

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

UBS provides financial advice and solutions to wealthy, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of our Corporate Center and business divisions:

- Global Wealth Management
- Personal & Corporate Banking,
- Asset Management and the
- Investment Bank.

UBS' strategy builds on the strengths of all of its businesses and focuses its efforts on areas in which it excels, while seeking to capitalize on the compelling growth prospects in the businesses and regions in which it operates, in order to generate attractive and sustainable returns for its shareholders. All of its businesses are capital-efficient and benefit from a strong competitive position in their targeted markets. Headquartered in Zurich, Switzerland, UBS is present in all major financial centers worldwide. It has offices in 54 countries, with about 34% of its employees working in the Americas, 35% in Switzerland, 18% in the rest of Europe, the Middle East and Africa and 13% in Asia Pacific. UBS Group AG employs approximately 60,000 people around the world. UBS Group AG is the holding company of the UBS Group. Under Swiss company law, UBS Group AG is organized as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Row 1	January 1 2017	December 31 2017	No	<Not Applicable>
Row 2	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Row 3	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Row 4	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>

C0.3

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

Please select

C0.4

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

CHF

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.

Operational control

C1. Governance

C1.1

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

Yes

C1.1a

(C1.1a) Identify the position(s) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Board Chair	Our climate change strategy is overseen by the Corporate Culture and Responsibility Committee (CCRC), a Board of Directors committee chaired by UBS Chairman Axel A. Weber in 2017 and consisting of three additional members. The CCRC is the firm's highest governance body for UBS and Society (UBS&S). The responsibility of the CCRC for the climate change is embedded in its mandate in the Organization Regulations of UBS. This mandate also includes the review of all pertinent corporate culture, responsibility and sustainability regulations, policies (including the UBS&S Constitutional Document) and processes and the supervision of the firm's activities and commitments in these areas. Responsibility for climate change (CC) is part of the overall UBS&S and environmental governance and processes. UBS&S coordinates activities in climate-related topics for UBS.

C1.1b

(C1.1b) Provide further details on the board’s oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Please explain
Scheduled – all meetings <i>Climate change is embedded in the mandate of the Corporate Culture and Responsibility Committee, as delineated in UBS Organization Regulations since March 2018.</i>	Reviewing and guiding strategy Reviewing and guiding major plans of action Reviewing and guiding risk management policies Setting performance objectives Monitoring implementation and performance of objectives Monitoring and overseeing progress against goals and targets for addressing climate-related issues	Our climate change strategy is overseen by The Corporate Culture and Responsibility Committee (CCRC) as part of the UBS and Society governance. This oversight role of the CCRC is embedded in the Organization Regulations of UBS since March 2018. Within the parameters set by the CCRC, climate-related opportunities are overseen by the UBS and Society Operating Committee, and climate change risks by the Global Environmental and Social Risk (ESR) Committee. The CCRC regularly and critically reviews the assessments and steps taken by these management bodies towards executing the climate change strategy. It approves UBS’s annual climate change objectives and plans and decides on the progressive alignment of our climate change disclosure pathway, with TCFD’s recommendations. The Corporate Culture and Responsibility Committee (CCRC) supports the Board in its duties to safeguard and advance the Group’s reputation for responsible and sustainable conduct. It monitors UBS and Society’s overall strategy and annual objectives, reviews that the UBS and Society constitutional document is relevant and up to date, and oversees the program’s annual management review.

C1.2

(C1.2) Below board-level, provide the highest-level management position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on climate-related issues
Chief Executive Officer (CEO) <i>The Group Chief Executive Officer (Group CEO) proposes the UBS and Society strategy and annual objectives to the CCRC (see board-level oversight above), supervises their execution and informs the Group Executive Board (GEB) and CCRC, as appropriate. Reporting to the Group CEO, the Head UBS and Society is UBS’s senior-level representative for sustainability issues. The Group CEO and the Head UBS and Society are permanent guests of the CCRC.</i>	Both assessing and managing climate-related risks and opportunities <i>Within the parameters set by the CCRC, climate-related opportunities are overseen by the UBS and Society Operating Committee, and climate change risks by the Global Environmental and Social Risk (ESR) Committee. The CCRC regularly and critically reviews the assessments and steps taken by these management bodies towards executing the climate change strategy.</i>	More frequently than quarterly
Chief Risks Officer (CRO) <i>Chaired by the Group Chief Risk Officer, the Global Environmental & Social Risk Committee defines an environmental and social risk (ESR) framework and independent controls that align UBS’s ESR appetite with that of UBS and Society. These include climate-change risks.</i>	Both assessing and managing climate-related risks and opportunities <i>Within the parameters set by the CCRC, climate-related opportunities are overseen by the UBS and Society Operating Committee, and climate change risks by the Global Environmental and Social Risk (ESR) Committee. The CCRC regularly and critically reviews the assessments and steps taken by these management bodies towards executing the climate change strategy.</i>	Quarterly

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored.

- Climate change is one of the most significant challenges of our time. The world's key environmental and social challenges – such as population growth, energy security, loss of biodiversity and access to drinking water and food – are all closely intertwined with climate change. This makes the transition to a low-carbon economy vital. We are determined to understand the risks that our clients', and our own, assets are exposed to in the context of uncertain policy and technology developments. We support this transition through our comprehensive climate change strategy.
- Because UBS recognizes the significance of the challenges presented by climate change, below-board level responsibility for climate change issues are given to highest levels of leadership under the board: UBS Group CEO through leadership of the UBS and Society (UBS&S) organization and Group CRO through leadership for climate-related risks. UBS&S coordinates all activities, including all climate-related topics, in sustainable investing (SI) and philanthropy, environmental and human rights policies governing client and supplier relationships, our environmental footprint, and our firm's community investment:
- The Group CEO proposes the UBS&S strategy and annual objectives to the Corporate Culture and Responsibility Committee (CCRC, Board of Directors level committee), supervises their execution, and informs the CCRC and Group Executive Board (GEB).
- The Head UBS and Society is UBS's senior level representative for environmental and sustainability issues. He or she is nominated by the Group CEO, chairs UBS and Society Operating Committee, is a member of the Global Environmental Social Risk Committee, and is a permanent guest to the CCRC. He or she develops the UBS and Society strategy, leads in its execution, and submits annual objectives to the CEO, as well as, a management review to the CCRC. He or she is supported by the UBS and Society Executive Committee (EC) in this effort.
- The UBS and Society Operating Committee (OC) ensures execution of UBS and Society strategy across divisions and regions. The Committee is chaired by the Head UBS and Society and is composed of divisional, APAC, and Group COO EC members, as well as, UBS and Society EC members. OC members are nominated by their respective GEB members and/or the Head of UBS and Society, and ensure plan and objective sign off by them.
- Chaired by the Group Chief Risk Officer (CRO), the Global Environmental & Social Risk Committee defines an environmental and social risk (ESR) framework and independent controls that align UBS's ESR appetite with that of UBS and Society. These include climate-change risks.
- The Global Environmental & Social Risk Committee defines an ESR framework and independent controls that align UBS's environmental and social risk appetite with that of UBS and Society. The CRO is responsible for the development and implementation of principles and appropriate independent control frameworks for environmental and social risks within UBS. The Committee and CRO are updated quarterly.
- All corporate responsibility and sustainability developments at UBS are monitored and reviewed by the UBS Corporate Culture and Responsibility Committee, a Board of Director's committee. The Committee supports the Board in its duties to safeguard and advance UBS's reputation for responsible corporate conduct. In this capacity it reviews and monitors the implementation of UBS's ESR framework.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

Yes

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues.

Who is entitled to benefit from these incentives?

Board Chair

Types of incentives

Monetary reward

Activity incentivized

Emissions reduction target

Comment

Of the Board of Directors committees, the Corporate Culture and Responsibility Committee (CCRC) shoulders the main undertaking

for corporate responsibility & sustainability, including our firm's climate change strategy and all its aspects. The CCRC and its members as a group, are expected to:

- commit such time to the role as may be necessary for the proper discharge of their duties (an indication of the time expected for this purpose is set out in each of the CCRC members' letter of appointment); and
- have good knowledge of corporate responsibility and relevant political issues and such other experiences in order to perform their duties.

The CCRC's chairman (=board chairman Axel Weber) is expected to have good knowledge of the Committee's area of responsibility together with experiences that the Board considers desirable in the context of that committee's work. This is in addition to establishing and maintaining a close working relationship with the Group CEO and other GEB members, and providing advice and support when appropriate. The share component of the compensation (blocked for distribution for four years) ensures that the Chairman's pay is aligned with the longer-term performance of the firm. Additional information and compensation details of the Chairman of BoD is available in the 2017 compensation for the Board of Directors' section of UBS 2017 Annual Report (p-275)

Who is entitled to benefit from these incentives?

Chief Executive Officer (CEO)

Types of incentives

Monetary reward

Activity incentivized

Emissions reduction target

Comment

UBS and Society objectives, which include climate change objectives, are set for all relevant levels of the firm, including group CEO. Execution of these objectives is evaluated through annual performance appraisals that impact compensation. KPIs and objectives for UBS and Society include, e.g. meeting our emission reduction objective (75% CO2 reduction by 2020 on 2004 level) or pushing closer towards our impact investing objective (have USD 5 billion of client assets invested into new impact investments by the end of 2021, which encompasses climate-change related impact investments) and are factored into objectives and compensation.

Who is entitled to benefit from these incentives?

