity, impacts on physical infrastructure, and litigation risks. This includes risks from damage to Credit Suisse premises, business disruption, system failures, vendor failures, and litigation risks. This approach was developed to support the Group and legal entity climate Risk Identification and Assessment Frameworks (RIAFs), as well as to address applicable regulatory requirements. The analysis relies on inputs from climate risk identification, dashboards and idiosyncratic (operational risk) scenario analysis, combined with qualitative risk assessments from local subject-matter experts to determine risk ratings with respect to business continuity and litigation risks.	Risk analyses were performed across different locations combining quantitative inputs (from climate risk identification, dashboards, and scenario analysis) and qualitative risk assessments from local subject-matter experts The overall assessment considered existing monitoring and escalation processes, along with past experience and emerging trends with regard to the different risks considered. An overall "Medium risk" categorization was assigned, reflecting the challenges posed by the rapidly evolving regulatory landscape, the growing potential for business disruptions due to climate-related events, and the potential for reputational impacts at a local level.

During 2024, Credit Suisse's approach to scenario analysis will be reviewed, with the aim of applying a consistent approach across the UBS Group and enabling a coherent assessment of risks across the combined portfolio.

Risk reporting and disclosure

With an internal reporting cycle similar to that of UBS, the Credit Suisse SCR team continued to issue its quarterly internal climate risk report in 2023, showing portfolio movements and performance across Credit Suisse's climate risk metrics. This quarterly report included divisional and legal entity breakdowns, as well as an update on climate-related policy and major regulatory developments. Different Group Functions and divisional teams were involved in the review and approval process for the quarterly reports, followed by a wider distribution across the central Risk function, as well as Credit Suisse's Executive Board members. In addition, Executive Board members received an overview of high- and medium-sustainability-risk transactions through the monthly Group Risk Report.

MAS Guidelines on Environmental Risk Management for Banks (ERM) – implementation for Asset Management (Credit Suisse) and Investment Management (Credit Suisse)

Credit Suisse's SG Capital Allocation and Risk Management Committee (SG CARMC) is designated to oversee environmental risk matters across Credit Suisse's Singapore entities with an escalation path to the Singapore Management Committee and the board of directors of CS (Singapore) Limited. SG CARMC had representation from all businesses including Asset Management (AM) and Investment Management (IM). Business governance committees (AM APAC RMC/ IM APAC IRC) were responsible for the business oversight of the AM/IM ERM Framework and escalation of significant environmental risk issues to SG CARMC.

AM/IM implemented an ERM Framework to embed environmental risk considerations in the portfolio construction process where the risk is assessed to be material. The ERM Framework leverages MSCI ESG data and defines a materiality trigger point on the exposure to environmental laggards at portfolio level. Where the exposure exceeds the trigger point, the portfolio managers consider what actions would be necessary to address the exposure. As of end 2023, no portfolios were at or above the defined trigger point.

In light of the integration of Credit Suisse by UBS, legacy Credit Suisse discretionary portfolios will start to follow UBS's environmental risk management methodology in 2024.

Appendix 6 – Other

UK Climate Disclosures

These disclosures have been produced in connection with the legal entity reporting requirements of the environmental, social and governance (ESG) sourcebook found in the Business Standards section of the Financial Conduct Authority (the FCA) Handbook (the ESG Sourcebook). The ESG Sourcebook contains rules and guidance regarding the disclosure of climate-related financial information consistent with the Task Force on Climate-related Financial Disclosures (the TCFD) recommendations and recommended disclosures.

UBS AG Asset Management in the UK

In-scope entities

These disclosures are prepared on behalf of the three operating legal entities, namely UBS Asset Management (UK) Ltd, UBS Asset Management Funds Ltd, and UBS Asset Management Life Ltd (collectively referred to as Asset Management UK), which all form part of the Asset Management business division in the UK and are fully owned by UBS Group. UBS Asset Management (UK) Ltd provides portfolio services to pension funds, other institutional clients and collective investment schemes. This entity is a Markets in Financial Instruments Directive investment firm, authorized and regulated by the FCA. UBS Asset Management Funds Ltd is an Authorized Corporate Director (ACD) for a number of UK undertakings for collective investment in transferable securities (UCITS) schemes, as well as a UK alternative investment fund manager (AIFM). UBS Asset Management Funds Ltd is authorized and regulated by the FCA. UBS Asset Management Life Ltd is an insurance company subject to the Solvency II prudential regime. The principal activity is to provide long-term, unit-linked insurance benefits to pension funds in the UK, mainly institutional clients. UBS Asset Management Life Ltd has a range of unit-linked investment funds across a broad range of investment capabilities. It is authorized by the Prudential Regulation Authority (PRA) as well as being dual regulated by the PRA and the FCA.

All three operating entities fall in-scope for the regulatory obligations under the ESG Sourcebook and are required by the FCA to provide entity level climate-related disclosures. The disclosures follow the structure recommended by the TCFD with reporting period from 1 January 2023 to 31 December 2023 which is aligned to the financial reporting period and to the reporting period of the UBS Group Sustainability Report 2023 and UBS Group Climate and Nature Report 2023. All data included in the statement is therefore for this period, unless otherwise indicated.

Dependencies on the UBS Group Sustainability Report 2023

Asset Management UK is part of the Asset Management business division, which directly contributes to UBS's overall sustainability and impact strategy, as well as adhering to the governance and risk management frameworks.

By 2050, our ambition is to achieve net-zero greenhouse gas (GHG) emissions across our scope 1 and 2, and specified scope 3, activities. UBS AG Asset Management, including Asset Management UK, aims, by 2030, to align 20% of Asset Management's total assets under management (AuM) with net zero.[1] Based on the above, Asset Management UK deems it appropriate to leverage the climate-related disclosures made in the UBS Group Sustainability Report 2023.

Certain activities of UBS that pertain to the implementation of its sustainability and impact strategy are impacted by factors that UBS cannot influence directly or can only influence in part. These include: pertinent governmental actions (e.g., when it comes to the updated ESG Sourcebook); the quality and availability of (standardized) data (e.g., in such areas as emissions); the development and enhancement of required methodologies and methodological tools (e.g., on climate- and nature-related risks); the ongoing evolution of relevant definitions (e.g., sustainable finance); and the furthering of transparency (e.g., pertaining to company disclosures of data). Activities of UBS with specific exposure to such factors are explained in the relevant sections of the UBS Group Sustainability Report 2023.

The following sections on strategy, governance, risk management and metrics set out the structures and processes that are in place for Asset Management UK to take climate-related risk (e.g., risks related to the transition to a lower-carbon economy and risks related to the physical impacts of climate change) and opportunities (e.g., resource efficiency, energy source, products and services, markets, and resilience) into consideration.

1 This Pre-acquisition UBS aspiration will be reassessed in 2024.

Strategy

As part of UBS Group, UBS AG Asset Management and Asset Management UK are actively executing the approach to climate by managing climate-related financial risks and taking action on a net-zero future. Asset Management UK helps our clients assess, manage and protect their assets from climate-related risks by offering innovative products and services in investment, financing and research.

