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News Release

UBS white paper: The Rise of the Impact Economy

The latest paper from UBS's Sustainability and Impact Institute argues that the output economy has become out of step with today's priorities and charts the continuous evolution of an economy that values people and the planet. Welcome to impact economics.

Zurich , May 3, 2023 – The UBS Sustainability and Impact Institute today released its latest white paper, 'The rise of the impact economy: Evolving to the next level,' and makes a compelling argument for adopting new economic metrics that price in profit, people and planet, and reach beyond outdated output metrics such as GDP.

The key points raised in the white paper are as follows:

- The impact economy is better placed than outdated models to help solve the fundamental economic problem of how to allocate our limited means between our unlimited desires
- The impact economy addresses a much broader set of people's well-being needs than simply the quest for material wealth
- Financial institutions have a clear role to embrace the impact economy as part of being responsible participants in civil society

The paper charts the evolution of the economic system and argues the world has outgrown GDP and the focus from policy makers on equating living standards with the making of paid-for products. It argues that the impact economy is the necessary next phase in the world's economic evolution.

The paper urges governments to use both incentives and regulations to drive change with tax incentives used to encourage capital flows into an impact economy; and direct market regulations limiting or redirecting the flows of capital when needed. There is a need for governments and regulators to work with independent research and analytical organizations to build more transparent, accurate and wide-ranging data resources to underpin this new economy.

Paul Donovan, Chief Economist UBS Global Wealth Management: "We are seeing a big shift in the way we quantify economic progress. The output economy and its measures of growth like GDP are no longer fit for purpose in the world we live in now. In fact, it distorts the very thing economics is supposed to achieve. We are evolving towards an impact economy that values people and planet, assuring the consideration of all outcomes in the valuations of goods, services and the entire economy."

"Financial services firms like UBS not only have a duty to adapt to this evolution but have a clear role to help their clients cope with change successfully in four ways. First, as global employers they need to emphasize the importance of people and planet. Secondly, by harnessing their intellectual firepower and data, they need to make a compelling case for an effective impact economy. Thirdly, they need to advise their clients on how the

global economy is changing and how this will impact their investments. Finally, as investors, financial services companies should use different types of capital to develop the impact economy and leverage their ownership of investee companies to drive change.”

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