Corporate executive team

Types of incentives

Monetary reward

Activity incentivized

Emissions reduction target

Comment

At the executive level, the UBS and Society Operating Committee oversees the implementation of UBS and Society Constitutional Document, which encompass Climate Change objectives. The committee is chaired by the Head of UBS and Society (who reports to the group CEO). It consists of divisional and regional executive committee representatives, among others. The committee, focuses on implementing the UBS and Society agenda across the entire firm. Execution of these objectives is evaluated through annual performance appraisals that impact compensation. Targets and performance indicators include, e.g. meeting our emission reduction objective (75% CO2 reduction by 2020 on 2004 level) or pushing closer towards our impact investing objective (have USD 5 billion of client assets invested into new impact investments by the end of 2021, which encompasses climate-change related impact investments) and are factored into objectives and compensation.

Who is entitled to benefit from these incentives?

Energy manager

Types of incentives

Monetary reward

Activity incentivized

Energy reduction target

Comment

Energy saving is part of the overall CO2 emission reduction strategy (75% CO2 reduction by 2020 on 2004 level) and is factored into targets and compensation.

Who is entitled to benefit from these incentives?

Environment/Sustainability manager

Types of incentives

Monetary reward

Activity incentivized

Energy reduction project

Comment

Environmental managers contribute to the UBS climate change strategy to reduce emissions by 75% by 2020 on 2004 baseline. Meeting their individual annual targets within their area contributing to the overall target is factored into compensation/ bonus.

Who is entitled to benefit from these incentives?

Facilities manager

Types of incentives

Monetary reward

Activity incentivized

Energy reduction target

Comment

Facility managers directly contribute to the UBS CO2 emission reduction strategy. Meeting their individual annual reduction targets within their area is factored into their compensation/ bonus.

Who is entitled to benefit from these incentives?

Risk manager

Types of incentives

Monetary reward

Activity incentivized

Behavior change related indicator

Comment

Environmental and social risk managers to integrate and assess climate change risks for the bank which is part of their annual objectives and factored into compensation.

Who is entitled to benefit from these incentives?

Business unit manager

Types of incentives

Monetary reward

Activity incentivized

Behavior change related indicator

Comment

Performance indicators for business teams include sales / success of sustainable products (e.g. SRI products, SRI and climate change related research) which is factored into individual targets and compensation.

Who is entitled to benefit from these incentives?

Public affairs manager

Types of incentives

Monetary reward

Activity incentivized

Behavior change related indicator

Comment

Communicating about climate change risks and opportunities for the bank is part of annual objectives and factored into compensation (e.g. disclosure according to GRI comprehensive standard).

C2. Risks and opportunities

C2.1

(C2.1) Describe what your organization considers to be short-, medium- and long-term horizons.

	From (years)	To (years)	Comment
Short-term	0	3	To align with our Risk and Opportunities disclosure in 2.3a and 2.4a we included "Current" in the short-term here.
Medium-term	3	6	
Long-term	6	10	We also analyze longer timelines over 10 years in our scenario analyses that look at risks at and past the year 2060.

C2.2

(C2.2) Select the option that best describes how your organization's processes for identifying, assessing, and managing climate-related issues are integrated into your overall risk management.

Integrated into multi-disciplinary company-wide risk identification, assessment, and management processes

C2.2a

(C2.2a) Select the options that best describe your organization's frequency and time horizon for identifying and assessing climate-related risks.

	Frequency of monitoring	How far into the future are risks considered?	Comment
Row 1	Six-monthly or more frequently	>6 years	We identify, assess, and manage climate change risks and opportunities via our certified Environmental Management System (EMS) and we monitor implementation on an ongoing basis. Climate change developments require regular and critical assessment of our policies and practices, based on an accurate monitoring and analysis of societal topics of potential relevance to UBS. This process is the responsibility of a committee at Group Executive Board-level, the Global Environmental and Social Risk Committee (GESRC), which sets the overall risk appetite for the firm and resolves transactional and policy matters relating to environmental and social risks and their associated reputation risks. It is chaired by the Group Chief Risk Officer, who is responsible for independent control frameworks for environmental and social risks within UBS. The GESRC meets between 3 and 4 times annually, when it reviews ongoing risk monitoring and assessment reports.

C2.2b

(C2.2b) Provide further details on your organization's process(es) for identifying and assessing climate-related risks.

CC risks and opportunities are identified and assessed on company and on asset (products and services, client portfolios, etc.) level across the principles of "how we do business" and "how we support clients" and through the UBS and Society organization and policy. Banking activities and in-house operations must be conducted in compliance with this policy, where CC risks are further identified on the operational level. All types of material risks and opportunities are in-scope (including regulatory, customer behavior changes, reputational and weather-related).

- On company level: We identify where and if climate change (CC) has a material impact on UBS as a whole by estimating our firm's vulnerability to climate change risks using scenario-based stress testing approaches and other forward-looking analyses. The critical factor determining materiality is whether any impact from CC on UBS has to be of concern for our shareholders or clients or, in other words, whether CC is a "factor that would make an investment in [UBS] speculative or risky" (as described by the US Securities and Exchange Commission Guidance Regarding Disclosure Related to CC; Final Rule, p. 6294). In this sense, we currently do not see that CC has a material impact on UBS as a whole.
- How: To better understand climate change impact on the financial sector and on UBS as a whole we conduct scenario-based stress testing and other forward-looking analyses. We further engage in international efforts and collaborate to develop better methodologies for carbon and physical risk assessments.
- For example, 16 banks, including UBS and the UN Environment Programme Finance Initiative (UNEP FI) have partnered to collaboratively develop analytical tools that will help banks disclose their exposures to climate-related risks and opportunities as envisioned by the TCFD. This includes further refining scenario-based stress-testing methodologies. These efforts are led by our cross-divisional teams within the Risk Control organization, and led by the Environmental and Social Risk Unit and presented to both the Global ESR Committee and the CCRC (BoD committee). □
- As UBS plans to further align our disclosure within the five-year pathway outlined by the Task Force on Climate-related Financial Disclosures (TCFD), we will continue to better understand if and how CC may impact UBS as a whole.
- On an asset level (products and services, client portfolios, transactions, etc.): We seek to protect our clients', and our own, assets from climate change risks, within our sphere of influence. We are determined to understand the risks that our clients', and our own, assets are exposed to in the context of uncertain policy and technology developments addressing climate change.
- On an ongoing basis, Internal environmental experts identify new and emerging climate-related risks and UBS exposure to these risks through systematic monitoring of news, stakeholder expectations (investors, shareholders, current and emerging regulation, NGOs, etc.), climate change science (e.g. scenario analysis, new science publications), and other climate-related societal challenges. Reviews are also presented the Global Environmental and Social Risks Committee for assessment and potential decision on mitigating action(s).
- On an annual basis Environmental and Social Risk Unit coordinates a systematic materiality assessment in accordance with the ISO 14 001 standard (assured) and report of all business divisions and all products and services within the divisions, to assess if and where products may have an impact on the climate (and/or environment) and/or pose a risk (financial, reputational, etc.) to UBS (rated on severity and frequency, where frequent and/or severe environmental risks are defined as having a substantive impact).
- We prioritize and substantiate the materiality risks and opportunities by focusing on the impact of climate change and on our exposure to the risk, considering factors such as the product, service, client base, etc. The process to prioritize environmental/CC risks and opportunities is defined within our environmental management system (EMS). Each business division assesses and rates the potential for risks/ opportunities arising in the products and services offered according to a step-by-step procedure of evaluation and ranking, review and approval, and documentation.
- Operationally, our standard risk, compliance and operations processes involve procedures and tools for identifying, assessing and monitoring environmental and social risks. These include client onboarding, transaction due diligence, product development and investment decision processes, own operations, supply chain management and portfolio reviews. These processes are geared toward identifying clients, transactions or suppliers potentially in breach of our standards or otherwise subject to significant environmental and human rights controversies, including climate change.

C2.2c

(C2.2c) Which of the following risk types are considered in your organization's climate-related risk assessments?