Building on the success of our AM Climate Aware strategy (e.g., helping clients reduce the carbon footprint of investments), Asset Management UK has continued to work with clients and prospects on aligning portfolios with net-zero emission frameworks. In 2023, we repositioned a number of funds in the UK to be net-zero ambition (e.g., UBS Global Equity Climate Transition Fund). Also, in July 2023, we launched the UBS Global Emerging Markets Equity Climate Transition Fund. The long-standing Triton Property Fund LP (Triton) has continued its focus on sustainability and is the only strategy in its peer group of 113 to be five-star rated by GRESB. Since July 2023, the fund has been net-zero ambition and repositioned to Art. 8 of the Sustainable Finance Disclosure Regulation (the SDFR). Article 8 of the SFDR applies to any fund that is marketed into the EU and that "promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the portfolio companies follow good governance practices".

› **Refer to the "Strategy" section of this report as well as the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting* for additional information about our sustainability and climate approach**

Governance

Over the past years, Asset Management has strongly contributed to the UBS Group-wide strategy and expanded its collaboration with the Group-wide sustainability resources.

Within Asset Management, there are a number of governance forums that support and oversee implementation of respective Asset Management sustainability-related policies and the sustainable investing (SI) strategic program across the business division, including Asset Management UK. The SI Prioritization Forum provides oversight of the SI strategic program, sets key priorities and strategic direction, makes key decisions of commercial relevance and ensures a successful delivery of the SI program.

The SI Methodology Forum provides oversight of SI policies and guidelines, data and methodologies as well as the investment process criteria applied in the Sustainable Investing framework (including exclusions, ESG integration and the sustainability-focused and impact offering) across investment areas.

The Stewardship Committee oversees proxy voting standards and processes, and corporate governance practices, as well as engagement program activities (including exclusion decisions). It also oversees the research process on UNGC Global Compact credible corrective action and Sustainability and Climate Risk (SCR) Watchlist cases. The Stewardship Committee is the representative body for approving membership of industry organizations related to stewardship.

The boards of UBS Asset Management (UK) Ltd, UBS Asset Management Funds Ltd, and UBS Asset Management Life Ltd (the Boards) are ultimately responsible for oversight of climate-related risks as part of overall responsibility for adequate risk management. The Boards delegate general day-to-day business conduct and also risk management and monitoring (including sustainability risk) to the Asset Management UK Management and Risk Committee (UK MRC). At the monthly UK MRC meeting, investment teams, in addition to their independent risk control function, also report on sustainability-related matters across key asset classes as part of regular risk reporting.

The Boards meet quarterly and any matters of appropriate significance across all key risks (including, but not limited to, sustainability-risk-related issues and any other relevant risks that the firm may be subject to in the conduct of its on-going operations and business activities) are escalated to the relevant global forums or functions.

› **Refer to the "Governance" section of this report as well as the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting* for more information on our sustainability governance**

Risk management

Asset Management UK will continue to align to UBS Group's sustainability and climate risk framework and to the ongoing Asset Management efforts to further integrate climate risk data and insights into our investment management processes.

› **Refer to the "Risk management" section of this report as well as the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting* for more information on our sustainability and climate risk management framework**

Metrics and targets

To support our net-zero ambition, we have established a suite of metrics and targets across financing, investing and own operations. Helping our clients to navigate the challenges of an orderly transition to a low-carbon economy and build climate resilient business models, as well as mobilizing private and institutional capital toward this transition, is at the core of our ambition and approach to climate. UBS Asset Management UK is actively supporting the transition to a low-carbon economy within the Asset Management business division.

› **Refer to the "Metrics and targets" section of this report as well as the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting* for more information on our climate-related metrics and targets and our approach to climate**

Compliance statement

We confirm that the disclosures (including any third-party or group disclosures cross-referenced in it) comply with the requirements under the ESG Sourcebook for TCFD entity reporting as at 28 March 2024.

Nasreen Kasenally UBS Asset Management (UK) Ltd	Andrew Wood UBS Asset Management Funds Ltd	Willem van Breugel UBS Asset Management Life Ltd

UBS AG, London Branch

The discretionary portfolio management activities of the Global Wealth Management division undertaken by UBS AG, London Branch are in scope of the ESG Sourcebook requirements. These in-scope activities are in substance undertaken by UBS in Switzerland. The climate-related disclosures included in the UBS Group Sustainability Report 2023 for UBS Global Wealth Management therefore also apply to UBS AG, London Branch.

› **Please refer to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for more information about strategy, governance, managing sustainability and climate risks and environment as applicable to Global Wealth Management for these disclosures**

We confirm that the disclosures (including any third-party or group disclosures cross-referenced in it) relating to the activities of UBS AG, London Branch in scope of the ESG Sourcebook, comply with the requirements under the ESG Sourcebook for TCFD entity reporting as at 28 March 2024.

Chris Oliver
UBS AG, London Branch

Alexander Justham
UBS AG, London Branch

Additional UBS Europe SE considerations for sustainability and climate risk management

UBS Europe SE is a significant entity of UBS Group. Therefore, UBS Group's management of sustainability and climate risks, and related risk assessments, implicitly cover UBS Europe SE's portfolios. In addition, UBS Europe SE carries out explicit management and assessment of sustainability and climate risk. This includes a tailored risk strategy and business strategy, review of the UBS net-zero ambition at entity level, as well as dedicated materiality assessments, stress testing, a control framework and reporting with respect to sustainability and climate risks.

Materiality assessment

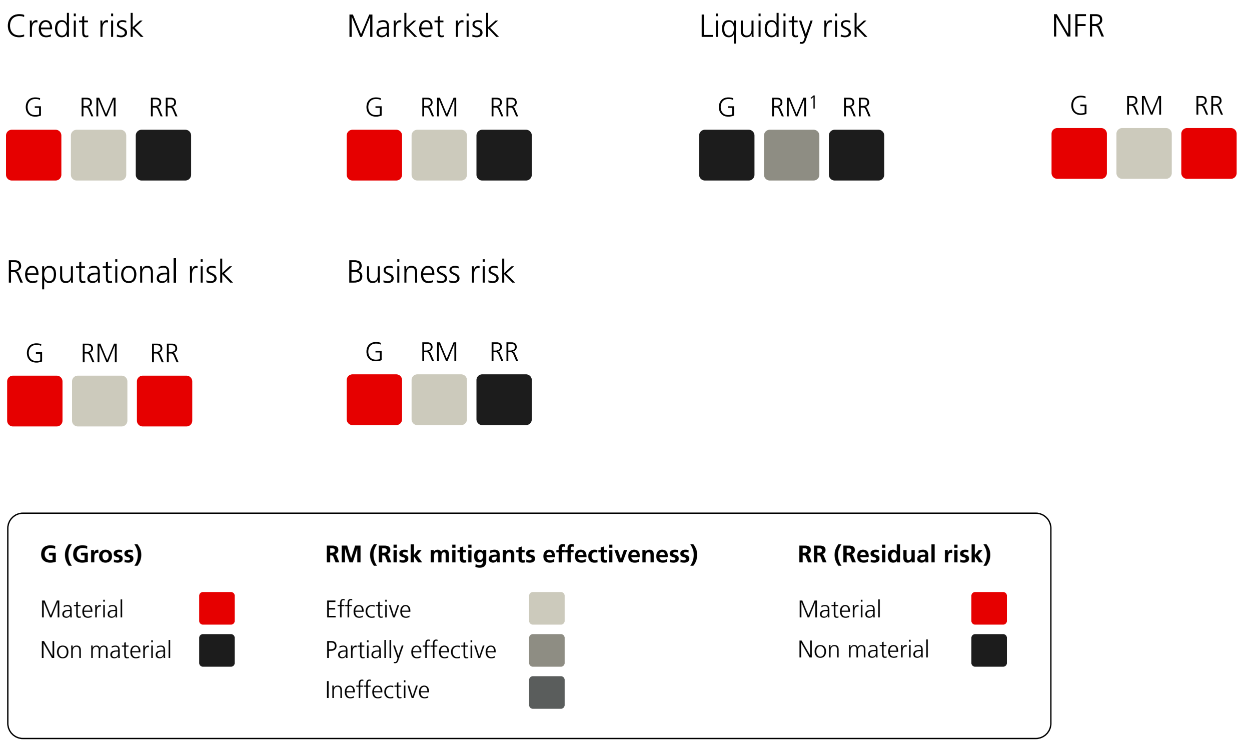
UBS Europe SE considers sustainability and climate risk as part of the regular risk identification process that feeds into its risk strategy. This includes an evaluation of whether sustainability and climate risk has a material impact on other risk categories, such as credit risk, market risk, liquidity risk, operational risk (including Compliance and BCM (Business Continuity Management)), reputational risk (incl. greenwashing), litigation risk and business risk. It also considers distinct risk types (climate risk, both transition risk and physical risks, as well as environmental risk / nature-related risk).