Relevance & inclusion	Please explain

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	As a public bank, with corporate clients who rely on the bank to finance their activities in a range of sectors, UBS is both directly and indirectly exposure to climate change regulation both designed to constrain the impacts of climate change and promote adaptive response to climate change impacts. UBS routinely assesses impact of current regulation directly on UBS operations and indirectly through regulation in sectors where UBS has clients and therefore is exposed. Assessments are conducted annually through UBS environmental management system (EMS). For example, in the US the Clean Power Plan (US EPA) impacts UBS lending and underwriting to power utility clients. ESR through its ongoing risk monitoring and assessment process identifies that this regulation could impact our clients within the Investment Bank, and then assesses the potential impact to UBS by quantifying UBS exposure to carbon-intensive power utilities in the region. Results and any following recommendations were then reported to the Global ESR Committee, chaired by Group Chief Risk Officer. UBS continues to monitor the impact this regulation may have on its power utility clients.
Emerging regulation	Relevant, always included	As a public bank with corporate clients who rely on the bank to finance their activities in a range of sectors, UBS is both directly and indirectly exposure to climate change regulation both designed to constrain the impacts of climate change and promote adaptive response to climate change impacts. UBS routinely identifies and assesses risks from emerging regulation risks, through its environmental management system (EMS) with ongoing monitoring of regulatory developments coordinated through experts within individual business units and the Environmental Social Risk Unit, with quarterly updates to the Global ESR Committee. For example, in the EU the European Commission Action Plan (recently published) recommends a series of regulatory responses within the EU in response to growing climate risks. These include, for example, codifying the TCFD recommendations for mandatory reporting by banks, and developing a green and brown supporting factor in the capital adequacy requirements of banks (as governed by banking regulators). UBS Environmental and Social Risk Unit identified this emerging regulation through news monitoring and industry engagement. Once identified, the risk was assessed in partnership with UBS Group Governmental Affairs Unit. The assessment analyzed the impact of the proposed regulations on UBS business and climate strategy and the assessment then was presented to the Global ESR Committee.
Technology	Relevant, sometimes included	As a bank exposed to corporate clients in various sectors, which may be exposed to technology risks which alter the competitive landscape of the sector, UBS is directly and indirectly exposed to technology risks. UBS evaluates the impact of such technological shifts when relevant, notably through scenario analysis efforts. For example, in our efforts to align with the TCFD recommendations, UBS has partnered with 16 banks and the greater Integrated Assessment Modeling community (e.g. scientific partners Potsdam Institute for Climate Impact Research and the International Institute for Applied Systems Analysis) to translate 2 and 1.5 degree climate scenarios, which contain technology and policy risk factors, into impacts in specific sectors and subsequently impacts on bank balance sheets (loan books in such sectors). Technology risks, such as the rise of electric vehicle/battery technologies in the automotive sector or energy storage technology advancement impacts on the power utility sectors, were analyzed by UBS, based on the makeup (quality of names) in our own portfolio. Results were summarized and communicated to senior management.
Legal	Relevant, sometimes included	As a bank exposed to clients in various sectors, some (like energy) which carry carry higher exposure to carbon-related assets and therefore transition risks, UBS plays a role when underwriting new public debt and equity issuances. These issuances are required to contain faithful disclosures of all material risks. In its role as an advisor, and within UBS, this risk is assessed. Where risks may be material, a recommendation is made to the client to include such disclosures in their offering prospectus. This risk is assessed when conducting transactional due diligence.
Market	Relevant, sometimes included	As a bank exposed to corporate clients in various sectors, including raw materials, clients may be exposed to market risks to their goods, commodities, or other products and services. Where clients have exposure to such shifts, UBS is also indirectly exposed to these market risks through our clients and strategy. UBS manages this risk through both ongoing monitoring of market developments in key markets (e.g. energy or palm oil production), with quarterly assessments of materiality and/or reporting to the Global ESR Committee. UBS also regularly reviews sensitive sectors and activities prone to bearing environmental and social risks. We assess client exposure and revenue in such sectors and attempt to benchmark the portfolio quality against regional and or sector averages. Such portfolio reviews give us an accurate aggregated exposure profile and an enhanced insight into our transaction and client onboarding processes. Based on the outcome of these reviews, we can explore ways to improve the future portfolio profile along a range of risk parameters. For example, in the palm oil sector, UBS review of market developments in the sector found that demand for products developed in accordance with the 'No Deforestation, No Peat and No Exploitation' (NDPE), which is increasingly being adopted in the palm oil sector. As a result, the Global ESR Committee took action, and UBS has adopted the standard in its banking practices with clients in the sector.
Reputation	Relevant, always included	Reputation is one of UBS' most valuable assets, key to the success of a global financial firm and to its brand. The firm's Code of Conduct & Ethics underscores the vital importance of protecting and advancing UBS' reputation (and also makes explicit reference to UBS' "constantly looking for better ways to do business in an environmentally sound and socially responsible manner"). Climate change (CC) involves certain reputational risks if not properly addressed, notably through negative stakeholder perceptions of UBS. More concretely, UBS' approach to CC directly affects whether or not, respectively at which level, UBS is listed in indices and ratings related to Environmental, Social and Governance (ESG) topics, how the firm is viewed by rating & research agencies in general, and whether UBS remains a credible investment for those investors sensitive to sustainability issues. In 2017 UBS continued to face reputational risks, in the context of Climate Change, specifically around stakeholders criticizing banks, incl. UBS, for providing finance to companies active in the production and burning of fossil fuels such as coal. At the same time, UBS' climate action can also create positive reputational impact, as demonstrated by the firm being rated second-best in investor organization ShareAction's December 2017 report. Input on our UBS and Society strategy and activities (incl. CC) are regularly sought from employees, including via a large, internal UBS and Society Forum of employees from across all business regions and business divisions. Our approach to society and the environment is guided by our understanding of the concerns of our diverse stakeholders. The Corporate Culture and Responsibility Committee therefore regularly reviews stakeholder expectations and concerns about these areas, including CC. We regularly engage with a wide range of stakeholders and many significant external organizations via a range of means of exchange, (incl. significant meetings such as UBS' AGM at which topics like CC are regularly addressed). In 2017 we conducted a survey, which was completed by nearly 1,600 stakeholders (with clients making up nearly half of this amount). We also included a question on the SDGs in the survey. Stakeholders were asked which SDGs UBS should contribute most to, and the most frequent response was quality education, followed by climate action.

	Relevance & inclusion	Please explain
Acute physical	Relevant, sometimes included	More frequent extreme weather conditions (Typhoons, Hurricanes) may have an adverse impact on UBS locations. This may increase the need for higher insurance coverage and lead to increased costs for UBS. Additionally, the combination of such factors are exacerbated by climate change (severity and intensity) continue to be an increasing threat to UBS production and continuity of business. Business Continuity Management, within UBS, established to manage these risks and is particularly important in key areas where concentration of knowledge, revenues, product delivery, premises, systems and infrastructure creates a high level of risk to the organization. Critical locations get an annual Threat and Vulnerability Assessment (TVA) to identify such threats based on relative severity and likelihood. The output of the key risks and their mitigation status is reviewed annually and documented in the "Location Risk Profile" to ensure that we address specific risk such as extreme weather events for all global critical locations. We have business continuity (BC) plans in place covering people, processes and technology. These are tested on a regular basis for survival and business critical activities.
Chronic physical	Relevant, sometimes included	As a global bank exposed to corporate clients around the world, UBS is both directly and indirectly exposed to the impacts incremental climate change. Incremental changes in climate (such as rising temperatures and changes in precipitation patterns) can affect economic output and productivity, and exacerbate other weather events that can lead to damage, operational downtime and lost production for fixed assets, and potential changes to property value. Incremental changes have the potential to gradually erode the financial performance of entire borrower segments. Insofar as we are exposed to these businesses in investment or loan portfolios this may affect our assets. This may have a devaluating effect on the assets we hold in our portfolio (lending portfolio and securities we hold). In order to manage our own (direct to UBS), and our clients', risk (indirect to UBS) derived from physical risks associated with incremental climate change, we have previously performed top-down stress tests (modeled on increased frequency of extreme weather events, affected by incremental climate change), and in 2017, we jointly (with UNEP-FI and 16 other banks) developed a methodology for a physical climate risk assessment. The methodology examines risks from incremental (e.g. increasing temperatures) climate change on our loan portfolio. We piloted the effort on our utilities portfolio and published a subsequent case study in a joint report in 2018.
Upstream	Relevant, always included	Upstream risks are defined as climate-related risks embedded in UBS supply chain operations. Regulatory, legal, reputational, and physical risks are which are included in UBS ongoing risk assessments with mitigating policy decisions taken at the senior committee level. Policies are then embedded in the UBS Responsible Supply Chain Management (RSCM) framework (operational assessment implementation). The RSCM framework includes an impact assessment of newly sourced goods and services, which takes into account potential environmental/climate impacts along the lifecycle of a product or a service, and all purchased goods and services are categorized accordingly. Suppliers of potentially high-impact goods or services, are requested to conduct a self-assessment on their responsible management practices and to provide corresponding evidence. UBS applies the RSCM framework: incl. environmental criteria for the procurement of goods and services. UBS sourcing and procurement is done by Chain IQ, which performs supplier due diligence and establishes remediation measures, supported by experts within UBS. Evaluation of energy efficiency and carbon emissions are included in the RSCM background checks. In 2017 remediation measures were requested for 23% of 155 suppliers of newly-sourced goods or services with potentially high impacts to improve their adherence to our RSCM framework, which includes energy efficiency standards.
Downstream	Relevant, always included	Notably, UBS is exposed to downstream risks through stakeholder perception/reputational risks of UBS responsible management of climate-related issues. Additionally, UBS financing of carbon-intensive industry further exposes UBS to downstream reputational concerns. For example, In 2017 UBS continued to face reputational risks, in the context of Climate Change, specifically around stakeholders criticizing banks, incl. UBS, for providing finance to companies active in the production and burning of fossil fuels such as coal and was approached by investor organization ShareAction (representing ~\$2 Trillion in assets under management) on the topic. Reputation is one of UBS' most valuable assets, key to the success of a global financial firm and to its brand. The firm's Code of Business Conduct & Ethics underscores the vital importance of protecting and advancing UBS' reputation (and also makes explicit reference to UBS' environmental commitment). Climate change (CC) involves certain reputational risks if not properly addressed, notably through negative stakeholder perceptions of UBS. More concretely, UBS' approach to CC directly affects whether or not UBS is listed in indices and ratings related to Environmental, Social and Governance (ESG) topics, how the firm is viewed by rating & research agencies in general, and whether UBS remains a credible investment for those investors sensitive to sustainability/ESG issues. Our approach to corporate responsibility (CR) is guided by our understanding of the expectations and concerns of our diverse stakeholders (investors, shareholders, NGOs). This requires regular and multi-faceted interactions with stakeholders via a range of means of exchange, (incl. significant meetings such as UBS' AGM at which topics like CC are regularly addressed).

C2.2d

(C2.2d) Describe your process(es) for managing climate-related risks and opportunities.

Our commitment is implemented through a firm-wide management system steered by defined measurable objectives. Their achievement is reviewed on a semi-annual basis by the Head of UBS and Society, and on an annual basis by the Corporate Culture and Responsibility Committee, a BoD committee.

- As outlined in the UBS and Society Policy, UBS manages climate change risks and opportunities Within the parameters set by the CCRC, climate-related opportunities are overseen by the UBS and Society Operating Committee, and climate change risks by the Global Environmental and Social Risk (ESR) Committee. The CCRC regularly and critically reviews the assessments and steps taken by these management bodies towards executing the climate change strategy. It approves UBS's annual climate change objectives and plans and decides on the progressive alignment of our climate change disclosure pathway, with TCFD's recommendations. These annual objectives and plans are managed as part of our ISO 14001 certified environmental management system (EMS) with defined management accountabilities across the firm.
- The EMS helps us to systematically reduce environmental risks, seize climate change / environment-related market opportunities and to continuously improve UBS's climate change / environmental performance and resource efficiencies and is established according to the ISO14001 standard and codified in the UBS ISO14001 manual. This certificate attests that UBS's management system is an appropriate tool for evaluating compliance with the relevant environmental regulations, achieving self-defined environmental objectives, and maintaining continual improvement of environmental performance.
- The EMS, structured in an annual cycle consisting of planning, implementation, controlling and review including corrective actions, applies world-wide to all transactions, services and activities involving CC/environmental issues entered into by or on behalf of UBS, with quarterly monitoring and reporting to the Global ESR Committee. Banking activities and in-house operations must be conducted in compliance with this policy. All types of material risks and opportunities are in-scope (including regulatory, customer behavior changes, reputational and weather-related). □
- We prioritize risks and opportunities by focusing on the impact of climate change and on our exposure to the risk, considering factors such as the product, service, client base, etc. The process to prioritize environmental/CC risks and opportunities is defined within our environmental management system, as well. Each business division assesses and rates the potential for risks/ opportunities arising in the products and services offered according to a step-by-step procedure of evaluation and ranking, review and approval, and documentation. □
- For example, in order to manage our own, and our clients', risk derived from transition risks associated with climate change and better understand UBS exposure to transition risks within specific product lines (asset-level) and at the company-level as a whole, we have performed both top-down balance sheet stress testing, as well as targeted, bottom-up analysis of specific sector exposures. In doing so, we identified challenges ranging from the suitability of climate scenarios for banking risk modelling to data availability. To address these challenges, we have committed to work towards alignment and knowledge-sharing within the industry. Sixteen banks, including UBS and the UN Environment Programme Finance Initiative (UNEP FI) have partnered to collaboratively develop analytical tools that will help banks disclose their exposures to climate-related risks and opportunities as envisioned by the TCFD. This includes further refining scenario-based stress-testing methodologies.
- Another way that UBS considers physical climate risks within its in-house operations. UBS responds to these risks by ensuring that our infrastructure is not only efficient but also highly resilient in order to cope with current and future demands likely to be placed upon it. UBS plans for potential disruptions to its business, from adverse weather events, with its Business Continuity Management (BCM) unit. For example, due diligence processes on any new vendor would routinely include a Threat and Vulnerability Analysis. It is essential that vendors performing critical activities on behalf of UBS have appropriate Business Continuity Management (BCM) arrangements in place for addressing the risks associated with the locations in which they operate, and for internal UBS departments to understand these critical dependencies.

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Transition risk

Primary climate-related risk driver

Policy and legal: Increased pricing of GHG emissions

Type of financial impact driver

Policy and legal: Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

Company- specific description

• UBS is directly affected by various regulatory drivers targeting energy efficiency or reducing CO2 emissions. Such regulation may include, fuel or energy taxes and regulation, mandatory carbon tax schemes and regulation of buildings in terms of energy efficiency, affecting our costs for energy incurred by our buildings (i.e. heating, cooling, lighting, IT, etc.). As UBS operates (and occupies) buildings in many countries, regulation directly affects our operational costs, specifically, in Switzerland, UBS is mandated to pay its share of the Swiss CO2 levy, while in the UK UBS is subject to the Carbon Reduction Commitment scheme.

Time horizon

Current

Likelihood

Virtually certain

Magnitude of impact

Low

Potential financial impact

1400000

Explanation of financial impact

• Taxes applied to energy use and CO2 emissions from commercial buildings may present increasing operational costs. For example, under the Carbon Reduction Commitment (CRC) scheme in the UK, UBS bought carbon certificates for emitting 19,551 tonnes in the reporting year 2017 which amounted to paying approx. CHF 400k (GBP 310k - @GBP 16.10 /CHF 21 per Tonne in 2017). All CO2 emissions (and initiated reduction efforts) directly affect these costs. If we assume similar programs will come into effect in other European countries, the potential financial impact per year would be approx. CHF 1.4 million (CHF 20 per tonne for approx. 70'000 tonnes of CO2 emissions from our European locations)

Management method

• UBS seizes the opportunity to save energy through its energy efficiency initiatives prioritized through UBS' ISO 14001 certified environmental management system (EMS). (1) Building control: steering groups sanction changes in building operations, incl. operational run times for central building plant & equipment/ data center facilities. Energy consumption for our buildings is the largest contributor to our CO2 emissions which we reduced by 59% between 2004 and 2017 , towards a target of 75% reduction by 2020. (2) Improvements in building design/ investment in infrastructure: we seek opportunities to invest in infrastructure with the purpose of reducing operating cost. As part of our efforts to meet our RE100 objectives, in, in 2017 56.0% of UBS' worldwide electricity consumption was sourced from renewable energy. (3) UBS applies a Responsible Supply Chain Management (RSCM) framework: incl. environmental criteria for the procurement of goods and services. UBS sourcing and procurement is done by Chain IQ, which performs supplier due diligence and establishes remediation measures, supported by experts within UBS. Evaluation of energy efficiency and carbon emissions are included in the RSCM background checks. in 2017 remediation measures were requested for 23% of 155 suppliers of newly-sourced goods or services with potentially high impacts to improve their adherence to our RSCM framework, which includes energy efficiency standards.

Cost of management

187000000

Comment

Costs are related to investments in energy efficiency measures and potentially higher costs for new (sustainable) buildings and equipment. In 2017, UBS purchased property and equipment for a total of CHF 187m (own used properties, leasehold improvements, IT hardware and communication) including energy efficiency investments. Zero marginal cost as it is integrated within existing building infrastructure control.

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Customer

Risk type

Transition risk

Primary climate-related risk driver

Policy and legal: Increased pricing of GHG emissions

Type of financial impact driver

Market: Re-pricing of assets (e.g., fossil fuel reserves, land valuations, securities valuations)

Company- specific description

• Air pollution regulations limits contribute to climate change (CC) mitigation by limiting GHG emissions, in particular CO₂. For example the EU has committed, with legally-binding resolution, to at least a 40% reduction of CO₂ emissions by 2030 on 1990-levels (INDC). • As a global financial services firm active in wealth management (WM), asset management (AM) and investment banking (IB), UBS can be affected indirectly such limits as they may impact business operations of our corporate clients. E.g., air pollution limits could present a risk for UBS clients in GHG intensive industries, e.g. utilities/energy generation, or basic materials. • Companies in GHG intensive sectors that are unprepared for regulatory changes could suffer increasing costs and/or a major declining demand for their goods and services with a negative impact on revenues and financial condition. Insofar as we are (indirectly) exposed to fossil fuel intensive businesses in investment or loan portfolios this may affect our own and our clients' assets. This may have a devaluating effect on the assets we hold in our portfolio (lending portfolio and securities we hold). The final impact may be an increase in capital costs as the capital buffer may have to be augmented to mitigate the risk • UBS seeks to better understand this indirect risk by advancing methodologies in 2 degree and lower scenario analysis. 2 degree scenarios used by UBS and developed by the research community (e.g. IEA, Potsdam Institute for Climate Impact Research, and the International Institute for Applied Systems Analysis as a few examples) describe an evolving economic environment in a consistent manner across time, sectors, and geographies. Scenarios provide detailed outputs which help assess the economic impact on sectors. One key output that reflects how carbon emissions would be constrained in future emissions pathways, to meet the warming target is a policy shift that enacts carbon pricing.

Time horizon

Medium-term

Likelihood

More likely than not

Magnitude of impact

Low

Potential financial impact

6500000

Explanation of financial impact

• A fraction of UBS total exposure to carbon-related assets (TCFD: balance sheet exposure to carbon-related power, oil & gas, and coal assets), which was calculated as 2.8% or 6.5bn of UBS total net credit exposure in the Investment Bank and Personal and Corporate banking divisions (end of 2017). The financial implications of not taking into account regulatory risks in our investment or lending decisions involves reduced financial performance of carbon-related assets, as a result of increased costs from carbon pricing (direct or indirect). Direct financial impacts on those borrowers, could result in credit events (e.g. credit downgrades). Potential impacts to UBS are a fraction of the total UBS exposure to carbon-related assets. • UBS follows this TCFD recommendation to measure and disclose its exposure to "carbon-related" assets in order to foster an early assessment of climate-related risks and facilitate market discipline* amongst other systemic rationale identified by the FSB.

Management method

• We seek to protect our and our clients' assets from climate change risks by limiting our risk appetite for carbon-related assets and by estimating our firm's vulnerability to climate change risks using scenario-based stress testing approaches and other forward-looking analyses. • In order to manage our own, and our clients', risk derived from both the physical and transition risks associated with climate change, we have performed both top-down balance sheet stress testing, as well as targeted, bottom-up analysis of specific sector exposures. In doing so, we identified challenges (e.g. the suitability of climate scenarios for banking risk modelling to data availability). To address these gaps, we have committed to work towards alignment and knowledge-sharing within the industry, including developing analytical tools that will help banks disclose exposures to climate-related issues as envisioned by the TCFD. This includes further refining scenario-based stress-testing methodologies. • We limit our risk appetite through our standards, and UBS is committed to: • Limit financing for new coal-fired projects to those outside of high-income OECD countries and that use high-efficiency, low-emissions technologies. And only transacting with coal-fired operators that use such technologies or who have a strategy to reduce coal dependency. Restrict lending and capital raising for the coal-mining sector as a whole. And, support clients' to achieve "zero deforestation" in supply chains.

Cost of management

500000

Comment

• Overall cost of management is integrated in existing risk management processes, but there are additional direct costs in

developing capabilities. 500k represents staff resources and direct project spend. • **The financial implications of not taking into account regulatory risks in our investment or lending decisions involves reduced financial performance of carbon-related assets, as a result of increased costs from carbon pricing (direct or indirect). • **The TCFD suggests banks define carbon-related assets as those assets tied to the energy and utilities sectors under the Global Industry Classification Standard, excluding water utilities and independent power and renewable electricity producer industries, which UBS has done here.