The materiality assessment is performed leveraging different analyses and capabilities, from sensitivity analysis based on heatmap methodology to scenario-analysis capabilities as they develop, as well as qualitative subject-matter expert assessments. It also takes into consideration the relevant offering for UBS Europe SE across the different business divisions and covers different time horizons.

As further quantitative capabilities are developed to assess the impact of sustainability and climate risk across the different risk categories and quantitatively different time horizons, the materiality assessments will be enhanced leveraging these capabilities.

Based on these evaluations, and as reflected below, as of Q4 2023, sustainability and climate risk in UBS Europe SE as a whole is currently assessed as material, after considering effective risk-mitigating measures driven by non-financial risks and reputational risk. There is a defined and implemented framework and adherence to the established framework is guaranteed by implementing and executing clear established controls as well as having ESG-related metrics in place.

The detailed analyses underpinning these materiality assessment results are documented further internally.



1 In line with the ECB deadline, full integration of SCR into the liquidity risk management framework is planned by December 2024, where specific sustainability and climate risks mitigants will be established.
Note: Methodologies for assessing climate and nature related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, UBS will further develop its risk identification and measurement approaches. UBS continues to collaborate to resolve methodological and data challenges.

Business model

Pursuant to the German Banking Act in connection with the European Banking Authority guidelines on Internal Governance and the Minimum Requirements for Risk Management (MaRisk) published by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin), UBS Europe SE executes a robust and durable business strategy. The business strategy, risk strategy and risk profile of UBS Europe SE are core documents for the approach to, and assessment of, sustainability and climate risks. The risk profile, which considers all business activities as described in the business strategy, allows UBS Europe SE to understand the risks and impacts on the business environment and to inform the risk appetite as established in the risk strategy. Further, the risk profile informs the business strategy, which sets targets for all relevant business activities and defines the measures required to achieve these, which are updated at least on an annual basis.

In line with UBS Group, sustainability and climate risks are dealt with as a focus topic in UBS Europe SE's business strategy, where applicable targets and measures are established, monitored and annually reviewed at entity level. Assessing the different risks and opportunities which are linked to sustainability is crucial to developing a consistent sustainability business strategy. Hence, UBS Europe SE analyzes topics such as market trends, regulatory frameworks, climate risks and clients' needs across its business divisions from a sustainability perspective to ensure such aspects are fully embedded in its business strategy.

As one of Europe's largest managers of private and institutional wealth, UBS Europe SE has a role to play in tackling the challenges faced within sustainable finance. It has established targets and KPIs following the UBS Group sustainability and impact strategy's Planet, People and Partnerships topics.

UBS Europe SE has determined the following topics as its sustainability priorities:

Planet: Continue addressing and progressing within the Group's approach to climate and net-zero ambition. Furthermore, it intends to apply the Group's environmental aspirations and KPIs across the entity and its business model. This allows UBS Europe SE to have a more tailored approach to monitoring and progressing within the topic. With regards to progress across its environmental aspirations, since 2023 UBS Europe SE has been disclosing entity-specific achievements on targets related to electricity, waste and greenhouse gas emissions reduction, as well as progress on financed emissions.

People: UBS Europe SE has made sustainable progress when it comes to its workforce and social impact aspirations. Diversity, equity and inclusion are core to our culture. UBS Europe SE has achieved all its established targets with regard to female positions across the entity. It aims to continue leading in this area and further enhancing our initiatives in this field.

Partnerships: To build strategic, resilient, and innovative partnerships is one of the entity's priorities. UBS Europe SE cooperates with different stakeholders and initiatives to ensure promotion of positive impact.

› **Refer to the "Supplement to Strategy" section of the Supplement and the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for more information about our sustainability and impact strategy, which fully applies to UBS ESE**

Globally, UBS Group is a member of several associations and networks, supporting sustainable finance principles based on international standards, where the aforementioned topics are addressed and further considered, including for European entities. At the specific level of UBS Europe SE this includes: the Green and Sustainable Finance Cluster Germany; the Association of German Banks (Bundesverband deutscher Banken e.V.); the European Bank Federation (Sustainable Finance Team); and the Sustainable Finance teams of the Association for Financial Markets in Europe (AFME). In 2022, UBS Europe SE became a member and sponsor of the International Sustainability Standards Board (ISSB) to support the development of more consistent corporate reporting on sustainability matters which can in turn support the integration of sustainability factors into financial markets and decision-making.

› **Refer to the "Supplement to Strategy" section of the Supplement to the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting,* for more information about "Evolving and informing our strategy" and "Supporting our strategic goals – our engagement in partnerships"**

The following sections explain the methodologies used by UBS Europe SE to assess the impact that transition risk, physical risk and environmental- / nature-related risk have on the risk profile and business model of the legal entity.

› **Refer to "Appendix 3 – Risk management" the "Climate- and nature-related risk methodologies and scenarios" section of this report**

› **Refer to the "Risk management" section of this document, in particular the transition, physical and nature-related risks sections and the "Risk identification and measurement" section this report**

UBS Europe SE climate transition and physical risks exposures and nature-related risk exposures are shown below.