Identifier

Risk 4

Where in the value chain does the risk driver occur?

Customer

Risk type

Transition risk

Primary climate-related risk driver

Market: Changing customer behavior

Type of financial impact driver

Market: Reduced demand for goods and/or services due to shift in consumer preferences

Company- specific description

• Clients increasingly ask UBS for products and services which protect them from climate-related risks. If UBS does not provide such solutions, we run the risk of losing such business and seeing a reduction in demand for UBS investment products. • UBS believes the transition to a low carbon economy is vital, and therefore we are focused on supporting our clients in preparing for success in an increasingly carbon constrained world. As a leading global financial services provider, UBS does this in several ways. One way is by protecting UBS clients' assets from climate-related risks. UBS supports our client's efforts to assess, manage and protect them from climate-related risks by offering innovative products and services in investment, financing and research.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium-low

Potential financial impact

7200000000

Explanation of financial impact

• 2.3% of total invested assets, or CHF 72bn by end 2017, represents climate-related investments allocated to products and services innovated by UBS, and upon which UBS derives revenues in the form of management fees, which protect asset owners from climate-related transition risks (risk-aware investments). This is in response to client demand. The financial risk to UBS is losing these AuM (and related revenues) if UBS did not innovate products and services to meet this client demand, and develop the approach, methodology, and tools for clients to mitigate climate-related risks in their investments. Additionally, there is an intangible component, loss of market share, competitive positioning, failure to qualify for RFP for new business, associated with not managing the risk.

Management method

• We support our client's efforts to assess, manage and protect them from climate-related risks by offering innovative products and services in investment, financing and research. Two key examples of how UBS innovates products and services for its clients, to protect their assets from climate-related risks include: • In 2017, our Asset Management business launched an innovative climate aware rules-based fund for UK investors. The portfolio is oriented towards companies that are better prepared for a low carbon future while reducing exposure to, rather than excluding, companies with higher carbon risk, in order to pursue strategic engagement with these companies. The strategy involves not only a reduction of the CO2 footprint of the portfolio but also an innovative approach to aligning the portfolio with the two degree carbon reduction scenario in the future. • We recognize that building efficiency regulations and standards may impact UBS indirectly through our real estate investment portfolio. The Real Estate (RE) team factors CC regulation as it may create additional costs (contractual penalties through emissions trading or tax incentives, increased obsolescence of older buildings = CAPEX, higher vacancy in less efficient buildings) and potentially have an impact on the valuation of Real Estate funds offered through UBS to its clients. RE assesses current and/or future financial effects by including such risks in standard calculations and in the complete deal value chain.

Cost of management

30000000

Comment

Costs: No additional costs of management but done within standard processes in UBS and Society. Hence employees are the main cost driver for UBS to manage this risk and innovate products and services. UBS employed 108 full-time specialists in the UBS and Society, by the end of 2017 at an estimated cost of approximately 30m CHF.

Identifier

Risk 5

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Physical risk

Primary climate-related risk driver

Acute: Increased severity of extreme weather events such as cyclones and floods

Type of financial impact driver

Increased insurance premiums and potential for reduced availability of insurance on assets in "high-risk" locations

Company- specific description

• UBS has experienced higher than average rain and storms in the form of typhoons and hurricanes which may impact the continuity of business, but also increase the need for higher insurance coverage to cover impacts to UBS locations and buildings. More frequent extreme weather conditions (Typhoons, Hurricanes) may have an adverse impact on vulnerable UBS locations (buildings).

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Low

Potential financial impact

500000

Explanation of financial impact

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

Management method

• UBS responds to these risks by ensuring that our infrastructure is not only efficient but also highly resilient in order to cope with current and future demands likely to be placed upon it. UBS also plans for potential disruptions to its business, from adverse weather events, with its Business Continuity Management (BCM) unit. For example, due diligence processes on any new property acquisition would routinely include a Threat and Vulnerability Analysis. In order to minimize insurance related costs from natural catastrophes, UBS Group Insurance Management (GIM) identifies potential risks by collecting data on all insurable physical assets (e.g. buildings, IT, content, securities, banknotes, precious metals etc.). Together with external natural catastrophe experts and actuaries, GIM conducts specific risk assessments every 3 to 5 years based on the risk from natural catastrophes. Risks linked to CC that are currently taken into account under this framework include European windstorms, US east coast hurricanes and typhoons in the Asia Pacific region. For example, precipitation events in southeast Asia, specifically Cyclone Vardah in Chennai, India, resulted in invocation of Business Continuity Management (BCM) arrangements. Specifically, 3rd party vendors Tech Mahindra and HCL were invoked to support Finance and Asset Management businesses, resulting in no residual impacts as successful implementation of BCM.

Cost of management

100000

Comment

• Costs: Approximately CHF 100k every 3 to 5 years as a result of Group Insurance Management (GIM) risk assessments, as described under Management Method.

Identifier

Risk 6

Where in the value chain does the risk driver occur?

Direct operations

Risk type

Physical risk

Primary climate-related risk driver

Chronic: Changes in precipitation patterns and extreme variability in weather patterns

Type of financial impact driver

Reduced revenue from decreased production capacity (e.g., transport difficulties, supply chain interruptions)

Company- specific description

• UBS experiences a growing threat from a combination of various physical climate-risk factors, i.e. heavy storms and flooding (extreme weather events), exacerbated by incremental climate change (e.g. sea level rise), at UBS locations like New York City, Weehawken and Jersey City, and for some locations in the Asia Pacific region, such as Philippines, Indonesia, India, Thailand and certain parts of Australia. UBS office facilities located in these vulnerable areas pose an increasingly threat to UBS production capacity (office impacts). UBS employs its Business Continuity Management (BCM) team, who has an appropriate set of responses in order to mitigate the risk from such events.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Low

Potential financial impact

10000000

Explanation of financial impact

• UBS estimates a 1/100 years event US wind storm to generate a potential of CHF 10m (expected to increase), from e.g business disruption, personnel not being able to work, loss of clients and/or loss of not being able to conduct business affected the entire industry in an affected location.

Management method

• Business Continuity Management, within UBS, established to manage these risks and is particularly important in key areas where concentration of knowledge, revenues, product delivery, premises, systems and infrastructure creates a high level of risk to the organization. Critical locations get an annual Threat and Vulnerability Assessment (TVA) to identify such threats based on relative severity and likelihood. The output of the key risks and their mitigation status is reviewed annually and documented in the "Location Risk Profile" to ensure that we address specific risk such as extreme weather events for all global critical locations. • We have business continuity (BC) plans in place covering people, processes and technology. These are tested on a regular basis for survival and business critical activities. Crisis Management Plans are exercised with extreme weather scenarios for locations with a history of extreme weather events. Specific extreme weather scripts have been developed in the APAC and the Americas regions to allow for efficient preparation of such events, also for the smaller locations where no BC team is available. Additionally, contingency plans are being developed for weather related events, if it is felt that these events cannot be addressed by the standard BC plans. An example would be the Contingency Plan for the Haze in Singapore. Similarly, a hurricane crisis preparation plan exists for the Eastern seaboard of the United States.

Cost of management

50000000

Comment

Business Continuity Management (BCM) related costs to UBS include mainly the annual global run costs (approx. CHF 50m) which are composed of costs for dedicated recovery seating, the spend on BCM tools and BCM head-count (not including in-built IT capabilities).

Identifier

Risk 7

Where in the value chain does the risk driver occur?

Supply chain

Risk type

Physical risk

Primary climate-related risk driver

Chronic: Changes in precipitation patterns and extreme variability in weather patterns

Type of financial impact driver

Reduced revenue from decreased production capacity (e.g., transport difficulties, supply chain interruptions)

Company- specific description

• Extreme weather events may play a role in affecting UBS businesses, as UBS relies on a network of business vendors (footprint of UBS critical activities being undertaken) in regions impacted by heavy rains (e.g. Monsoons). Recently, UBS has seen an increase in the risk that heavy rains and/or typhoons, for example, may reduce production capacity of UBS critical vendors, as a result of both a changing climate (increased severity and frequency) and as a result of an increase of UBS's dependence on Vendors operating in vulnerable regions, notably southeast Asia and India. Left unmanaged, these climate-related risks may pose a business continuity risk to UBS.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Low

Potential financial impact

10000000

Explanation of financial impact

• UBS estimates a 1/100 years event US wind storm to generate a potential of CHF 10m (expected to increase), from e.g business disruption, personnel not being able to work, loss of clients and/or loss of not being able to conduct business affected the entire industry in an affected location.

Management method

• It is essential that vendors performing critical activities on behalf of UBS have appropriate Business Continuity Management (BCM) arrangements in place with UBS for addressing the risks associated with the locations in which they operate, and for internal UBS departments to understand these critical dependencies. • Previously, precipitation events in southeast Asia, specifically Cyclone Vardah in Chennai, India, resulted in invocation of BCM arrangements. Specifically, 3rd party vendors Tech Mahindra and HCL invocation to support Finance and Asset Management businesses, with no residual impacts as successful implementation of BCM. The BCM Vendor Framework identifies key touch points in the sourcing lifecycle impacting BCM, and outlines relevant roles and responsibilities, focusing specifically on critical vendors.

Cost of management

50000000

Comment

Vendor Business Continuity Management (BCM) arrangement costs are built into the original contract. Other BCM related costs include mainly the annual global run costs (approx. CHF 50m) which are composed of costs for dedicated recovery seating, the spend on BCM tools and BCM head-count (not including in-built IT capabilities).

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Customer

Risk type

Physical risk

Primary climate-related risk driver

Chronic: Changes in precipitation patterns and extreme variability in weather patterns

Type of financial impact driver

Write-offs and early retirement of existing assets (e.g., damage to property and assets in "high-risk" locations)

Company- specific description

• UBS is exposed to businesses through our investment or loan portfolios, where physical climate risks may affect those businesses and their assets and therefore the balance sheet of UBS. More specifically, impacts from incremental climate change (gradual erosion of financial performance of our borrowers) and extreme weather events (direct impacts on production at our clients) may have a devaluating effect on the assets UBS holds in our portfolio (lending portfolio and securities we hold). • Incremental changes in climate (such as rising temperatures and changes in precipitation patterns) can affect economic output and productivity, while extreme events can lead to damage, operational downtime and lost production for fixed assets, and potential changes to property value. Extreme events, which are increasing in both frequency and intensity, often attract more attention as

their impacts are more apparent. However, the risks from incremental changes, which are already underway, should not be overlooked. Extreme events may only occur in specific locations (such as floodplains or tropical cyclone regions) and require banks to have the ability to assess the probability of their borrowers being impacted by these events. In contrast, incremental changes have the potential to gradually erode the financial performance of entire borrower segments.

Time horizon

Medium-term

Likelihood

About as likely as not

Magnitude of impact

Low

Potential financial impact

15420000000

Explanation of financial impact

• CHF 154.2 billion represents the value of UBS assets (loans) to high-risk sectors at the end of 2017, and thus actual impacts would be a fraction of the total potential impact. High-risk sectors here defined through UBS collaboration within 16-bank working group, who reviewed and prioritized Agriculture, Energy, and Real Estate sectors as sectors with higher material physical risks to member banks. UBS does not have material exposure to Agriculture, in this sense.

Management method

• In order to manage our own, and our clients', risk derived from both the physical and transition risks associated with climate change, we have performed both top-down balance sheet stress testing, as well as targeted, bottom-up analysis of specific sector exposures. • In 2017, we jointly (with UNEP-FI and 16 other banks) developed a methodology for a physical climate risk assessment. The methodology examines risks from both incremental (e.g. increasing temperatures) and extreme weather events on our loan portfolio. We piloted the effort on our utilities portfolio and published a subsequent case study. • Previously, we performed a top-down scenario-based stress test on UBS's balance sheet vulnerability, where a series of extreme weather events prompted a regulatory response. Financial impacts were moderate, while the biggest risk from severe weather events (i.e. physical risk) was damage to properties in Zurich due to concentration of assets. The operational income impact was minimal. • We also assessed potential impacts of increasing climate change regulations and extreme weather events scenarios on our energy and real-estate loan portfolios. The potential financial impact on UBS was moderate, primarily due to the short-term maturity profile of these loan portfolios and availability of insurance coverage for real estate. • UBS also conducted a bottom-up stress test of its energy lending portfolio in North America against the impacts of climate-change related drought.

Cost of management

500000

Comment

• Overall cost of management is integrated in existing risk management processes, but there are additional direct costs in developing the capabilities. 500k represents staff resources and direct project spend.

Identifier

Risk 8

Where in the value chain does the risk driver occur?

Customer

Risk type

Transition risk

Primary climate-related risk driver

Reputation: Increased stakeholder concern or negative stakeholder feedback

Type of financial impact driver

Reputation: Reduced revenue from decreased demand for goods/services

Company- specific description

• Reputation is one of UBS' most valuable assets, key to the success of a global financial firm and to its brand. The firm's Code of Conduct & Ethics underscores the vital importance of protecting and advancing UBS' reputation (and also makes explicit reference to UBS' "constantly looking for better ways to do business in an environmentally sound and socially responsible manner"). • Climate change (CC) involves certain reputational risks if not properly addressed, notably through negative stakeholder perceptions of UBS. More concretely, UBS' approach to CC directly affects whether or not, respectively at which level, UBS is listed in indices and ratings related to Environmental, Social and Governance (ESG) topics, how the firm is viewed by rating & research agencies in general, and whether UBS remains a credible investment for those investors sensitive to sustainability/ESG issues. In 2017 UBS continued to face reputational risks, in the context of Climate Change, specifically around stakeholders criticizing banks, incl. UBS,

for providing finance to companies active in the production and burning of fossil fuels such as coal. At the same time, UBS' climate action can also create positive reputational impact, as demonstrated by the firm being rated second-best in investor organization ShareAction's December 2017 report. For it, the organization (representing ~\$2 trillion Assets under Management) approached 15 European banks (including UBS) about their efforts to analyze and interpret climate-related risks in the context of their financing policies.

Time horizon

Short-term

Likelihood

More likely than not

Magnitude of impact

Low

Potential financial impact

666800000

Explanation of financial impact

• Implications are indirect (e.g. negative reaction of sustainability oriented clients/ investors, negative effect on recruiting). In the long term increased reputational risks could lead to loss of business and changes in regulation, which might impact UBS' business model. As of December 2017, UBS' market capitalization was CHF 66.68 billion. Reputational risks can impact how the firm is viewed by rating & research agencies in general and whether UBS remains a credible investment for investors sensitive to sustainability/ESG issues in the long term. Hypothetically, a 1% decrease in the share price due to reputational risk would decrease the market capitalization by approximately CHF 666.8 million. We do not expect direct financial implications associated with this risk driver in the short term.

Management method

• Our approach to sustainability is guided by our understanding of the expectations and concerns of our diverse stakeholders. This requires regular and multi-faceted interactions with stakeholders via a range of means of exchange, (incl. significant meetings such as UBS' AGM at which topics like CC are regularly addressed). • We Communicate: To provide sustainability information to our stakeholders, we maintain detailed information on our website about our CC commitment. We also actively engaged in internal and external education and awareness-raising on sustainability. • Input on our UBS and Society strategy and activities (incl. CC) are regularly sought from employees, including via a large, internal UBS and Society Forum of employees from across all business regions and business divisions. We also train employees on UBS and Society. • We Engage: Working together with investors and rating agencies, we considered key ESG topics such as climate change, while discussions with NGOs focused on the subjects of human rights, climate change, and the financing of controversial weapons. i. In 2017 we conducted a major online survey, which was completed by nearly 1,600 stakeholders (with clients making up nearly half of this amount). Stakeholders were asked which SDGs UBS should contribute most to, and the 2nd most frequent response was climate action. ii. During 2017, we continued our commitments with RSPO, Zurich Energy Model, Swiss Energy and Climate Summit, and RE100, et. al

Cost of management

30000000

Comment

Costs: No additional costs of management but done within standard processes in UBS and Society. Hence employees are the main cost driver for UBS to manage the risk. UBS employed 108 full-time specialists in UBS and Society, by the end of 2017 at an estimated cost of approximately 30m CHF. This includes related membership fees, communications costs, and assessments.

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Move to more efficient buildings

Type of financial impact driver

Reduced operating costs (e.g., through efficiency gains and cost reductions)

Company- specific description

• UBS is incentivized to reduce the carbon intensity of its energy supply and improve the efficiency of its energy demand. Climate change-related regulatory developments such as renewable energy regulation and fuel or general energy regulation and taxes support or enhance incentives that UBS faces to seek energy efficiencies, which in turn lead to cost savings for UBS' in-house operations and reduced emissions. For example, in the UK, UBS faces carbon costs related to the UK Carbon Reduction Commitment based on the amount of emissions UBS generates in the region.

Time horizon

Current

Likelihood

Virtually certain

Magnitude of impact

Low

Potential financial impact

4000000

Explanation of financial impact

• Regulatory opportunities can support or enhance the incentives to seek energy efficiencies which in turn lead to cost savings. They depend on the energy efficiency improvement and on energy prices. In 2017, we reduced our energy consumption, through seeking energy efficiencies, by more than 19% compared with 2012, thus outperforming our target of a 10% reduction by 2020. Energy efficiency investments resulted in estimated annual energy cost savings of approx. CHF 3.5 million in 2016 and 4.4 million in 2017. We estimate that we will approximately save an additional CHF 4 million in energy cost per year.

Strategy to realize opportunity

• UBS ISO14001 certified environmental management system (EMS) prioritizes energy efficiency and we seize the opportunity to save energy.(1) Building control: steering groups sanction changes in building operations, incl. operational run times for central building plant & equipment/ data center facilities. For example, in the UK where UBS reports energy consumption as part of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, UBS is working with its landlord to provide 70,000 sqm of new office space delivered against LEED and BREEAM standards with the aim to reduce CO2 emissions (and associated costs) from real estate portfolio. The new building (5 Broadgate, London) has been designed to consume 54% less energy than the buildings it replaces.(2) Improvements in building design/ investment in infrastructure: we seek opportunities to invest in infrastructure with the purpose of reducing operating cost. As part of our efforts to meet our RE100 objectives, in 2017 of UBS' electricity consumption was renewable.(3) UBS applies a Responsible Supply Chain Management (RSCM) framework: incl. environmental criteria for the procurement of goods and services. In remediation measures were requested for % of suppliers of newly-sourced goods or services with potentially high impacts to improve their adherence to UBS RSCM standards. Evaluation of energy efficiency and carbon emissions are included in the RSCM background checks.

Cost to realize opportunity

187000000

Comment

Costs are related to investments in energy efficiency measures and potentially higher costs for new (sustainable) buildings and equipment. In 2017, UBS purchased property and equipment for a total of CHF 187m (own used properties, leasehold improvements, IT hardware and communication) including energy efficiency investments. Zero marginal cost as it is integrated within existing building infrastructure control.

Identifier

Opp3

Where in the value chain does the opportunity occur?