Risk exposures by sector[1, 2, 3, 4, 5]

		Transition risk	**Physical risk**	**Nature-related risk[6]**
Sector / Subsector	2023 exposure (USD mn)	2023 transition risk climate sensitive exposure (USD mn)3	2023 physical risk climate sensitive exposure (USD mn)3	2023 nature-related risk climate sensitive exposure (USD mn)
Agriculture				
Food and beverage	1.11	1.11	0.60	1.11
Financial services				
Financial services	295.89	0.00	0.00	0.00
Industrials				
Electronics manufacture	0.06	0.00	0.00	0.00
Machinery manufacturing	0.05	0.05	0.00	0.05
Private lending				
Lombard	6,537.41	0.00	0.00	0.00
Private lending, credit cards, other[7]	14.32	0.00	0.00	0.00
Real estate				
Development and management	5.47	5.47	0.00	5.47
Residential real estate	192.92	0.00	0.00	0.00
Services and technology				
Services and technology	55.61	0.00	20.63	47.99
Utilities				
Power generation	1.80	1.80	0.00	1.80
Not classified[7]	**116.22**	**0.00**	**0.00**	**0.00**
Grand Total	**7,220.88**	**8.45**	**21.24**	**56.44**

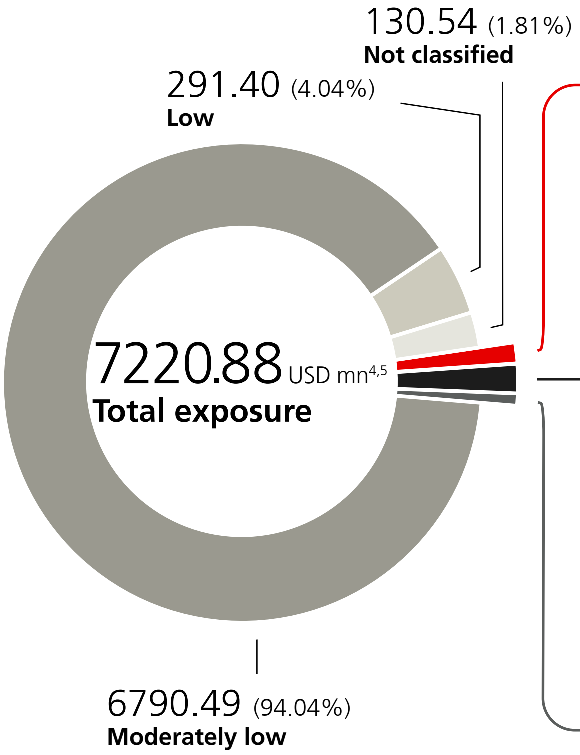
1 Methodologies for assessing climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. 2 Metrics are calculated and restated based on the 2023 methodology, across three years of reporting, 2021–2023. 3 Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss) and is based on consolidated and standalone IFRS numbers. 4 UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both impacts to and dependency on a changing natural and climatic environment, in how it evaluates risks and opportunities. 5 Climate- and nature-related risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report 2023. Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- or nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. 6 Nature-related risk metric methodology has been further strategically enhanced, as part of an ongoing collaboration between UBS and UNEP-FI. 7 Not classified represents the portion of UBS's business activities where methodologies and data are not yet able to provide a rating, e.g. private Individuals.

Transition risk:

The transition risk heatmap below shows that at year-end 2023, the majority of UBS Europe SE exposure is rated as moderately low (94.04%), whereas the climate-sensitive exposure of total customer lending is immaterial (0.12%). The majority of the climate-sensitive exposure is concentrated mainly in the real estate sector.

UBS Europe SE climate risk heatmap (transition risk)[1,2,3]

In USD million



High 1.80 (0.02%)
Utilities **1.80**
1.80 Power production: regulated and high-carbon fuels

Moderately high 6.02 (0.08%)
Agriculture **0.51**
0.51 Food and beverage production

Industrials **0.05**
0.05 Machinery and related parts manufacturing

Real Estate **5.46**
5.46 Development and management of real estate

Moderate 0.62 (0.01%)
Agriculture **0.60**
0.60 Food and beverage wholesale/retail

Real Estate **0.02**
0.02 Development and management of real estate

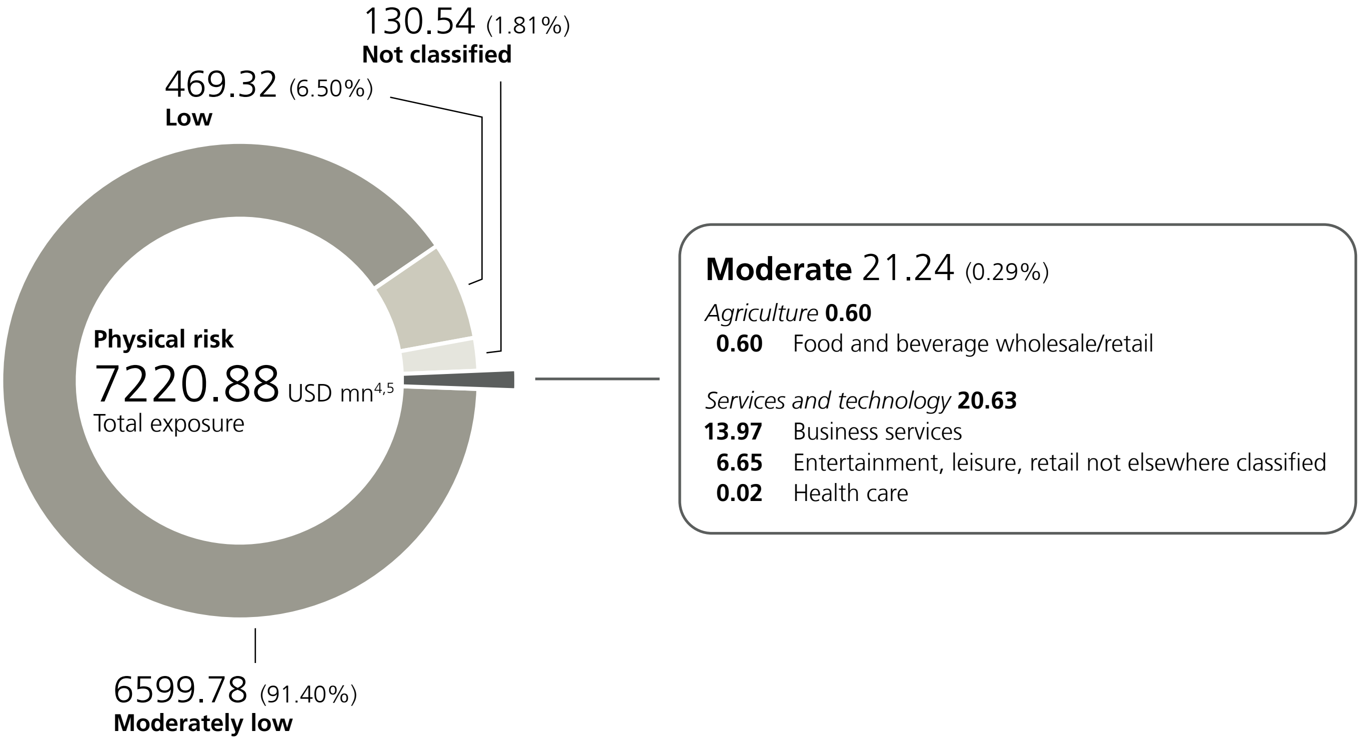
1 Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss) and is based on consolidated and standalone IFRS numbers. Total and subtotal exposure calculation is subject to rounding to two decimal places, hence potential deviation from actual. 2 UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both impacts to and dependency on a changing natural and climatic environment, in how it evaluates risks and opportunities. 3 Climate- and nature-related risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report 2023. Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- or nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. 4 Methodologies for assessing climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. 5 Not classified represents the portion of UBS's business activities where methodologies and data are not yet able to provide a rating, e.g. private Individuals.