Customer

Opportunity type

Products and services

Primary climate-related opportunity driver

Development of new products or services through R&D and innovation

Type of financial impact driver

Increased revenue through demand for lower emissions products and services

Company- specific description

• UBS supports clients' efforts (and requests for products) to assess, manage and protect them from climate-related risks by offering innovative investment products and services. UBS also identifies the investment needs involved in the transition to a low-carbon economy and mobilizes private and institutional capital towards investments facilitating climate change mitigation and adaptation. An estimated USD 85 trillion will be needed for low-carbon climate-resilient infrastructure investments by 2030, to meet the Paris agreement's goal to keep global average temperature increases well below 2 degrees C. (Brookings Institution (2018)).

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium-low

Potential financial impact

72000000000

Explanation of financial impact

• Climate-change related investments represent 2.3% of total invested assets, or 72bn CHF (2017). UBS benefits from revenues associated with the management of these investments, and collects these revenues in the form of fees based on the amount managed.

Strategy to realize opportunity

• Opportunities are identified through the UBS and Society organization, which is responsible for climate-related opportunities and managed through an annual review process of our environmental management system, which is ISO 14001 certified. This process reviews business opportunities in the pipeline that make a contribution to a low-carbon economy. Some examples of elements of this strategy: i. The 2017 Global Real Estate Sustainability Benchmark (GRESB) awarded ten of UBS Asset Management's real estate and infrastructure funds 5-star ratings, and seven funds ranked first in their respective peer groups. This was recognition for our efforts in defining and implementing a sustainable and Responsible property investment strategy. ii. In 2017, our Asset Management business launched an innovative climate aware rules-based fund for UK investors. The portfolio is oriented towards companies that are better prepared for a low carbon future while reducing exposure to, rather than excluding, companies with higher carbon risk, in order to pursue strategic engagement with these companies. The strategy involves not only a reduction of the CO2 footprint of the portfolio but also an innovative approach to aligning the portfolio with the two degree carbon reduction scenario in the future. iii. The UBS Clean Energy Infrastructure Switzerland strategy offers institutional investors unprecedented access to a diversified portfolio of Swiss infrastructure and renewable energy companies.

Cost to realize opportunity

30000000

Comment

• Costs for seizing this opportunity are linked to employee salaries and marketing costs. In 2017, UBS employed 108 sustainability specialists contributing to the UBS and Society initiative cost approx. CHF 30m.

Identifier

Opp4

Where in the value chain does the opportunity occur?

Customer

Opportunity type

Products and services

Primary climate-related opportunity driver

Development and/or expansion of low emission goods and services

Type of financial impact driver

Increased revenue through demand for lower emissions products and services

Company- specific description

• An estimated USD 85 trillion will be needed for low-carbon climate-resilient infrastructure investments by 2030, to meet the Paris agreement's goal to keep global average temperature increases well below 2 degrees C. (Brookings Institution (2018)). UBS identifies the financing needs involved in this transition and support the transition to a low-carbon economy as corporate advisor, and/or with our lending capacity • Any regulatory development such as renewable energy regulation and fuel or general energy regulation and taxes may offer opportunities for a bank to offer products & services for clients to prepare for a low-carbon economy. In the face of this regulatory development, clients' move towards increasing resource efficiency, while seeking to mitigate their own climate-regulatory risks. To help our clients clients prepare for a low-carbon economy, UBS intends to provide respective research, investment and financing capacities.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

Medium-low

Potential financial impact

48700000

Explanation of financial impact

• Financial implications are missed opportunities for the firm's revenues. In 2017, these potentially missed opportunities on the financing side mount to fees from our Investment Bank supporting clients that provide a positive contribution to climate change mitigation and adaptation, either in supporting in equity and debt capital market transactions or as financial advisor. • In 2017, the total deal value in equity or debt capital market services relating to these areas was CHF 43.3 billion, and CHF 5.4 billion in financial advisory services.

Strategy to realize opportunity

• We manage this opportunity by globally providing capital raising and strategic advisory services to companies offering products that provide a positive contribution to climate change mitigation and adaptation, including those in the solar, wind, hydro, energy efficiency, waste and biofuels, and transport sectors. • UBS has committed to supporting renewable energy and clean tech transactions, as part of its Climate Commitment. For example, We strive to be the preferred strategic financial partner relating to Switzerland's energy strategy 2050. And the UBS Clean Energy Infrastructure Switzerland strategy offers institutional investors unprecedented access to a diversified portfolio of Swiss infrastructure facilities and renewable energy companies. Due to client's demand, a successor strategy was launched in September 2017.

Cost to realize opportunity

29000000

Comment

• Costs for seizing this opportunity are linked to employee salaries and marketing costs. In 2017, UBS employed 108 sustainability specialists contributing to the UBS and Society initiative cost approx. CHF 30m.

Identifier

Opp5

Where in the value chain does the opportunity occur?

Customer

Opportunity type

Products and services

Primary climate-related opportunity driver

Development and/or expansion of low emission goods and services

Type of financial impact driver

Increased revenue through demand for lower emissions products and services

Company- specific description

• Various legislations have been introduced to promote sustainable buildings e.g. the EU Directive on Energy Performance of Buildings which aims to contribute to a reduction of 5-6% of the EU final energy consumption in 2020 and the amended environmental law passed in Switzerland in 2011 promoting sustainable renovation. Such regulatory developments increase awareness of buyers and tenants for energy efficiency and contribute to increasing consumer demand for efficient real estate and are likely to increase the value differential between sustainable and "non-sustainable" buildings. This creates demand for existing UBS products, such as our real estate investment portfolio, which we manage based on our Responsible Property Investment Strategy.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

Medium

Potential financial impact

61600000000

Explanation of financial impact

• The UBS Real Estate (RE) business is one of the largest industry-wide today. By end-2017 we had CHF 61.6bn in invested assets. Demand is measured by the upward trend in invested assets YoY and revenues derived from management fees as a portion of the full CHF 61.6bn.

Strategy to realize opportunity

• In asset management, Real Estate - RE has developed a Responsible Property Investment Strategy (RPI) to enhance investment performance of mandates for direct and in-direct real estate investments. RPI is implemented by all functions of the company during the entire ownership cycle of a project, from its development or acquisition to the ongoing asset management, maintenance and sale. A working group is responsible to promote the strategy, which factors climate change regulation. An example is the London office asset strategically located in Shoreditch, between Liverpool Street and Old Street underground stations within the city's emerging Tech City market. The asset is a 45,255 sq. ft., seven-story office building. UBS has incorporated sustainability into the building's design and development. This has led to a 30% improvement on target building CO2 emissions and the awarding of a "Very Good" BREEAM rating post-completion

Cost to realize opportunity

30000000

Comment

• Implementing the Responsible Property Investment Strategy does not create additional costs as it is integrated in the investment process. Specialist third party advisers selected to oversee the entire program across various regions. The cost of these engagements is borne by the funds/mandates where appropriate and managed through the UBS and Society organization. Costs for seizing this opportunity are linked to employee salaries and marketing costs. In 2017, UBS employed 108 sustainability specialists contributing to the environmental program cost approx. CHF 30mm in its UBS and Society organization.

Identifier

Opp2

Where in the value chain does the opportunity occur?

Customer

Opportunity type

Products and services

Primary climate-related opportunity driver

Shift in consumer preferences

Type of financial impact driver

Better competitive position to reflect shifting consumer preferences, resulting in increased revenues

Company- specific description

• Reputation is one of UBS' most valuable assets, key to the success of a global financial firm and to its brand. The firm's Code of Conduct & Ethics underscores the vital importance of protecting and advancing UBS' reputation (and also makes explicit reference to UBS' "constantly looking for better ways to do business in an environmentally sound and socially responsible manner"). • Increased awareness of climate change (CC) and the associated potential regulatory and physical impacts have galvanized a wide range of stakeholder expectations. Therefore, addressing changing stakeholder perceptions regarding CC is an opportunity for UBS to build its brand. This is an opportunity in Switzerland where UBS is headquartered but also in general as recognition of a strong brand is important to build client relationships globally.

Time horizon

Short-term

Likelihood

More likely than not

Magnitude of impact

Medium-low

Potential financial impact

666800000

Explanation of financial impact

• A strong reputation supports the attraction of prospective and retention of existing clients, which has an indirect financial implication and we expect this to become more important as the issue of climate change increases in importance. As of December 2017, UBS' market capitalization was CHF 66.8 billion. Reputation can impact how the firm is viewed by rating & research agencies in general and be relevant to attract investors sensitive to sustainability/ESG issues in the long term. Hypothetically, a 1% increase in the share price due to excellent reputation would increase the market capitalization by approximately CHF 666.8 million.

Strategy to realize opportunity

• Our approach to sustainability is guided by our understanding of the expectations and concerns of our diverse stakeholders. This requires regular and multi-faceted interactions with stakeholders via a range of means of exchange, (incl. significant meetings such as UBS' AGM at which topics like CC are regularly addressed). • We Communicate: To provide sustainability information to our stakeholders, we maintain detailed information on our website about our CC commitment. We also actively engaged in internal and external education and awareness-raising on sustainability. • Input on our UBS and Society strategy and activities (incl. CC) are regularly sought from employees, including via a large, internal UBS and Society Forum of employees from across all business regions and business divisions. We also train employees on UBS and Society. • We Engage: Working together with investors and rating agencies, we considered key ESG topics such as climate change, while discussions with NGOs focused on the subjects of human rights, climate change, and the financing of controversial weapons. i. In 2017 we conducted a major online survey, which was completed by nearly 1,600 stakeholders (with clients making up nearly half of this amount). Stakeholders were asked which SDGs UBS should contribute most to, and the 2nd most frequent response was climate action. ii. During 2017, we continued our commitments with RSPO, Zurich Energy Model, Swiss Energy and Climate Summit, and RE100, & other

Cost to realize opportunity

30000000

Comment

• Employees in communications and those involved in managing reputational issues and stakeholder concerns are the main cost driver. In 2017, UBS employed 108 sustainability specialists contributing to the environmental program cost approx. CHF 29m in its UBS and Society organization.