Physical risk:

The physical risk heatmap below shows that at year-end 2023 94.04% of UBS Europe SE's exposure is rated as moderately low, being the climate-sensitive exposure of total customer lending is immaterial (0.29%).

UBS Europe SE climate risk heatmap (physical risk)[1,2,3]

In USD million



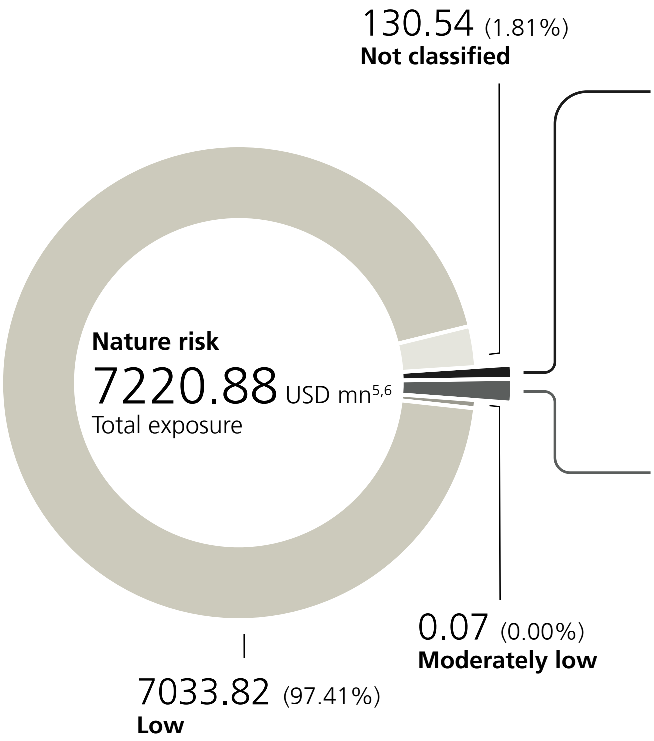
1 Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss) and is based on consolidated and standalone IFRS numbers. Total and subtotal exposure calculation is subject to rounding to two decimal places, hence potential deviation from actual. 2 UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both impacts to and dependency on a changing natural and climatic environment, in how it evaluates risks and opportunities. 3 Climate- and nature-related risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report 2023. Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- or nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. 4 Methodologies for assessing climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. 5 Not classified represents the portion of UBS's business activities where methodologies and data are not yet able to provide a rating, e.g. private Individuals.

Nature-related risk:

The nature-related risk heatmap below shows that at year-end 2023 the majority of UBS Europe SE exposure is rated as low (97.41%), whereas the nature-sensitive sectors exposure is immaterial (0.78%).

UBS Europe SE climate risk heatmap (nature risk)[1,2,3,4]

In USD million



Moderately High 1.80 (0.02%)

Utilities **1.80**
- **1.80** Power production: regulated and high-carbon fuels

Moderate 54.63 (0.76%)

Agriculture **1.11**
- **0.51** Food and beverage production
- **0.60** Food and beverage wholesale/retail

Industrials **0.06**
- **0.05** Machinery and related parts manufacturing

Real Estate **5.47**
- **5.47** Development and management of real estate

Services and Technology **47.99**
- **40.02** Business services
- **0.02** Education
- **6.69** Entertainment, leisure, retail not elsewhere classified
- **0.33** Health care
- **0.93** Media, information technology

1 Total customer lending exposure consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss) and is based on consolidated and standalone IFRS numbers. Total and subtotal exposure calculation is subject to rounding to two decimal places, hence potential deviation from actual. 2 UBS continues to collaborate to resolve methodological and data challenges, and seeks to integrate both impacts to and dependency on a changing natural and climatic environment, in how it evaluates risks and opportunities. 3 Climate- and nature-related risks are scored between 0 and 1, based on sustainability and climate risk transmission channels, as outlined in the Supplement to the UBS Group Sustainability Report 2023. Risk ratings represent a range of scores across five-rating categories: low, moderately low, moderate, moderately high, and high. The climate- or nature-sensitive exposure metrics are determined based upon the top three of the five rated categories: moderate to high. 4 Nature-related risk metric methodology has been further strategically enhanced, as part of an ongoing collaboration between UBS and UNEP-FI. 5 Methodologies for assessing climate- and nature-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches. Lombard lending rating is assigned based on the average riskiness of loans. 6 Not classified represents the portion of UBS's business activities where methodologies and data are not yet able to provide a rating, e.g. private Individuals.

Governance

The members of the UBS Europe SE's Management Board are ultimately responsible for adequate risk management and for establishing an integrated and institution-wide risk culture. This includes determining the firm's risk principles, risk appetite, major portfolio limits and their allocation to the business divisions and Treasury. The Management Board implements the risk framework, oversees the entity's risk profile and approves key UBS Europe SE risk policies. The oversight and controls include all business conducted in the entity including its branches, the risks associated with the branch business, and ensuring compliance with local legal and regulatory requirements. Notwithstanding the joint responsibility of the Management Board, each member of the Management Board is responsible for establishing adequate controls and monitoring processes in their respective area of responsibility.

UBS Europe SE's Supervisory Board is responsible for overseeing and challenging the Management Board, which informs the Supervisory Board about risk-relevant topics, including risk strategy and risk appetite. The Supervisory Board has established a Supervisory Board Risk Committee, which monitors and oversees the firm's risk profile and the implementation of the risk framework as approved by the Management Board, as well as reviewing the firm's key risk measurement methodologies, including sustainability and climate risk.

UBS Europe SE's risk management organization is embedded into the broader risk governance framework of the UBS Group and operates on a "three lines of defense" model, fulfilling the general risk management requirements according to "Mindestanforderungen an das Risikomanagement (MaRisk) AT°4.3.1" (Minimum Requirements for Risk Management).

The objective of the control functions on all three lines of defense is to support the Management Board in implementing a comprehensive and sound risk management and risk control framework across UBS Europe SE and to continuously improve it.

According to the Sustainability and Climate Risk Framework, the business (first line of defense – 1st LoD) identifies sustainability and climate risks in products, services, instruments, activities, transactions and in client / supplier onboardings or periodic KYC reviews (PKR) and product development, and refers them to the Sustainability and Climate Risk (SCR) unit, as the second line of defense, in accordance with the responsibilities, processes and tools specified in the SCR Policy.

The SCR unit (second line of defense – 2nd LoD) approves or declines the referred cases after assessing their compliance with the firm's Risk Appetite standards defined by the UBS Europe SE Management Board. The SCR unit measures, monitors and reports the exposure to sustainability and climate risks. According to UBS Europe SE´s Schedule of Responsibilities the responsibility for sustainability and climate risk at Management Board level is allocated to the Chief Risk Officer (CRO), with the Head of GCRG acting as deputy. Moreover, the SCR unit supports the CRO in overseeing sustainability topics. It develops and implements UBS Europe SE´s risk framework, specifically risk appetite, for sustainability and climate risk topics, monitors emerging issues and reviews UBS Europe SE´s exposure to sustainability and climate risk. Furthermore, it ensures the Sustainability and Climate Risk Framework is embedded in UBS Europe SE´s culture, management practices and control principles across the firm and conducts sustainability and climate risk-specific assessments of transactions and client and supplier onboarding.

The framework applied by the Group Compliance, Regulatory & Governance (GCRG) function as part of the 2nd LoD includes (but is not limited to) embedded periodic sustainability and climate risk-related controls defined in (i) the product service lifecycle through the New Business Enablement framework; (ii) the client lifecycle framework (at onboarding and during the lifetime of the business relationships); (iii) the pre- and post-sale practices (i.e. controls designed for early identification of potential greenwashing); and (iv) the investment suitability framework (capturing of client sustainability preferences in the investors' profiles).

GCRG has furthermore enhanced its control framework by (i) designing and setting up a 2nd LoD monitoring of greenwashing risks focusing on performing a periodic, sample-based control (front-to-back) in all jurisdictions where SI-labelled products are distributed and (ii) on-going mapping of materially-relevant ESG 1st and 2nd LoD controls to support a focused assessment of residual risk to ESG risk drivers by Non-Financial-Risk (NFR) taxonomy.

From a 3rd line of defense (3rd LoD) perspective, Internal Audit is an independent and objective function that supports both the firm in achieving its defined strategic, operational, financial and compliance objectives, and the UBS Europe SE Management Board and its committees in discharging their governance responsibilities.

Regarding the governance of sustainability and climate risk, in addition to the UBS Group structure, UBS Europe SE has established its own organization. Since 2021 UBS Europe SE has had in place a Sustainability and SCR Steering Forum. It meets monthly, with Management Board representation including CEO and four additional members, and oversees the strategy and the implementation of plans to address regulatory expectations concerning the impact of climate-related and environmental risk on the legal entity. Furthermore, to ensure sustainability is handled as a key priority, in 2022 the UBS Europe SE Chief Risk Officer formally became the Management Board Member responsible for Sustainability Risks for UBS Europe SE, while the CFO UBS Europe SE became responsible for sustainability in January 2024, with responsibility previously under the Head Global Wealth Management Luxembourg & Nordics and Head Asset Management. Both co-chair the Sustainability and SCR Steering Forum. In 2022 the role of UBS Europe SE SCR Lead was established (2nd LoD), part of Group Risk Control, as well as the role of UBS Europe SE Sustainability Lead (1st LoD), part of the Group's Chief Sustainability Office.

In 2023, enhancements were made to the Sustainability and SCR Steering Forum and the formal reporting to the Management Board, providing quarterly, and when required bespoke updates. This allows sustainability to be addressed and monitored at the highest level in the entity. Also, a new ESG GCRG Monthly Forum has been established. Additionally, a new semi-annual report to the Management and Supervisory Boards on progress against the net-zero commitment was implemented in 2023.

› **Refer to the "Our sustainability governance" section of this report for more information about UBS Sustainability governance**

Risk management

The UBS Sustainability and Climate Risk Framework, defined in the Supplement "Managing sustainability and climate risks" to the UBS Group Sustainability Report 2023, is also embedded in the UBS Europe SE risk control framework.

The sustainability and climate risk initiative follows a multi-year roadmap across our firm's business divisions and legal entities, and hence also covers UBS Europe SE. It is designed to integrate sustainability and climate risk considerations into our firm's various traditional financial risk management frameworks, and related policies and processes. This is necessary to meet expectations regarding the management of sustainability and climate risks and to deliver on climate stress-test exercises. There will be continuous enhancement of the sustainability and climate risk management framework as additional capabilities and enhanced data become available.

› **Refer to the "Risk management" section of this report and in particular to the "Sustainability and climate risk framework" section for further details on the implementation plans to integrate sustainability and climate risk into other risk categories as well as progress to date.**

With regard to climate risk scenario analysis and stress testing, UBS Europe SE's internal climate risk scenario analysis and stress testing capabilities are currently being developed aligned to UBS Group. UBS is developing a climate risk scenario analysis and stress testing framework, which includes the development of internal climate risk scenarios covering transition and physical risks. Further, UBS Group is in the process of developing corresponding climate risk models for major risk types including credit risks and non-financial risks. This will allow risk assessments across different severities of climate change and time horizons.

Currently, UBS Europe SE assesses climate risk in an internal capital adequacy assessment process (ICAAP)-related annual sensitivity assessment. This assessment covers most relevant credit risks in the ICAAP economic perspective. It is based on the heatmaps for physical and transition risks that primarily focus on sectoral vulnerabilities.

› **Refer to the "Risk management" section of this report for further information on climate scenario analysis**

Metrics and targets

Regarding climate-related metrics, UBS Europe SE's exposure to carbon-related assets and climate-sensitive sectors (both physical and transition risk) is disclosed in the following referred sections, and also information on UBS AG and UBS Europe SE pursuant to Art. 8 of the EU Taxonomy Regulation in this appendix. This year the analysis has been expanded so it also captures nature-related exposure.

› **Refer to the "Managing sustainability and climate risks" section of the UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting* for the "Climate- and nature-related risks metrics" table**

› **Refer to the "Sustainability and climate risk policy framework" section of this document for the sustainability and climate risk assessments table**

› **Refer to the "Information pursuant to Art. 8 of the EU Taxonomy Regulation" section of the UBS Group Sustainability Report 2023**

In relation to the net-zero commitment and associated aspirations and targets, UBS Europe SE, as part of the UBS Group, is fully committed to supporting the goals of the Paris Agreement, which includes aligning our own operations and business activities with the pathway of a five-step net-zero plan to: (i) measure carbon emissions; (ii) define a roadmap and set targets; (iii) reduce climate impact; (iv) finance climate action and support the transition of our clients; and (v) communicate and engage. These ambitions, activities and related targets are coordinated at Group level, and then reviewed from a UBS Europe SE materiality perspective.

› **Refer to the "Supporting the net-zero goals of our financing clients" section of the UBS Group Sustainability Report 2023, available at** *ubs.com/sustainability-reporting* **for detailed information on financed emissions and targets**

› **Refer to the "Metrics and targets" section of this report for more information about financed emissions methodologies (with UBS Europe SE fully embedded in these)**

Regarding financed emissions, UBS Europe SE has low exposure to the high-priority sectors defined by the Group. For the reporting period, the exposure in scope of UBS Europe SE to net-zero financing targets is concentrated in one single position with a power generation company that is being tracked in the Group process. In relation to exposure to the residential real estate sector, the mortgages portfolio is very limited and it is not an active business; its situation in relation to the net-zero commitment is in line with the Group targets.

From a regulatory perspective, in June 2023, and in compliance with the Sustainable Finance Disclosure Regulation (SFDR), UBS Europe SE published its first Principle Adverse Sustainability Impacts (PASI) report. With this publication, UBS Europe SE disclosed the most significant negative impacts of our investment decisions on sustainability factors relating to environmental, social and employee concerns, respect for human rights, anti-corruption, and anti-bribery matters in its discretionary portfolios.

Information pertaining to environmental / climate-related risk management regulations in Asia Pacific

Our investment management approach to sustainability and climate risks

Specific climate risk disclosure for client investment assets in Singapore and Hong Kong.

In accordance with Monetary Authority of Singapore's Environmental Risk Management Guidelines for Asset Managers (applicable for Singapore) and Securities and Futures Commission's requirements for management and disclosure of climate-related risks by fund managers (applicable for Hong Kong), we provide the following climate scenario monitoring and oversight.

Climate scenarios

For physical risk, we consider as our central scenario representative concentration pathways (RCP) 4.5 (reflecting expected global warming of 2–3°C by 2100) and associated modeled physical risk implications on asset values by 2030. Additionally, we perform scenario analysis on RCP 2.6 (below 2°C) and RCP 8.5 (more than 4°C under a business-as-usual scenario) into the longer term (2050).

For transition risk, we perform scenario analysis based on three carbon price trajectories (low, medium, high) across three time horizons: short (2025) to long-term (2050), with medium (2030) as our central scenario.

The identification of the middle-of-the-road pathway and 2030 as the central scenario balances multiple factors, namely: the relevance of financial projections, current policies and implementation rates, and the need for near-term checkpoints within long-term climate action.

We define any portfolio with high or very high risk exposure to either physical or transition risk as bearing material climate risk. We monitor material risk exposure based on the central scenario, and flag material risk across other scenarios.

Asset Management

Monitoring and 2023 portfolio disclosure

Our proprietary ESG (environmental, social, governance) Dashboard, used in our public markets business, includes climate physical and transition risk data, and highlights the highest risk issuers. We are continuing to enhance this process and are planning to integrate additional transition-related mitigation data in 2024. Combining risk and mitigation data enables research analysts to consider the physical and transition climate risks holistically in their assessment of the ESG risks of an issuer. At a portfolio level, Asset Management's global risk system provides transparency to portfolio managers of GHG emissions and intensity and in our Risk Control activities we are identifying portfolios with increased risks across a range of scenarios.

In our private markets business, there is a climate risk management process to identify, assess and potentially mitigate climate risks to improve adaptation and/or the resilience of our portfolios to climate change-related hazardous events and the transition to a net-zero world. This approach is embedded throughout the investment lifecycle for underlying assets in portfolios. During the acquisition stage, climate (physical and transition) risks and opportunities are assessed during due diligence and captured in an IC memo. On an ongoing basis, standardized quarterly risk processes are run by our independent risk teams quarterly and include indicators on physical and transition risk exposure, as well as other ESG metrics. This uses the latest available data to identify high risks and mitigation options; this is incorporated into annual business planning process and where necessary these are escalated to investment decision-making bodies.

For Asset Management, based on the 2023 environmental risk analysis, no strategies with material physical risks were identified. However, our transition risk analysis highlighted selected strategies with elevated mid-term exposure, driven mostly by Asia Small Cap Equities. Portfolio managers have assessed the drivers of the climate risk and integrated these into investment decisions as appropriate. For some of our portfolios, the assessment of climate-related risks is not possible in the investment management and risk management processes due to lack of data. For these portfolios, risk assessments will incorporate climate physical and transition risk as data becomes available.

Governance – Singapore

The Board of Directors and senior management of UBS Asset Management (Singapore) Ltd. (UBSSG) are informed and kept updated on environment-related risks. These risks are reviewed by the following bodies in UBSSG:

– Board of Directors of UBSSG: The Board of Directors is the governing body of UBSSG and is responsible for following the overall direction from global level as well as the supervision and implementation of climate-related risks. It assumes ultimate responsibility for the conduct, operations and financial soundness of the respective entity, including quarterly meetings to monitor climate-related risks.

– Designated management-level positions: The responsibilities of designated management include ensuring the development, implementation and review of framework, policies, and metrics and allocating adequate resources with appropriate expertise. Regular management meetings are held to monitor the status and progress of efforts to manage climate-related risks.

Governance – Hong Kong

The Board of Directors and senior management of UBS Asset Management (Hong Kong) Ltd. (UBSHK) are informed and kept updated on climate-related risks. These risks are reviewed by the following bodies in UBSHK:

– Board of Directors of UBSHK: The Board of Directors is the governing body of UBSHK and is responsible for following the overall direction from global level as well as the supervision of climate-related risks. It assumes ultimate responsibility for the conduct, operations and financial soundness of the respective entity, including quarterly meetings to monitor climate-related risks.

– Designated management-level positions: The responsibilities of designated management include ensuring the development, implementation and review of framework, policies, and metrics and allocating adequate resources with appropriate expertise. Regular management meetings are held to monitor the status and progress of efforts to manage climate-related risks.

Global Wealth Management

For UBS AG Global Wealth Management, based on the 2023 environmental risk analysis, no strategies with material physical risks were identified. However, our transition risk analysis highlighted select strategies with elevated mid-term exposure, driven mostly by Asian equities, which are being monitored, and have been reviewed and acknowledged by the relevant governance bodies.

Governance

Global Wealth Management has developed a governance and control framework to ensure quality and consistency of data and ongoing monitoring of climate risks. Material risks identified are presented to the relevant governance forums / committees for review and acknowledgement. This includes the regional and global Risk Forums of CIO Global Investment Management, as well as regional Location Risk Committees and Business Risk Forums. Responsibilities for management of climate risks have been set out in accordance with the three lines of defense model, covering various functions including but not limited to business line staff, risk management and compliance, and internal audit. Our framework will be reviewed periodically and progressively enhanced as data availability and quality increases, and industry practices develop.

› **Refer to "Appendix 5 – Entity-specific disclosures for Credit Suisse AG" in the appendices to this report UBS Group Sustainability Report 2023, available at *ubs.com/sustainability-reporting*, for information about implementing the Credit Suisse MAS ERM Guidelines**

Key terms and definitions

Sustainability

Is commonly defined as "meeting the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations (UN) Brundtland Commission, 1987). In this way, we sometimes refer to sustainability to imply a broader scope of resources that may be exhausted beyond those that impact climate change. Our ambition is to conduct business and operations without negatively impacting the environment, society or the economy as a whole and, through our sustainability disclosure, to be transparent about how we are pursuing this.

Sustainable Development Goals (the SDGs)

The 2030 Agenda for Sustainable Development, adopted by all UN member states in 2015, provides a shared blueprint for peace and prosperity for people and the planet. At its heart are the *17 UN Sustainable Development Goals* (available on sdgs.un.org/goals), the SDGs, which are an urgent call for action by all countries – developed and developing – in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

ESG (Environmental, Social, Governance)

A framework to help stakeholders understand how an organization is managing risks and opportunities related to ESG criteria or factors. It is often used in the context of investing, but – beyond the investment community – clients, suppliers, and employees are also increasingly interested in how sustainable an organization's operations are.

Sustainable finance

Sustainability focus: Strategies that have explicit sustainable intentions or objectives that drive the strategy. Underlying investments may contribute to positive sustainability outcomes through products / services / use of proceeds.

Impact investing: Investment strategies that have an explicit intention to generate measurable, verifiable, positive sustainability outcomes. Impact generated is attributable to investor action and/or contribution.

Green, social and sustainability loans and bonds are instruments made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible green and/or social projects that form part of a credible program from the borrower/issuer to improve their environmental and/or social footprint.

Sustainability-linked loans and bonds are any types of instruments which incentivize the borrower / issuer's achievement of ambitious, predetermined Sustainable Performance Targets (SPTs) that are measured using predefined sustainability KPIs.

Low-carbon economy

Refers to a type of decarbonized economy that is based on low energy consumption and low levels of greenhouse gas (GHG) emissions.

GHG emissions

Scope 1: Accounts for GHG emissions by UBS.

Scope 2: Accounts for indirect GHG emissions associated with the generation of imported / purchased electricity (grid average emission factor), heat or steam.

Scope 3: Accounts for GHG emissions resulting from activities from assets not owned or controlled by the reporting organization, but that the organization indirectly impacts in its value chain.

Net zero: Refers to cutting GHG emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere.

GHG key vendor: A top GHG scope 3 emitter relative to UBS's overall scope 3 supply chain emissions and with which UBS has a long-term ongoing relationship.

Sustainability disclosure

Global Reporting Initiative (GRI): Provider of the world's most widely used sustainability disclosure standards (the GRI Standards).

Task Force on Climate-related Financial Disclosures (TCFD): Provider of climate-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation.

Taskforce on Nature-related Financial Disclosures (TNFD): Provider of nature-related financial disclosure recommendations designed to help companies provide better information to support informed capital allocation.

Value Reporting Foundation SASB Standards: Disclosure standards to guide the disclosure of officially declared material sustainability information by companies to their investors.

World Economic Forum International Business Council (WEF IBC): Provider of the Stakeholder Capitalism Metrics, which offer a set of universal, comparable disclosures focused on people, planet, prosperity and governance that companies can report on, regardless of industry or region.

Materiality assessments

With regard to the materiality assessments included in this report (GRI-based and climate-related), the GRI requires companies to determine material topics that "represent the organization's most significant impacts on the economy, environment, and people, including impacts on their human rights." The TCFD requires companies to conduct a double materiality assessment that looks at both the inside-out impact the company has on the environment and the outside-in impact climate-related activities might have on the company performance.

Aspiration

Desire to achieve a particular goal.

Ambition(s)

Ambitions are parts of a long-term vision detailing what results a company aspires to accomplish and by when.

Target(s)

Targets are smaller, interim steps or milestones towards an ambition that are aligned with its details. As individuals and teams within the organization reach their targets, the organization makes progress towards the ultimate ambition(s).

Abbreviations frequently used in our Climate and Nature Report

A

ADA	Artificial Intelligence and Data Analytics
AMAS	Asset Management Association Switzerland
AML	anti-money laundering
AuM	assets under management
ASIP	Association Suisse des Institutions de Prévoyance

B

BCBS	Basel Committee on Banking Supervision
BD(s)	Business division(s), organizational units of the UBS business: (i) Global Wealth Management, (ii) Personal & Corporate Banking, (iii), Asset Management and (iv) the Investment Bank
B4SI	Business Investment for Societal Impact
BIS	Bank for International Settlements
BoD	Board of Directors
BoE	Bank of England

C

CCRC	Corporate Culture and Responsibility Committee
CCS	carbon capture and storage
CDP	formerly the Carbon Disclosure Project
CDR	carbon dioxide removal
CFO	Chief Financial Officer
CHF	Swiss franc
CIC	Corporate & Institutional Clients
CIO	Chief Investment Office
C&ORC	Compliance & Operational Risk Control
CPS	current policies scenario
CSRD	Corporate Sustainability Reporting Directive

D

DAF	donor-advised fund
DJSI	Dow Jones Sustainability Indices

E

EC	European Commission
EMS	environmental management system
eNPS	employee net promoter score
ESG	environmental, social and governance
EU	European Union
EUR	euro
ERA	Energy Reference Area
ESR	environmental and social risk
ETF	exchange-traded fund
EY	Ernst & Young

F

FATF	Financial Action Task Force
FCT	foreign currency translation
FINMA	Swiss Financial Market Supervisory Authority
FTE	full-time employee
FX	foreign exchange

G

GARP	Global Association of Risk Professionals
GCFO	Group Chief Financial Officer
GCRG	Group Compliance, Regulatory & Governance
GEB	Group Executive Board
GFA	Group Franchise Awards
GFANZ	Glasgow Financial Alliance for Net Zero
GHG	greenhouse gas
GIA	Group Internal Audit
GICS	Global Industry Classification Standard
GRI	Global Reporting Initiative

H

HR	human resources

I

IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICMA	International Capital Market Association
ICMM	International Council on Mining and Metals
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIF	Institute of International Finance
IPCC	Intergovernmental Panel for Climate Change
ISO	International Organization for Standardization

K

KRT	key risk taker

L

LEED	Leadership in Energy and Environmental Design
LoD	lines of defense
LRD	leverage ratio denominator
LTIP	Long-Term Incentive Plan
LTV	loan-to-value

M

MAT	Materiality Assessment Team
M&A	mergers and acquisitions
MiFID II	Markets in Financial Instruments Directive II

N

NFR	non-financial risks
NFRD	Non-Financial Reporting Directive
NGFS	Network for Greening the Financial System
NYSE	New York Stock Exchange
NZAMi	Net Zero Asset Managers initiative
NZBA	Net-Zero Banking Alliance
NZE	Net-Zero Emissions by 2050 Scenario

O

OECD	Organization for Economic Co-operation and Development
ORF	operational risk framework
OTC	over-the-counter

P

PACI	Partnership Against Corruption Initiative
PACTA	Paris Agreement Capital Transition Assessment
PCAF	Partnership for Carbon Accounting Financials
P&L	profit and loss
POCI	purchased or originated credit-impaired
PRA	UK Prudential Regulation Authority
PRB	Principles for Responsible Banking
PRI	Principles for Responsible Investment

Q

QED	Quant Evidence & Data Science

R

RSCM	responsible supply chain management
RSPO	Roundtable on Sustainable Palm Oil
RW	risk weight
RWA	risk-weighted assets

S

SBC	Swiss Bank Corporation
sCFO	Sustainability Chief Financial Officer
SCR	sustainability and climate risk
SCS	Swiss Climate Score
SDA	Sectoral Decarbonization Approach
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goal
SDS	Sustainable Development Scenario
SEC	US Securities and Exchange Commission
SECO	State Secretariat for Economic Affairs
SFDR	Sustainable Finance Disclosure Regulation
SFWG	Sustainable Finance Working Group (IIF)
SI	sustainable investment
SIFI	SDG Impact Finance Initiative
SII	UBS Sustainability and Impact Institute
SIX	SIX Swiss Exchange
SME	small and medium-sized entities
SNB	Swiss National Bank
SRI	socially responsible investment

T

TBTF	too big to fail
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures

U

UN	United Nations
UNEP FI	United Nations Environment Programme Finance Initiative
UNGPs	UN Guiding Principles on Business and Human Rights
USD	US dollar

V

VaR	value-at-risk

W

WFSF	Wolfsberg Forum for Sustainable Finance

Note: This list of abbreviations is not deemed to be comprehensive of all the abbreviations used in this report.

Cautionary Statement l This report may contain statements that constitute "forward-looking statements." Refer to the Cautionary Statement Regarding Forward-Looking Statements in UBS's Group Annual Report 2023, available at ubs.com/investors, for further details.

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

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

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