C2.5

(C2.5) Describe where and how the identified risks and opportunities have impacted your business.

	Impact	Description
Products and services	Impacted for some suppliers, facilities, or product lines	Climate change-related regulatory developments such as renewable energy regulation and fuel or general energy regulation and taxes offer opportunities for a bank to offer products & services for clients to prepare for a low-carbon economy because their demand for becoming more resource efficient or to mitigate their risks rises. Additionally, an estimated USD 85 trillion will be needed for low-carbon climate-resilient infrastructure investments by 2030, to meet the Paris agreement's goal to keep global average temperature increases well below 2 degrees C. (Brookings Institution (2018)). UBS identifies the investment requirements involved in this transition and supports clients' efforts to assess, manage and protect them from climate-related risks by developing and offering innovative products and services in investment, financing and research. UBS also mobilizes private and institutional capital towards investments facilitating climate change mitigation and adaptation, through its role as a corporate advisor and/or lending capacity. Climate-change related investments represented 2.3% of total invested assets (end 2017). Revenues associated with the management of these investments represent an opportunity that UBS has benefitted from. We further recognize that as new regulations develop here, this portion will grow, and as will the associated magnitude of impact on UBS. Additionally, potentially missed opportunities on the financing side mount to fees from our Investment Bank supporting clients that provide a positive contribution to climate change mitigation and adaptation, either in supporting in equity and debt capital market transactions or as financial advisor. In 2017, the total deal value in equity or debt capital market services relating to these areas was CHF 43.3 billion, and CHF 5.4 billion in financial advisory services.
Supply chain and/or value chain	Impacted for some suppliers, facilities, or product lines	Extreme weather events may play a role in affecting UBS businesses. The footprint of UBS critical activities being undertaken in regions impacted by heavy rains (e.g. Monsoons) has increased as a result of dependence on Vendors operating in these regions, notably in India. Left unmanaged, these climate-related risks may pose a business continuity risk to UBS. UBS responds to these risks by ensuring that our infrastructure is not only efficient but also highly resilient in order to cope with current and future demands likely to be placed upon it. UBS plans for potential disruptions to its business, from adverse weather events, with its Business Continuity Management (BCM) unit. For example, due diligence processes on any new vendor would routinely include a Threat and Vulnerability Analysis. It is essential that vendors performing critical activities on behalf of UBS have appropriate Business Continuity Management (BCM) arrangements in place for addressing the risks associated with the locations in which they operate, and for internal UBS departments to understand these critical dependencies. Additionally, vendor BCM arrangement costs are built into the original contract. Other BCM related costs include mainly the annual global run costs (approx. CHF 50m) which are composed of costs for dedicated recovery seating, the spend on BCM tools and BCM head-count (not including in-built IT capabilities).
Adaptation and mitigation activities	Impacted	As a result of physical climate risks posed to UBS operations, including impact of increased severity of acute weather events to UBS value chain partners (e.g. vendors) in Southeast Asia, UBS has seen impact on its own adaptation activities. UBS plans for potential disruptions to its business, from adverse weather events, and has sought to manage the risk with its Business Continuity Management (BCM) unit. For example, due diligence processes on any new vendor would routinely include a Threat and Vulnerability Analysis. It is essential that vendors performing critical activities on behalf of UBS have appropriate Business Continuity Management (BCM) arrangements in place for addressing the risks associated with the locations in which they operate, and for internal UBS departments to understand these critical dependencies. As far as mitigation activities, UBS has identified both a risk (increased operating costs) and an opportunity (cost-savings from efficiency investments) from regulations intended to mitigate climate change and keep the world with the ambitions of the Paris Agreement. UBS has established an objective, as part of the RE100 program, to source 100% of our electricity from renewable sources by 2020. In 2017, UBS has sourced 56% of its electricity from renewable sources. As part of mitigation activities in our own operations, UBS will continue to budget and develop strategy towards achieving the objective
Investment in R&D	Impacted	An estimated USD 85 trillion will be needed for low-carbon climate-resilient infrastructure investments by 2030, to meet the Paris agreement's goal to keep global average temperature increases well below 2 degrees C. (Brookings Institution (2018)). UBS identifies the investment requirements involved in the transition to a low-carbon economy and supports clients' efforts to assess, manage and protect them from climate-related risks by offering innovative products and services in investment, financing and research. For example, Our Asset Management division has developed a string of products allowing its clients to identify the carbon intensity of their investments and/or to align them with the Paris agreement. Related investments represent 2.3% of UBS total invested assets, and the organization has set a broader target of USD 5 billion of client assets invested into new impact investments by the end of 2021, which includes climate-related investments. UBS employed 108 full-time sustainability specialists in UBS and Society, by the end of 2017 at an estimated cost of CHF 30m. We also seek to protect our assets from climate change risks partly by estimating our firm's vulnerability to climate change risks using scenario-based stress testing approaches and other forward-looking portfolio analyses. In order to do so, UBS has invested resources and collaborated with the research community(e.g. Potsdam Institute for Climate Impact Research), 16 peer banks, and consultants (Oliver Wyman and UNEP) to develop methodologies for performing scenario analyses, while closing data and methodological gaps . Additional direct costs in developing the capabilities are 500k and it represents staff resources and direct project spend.
Operations	Impacted	UBS operations are directly impacted by both transition and physical climate risks (and opportunities). Policies targeting energy efficiency or reducing CO2 emissions affect us directly. Such incentives/disincentives or regulations may include, fuel or energy taxes and regulation, mandatory carbon tax schemes and regulation of buildings in terms of energy efficiency, affecting our costs for energy incurred by our buildings (i.e. heating, cooling, lighting, IT, etc.). As UBS operates (and occupies) buildings in many countries, regulation directly affects our operational costs. This is also seen as an opportunity for UBS, as regulatory opportunities can support or enhance the incentives to seek energy efficiencies which in turn lead to cost savings. They depend on the energy efficiency improvement and on energy prices. UBS has integrated this risk/opportunity when setting a goal for sourcing 100% of our electricity from renewable sources by 2020 (RE100). UBS sourced 56% of our electricity from renewable sources in 2017 at a cost premium of CHF 3m. Additionally, more frequent extreme weather conditions (Typhoons, Hurricanes) may have an adverse impact on UBS locations (buildings). This may increase the need for higher insurance coverage and lead to increased costs for UBS. UBS has experienced higher than average rainfall in the form of typhoons and hurricanes which may impact the continuity of business. This can also interrupt UBS supply chain (vendors) and production. Estimated magnitude of impact is the cost of managing this risk through UBS Business Continuity Management, CHF 50m annually.
Other, please specify	Please select	

C2.6

(C2.6) Describe where and how the identified risks and opportunities have factored into your financial planning process.

	Relevance	Description
Revenues	Impacted	UBS has identified opportunity to meet client demand for products and services which both help mitigate risks from the transition to a low-carbon economy and capture investment opportunities in the transition. An estimated USD 85 trillion will be needed for low-carbon climate-resilient infrastructure investments by 2030, to meet the Paris agreement's goal to keep global average temperature increases well below 2 degrees C. (Brookings Institution (2018)). UBS identifies the investment needs involved in the transition to a low-carbon economy and supports clients' efforts to assess, manage and protect them from climate-related risks by offering innovative products and services in investment, financing and research. UBS also mobilizes private and institutional capital towards investments facilitating climate change mitigation and adaptation, through its role as a corporate advisor and/or lending capacity. End of 2017, UBS had mobilized a Total deal value in equity or debt capital market services related to climate change mitigation and adaptation of CHF 43.3 billion, and CHF 5.4 billion in financial advisory services, while had managed 72 bn or 2.3% of UBS clients total invested assets in climate-related investments. As demand for both are expected to rise, we plan for increased revenues from fees associated with advisory and lending deals and management of client assets (investment management) to increase.
Operating costs	Impacted	UBS has set a goal to source 100% of our energy from renewable sources by 2020. In 2017, UBS sourced 56% of its energy from renewable sources. Energy has represented 0-5% of UBS budgeted operational costs in previous years, (estimated at CHF 80m/year). We anticipate that to grow by an estimated 5-10% as we drive towards our RE100 objective. Additionally, UBS projects new hiring in its UBS & Society organization. In 2016, UBS had ~89 FTE in UBS & Society at an estimated cost of CHF 24m. This grew to 108 by 2017, at an estimated cost of CHF 30m.
Capital expenditures / capital allocation	Impacted	<ul style="list-style-type: none"> As UBS aligns our disclosure within the five-year pathway outlined by the TCFD, we will further undertake a strategic impact assessment and better understand the implications of climate change on our business strategy. Planning for shifts in UBS business strategy with respect to climate-related risks and opportunities has already impacted planning capital expenditures, and may be further impacted as we continue to align. For example, UBS is building intellectual capital in our asset management division, through innovating new products and services (e.g. staffing SI), to meet shifting consumer demand for such products that mitigate climate-related risks and provide investment opportunities in the transition to a low-carbon economy. Growing the organization requires investment in staffing (all of UBS and Society had 89 FTE in 2016 and grew to 108 FTE in 2017). In the risk organization, investments in implementing the TCFD recommendations are expected to increase as UBS gradually moves closer to full alignment. In 2017, investments in capacity and staff resources in TCFD implementation were an estimated at CHF 500k.
Acquisitions and divestments	Not impacted	<ul style="list-style-type: none"> In the past, UBS has not typically engaged in M&A (as a company). UBS has and plans to continue to be more focused on organic growth. This is more relevant when considering climate-related risks and opportunities. As such, UBS financial planning for future acquisitions and divestments are not impacted. UBS is continuously identifying, assessing, and managing climate-related risks and opportunities, through its environmental management system.
Access to capital	Not yet impacted	<ul style="list-style-type: none"> So far, we currently do not see that CC has a material impact on UBS as a whole, based on the approach that for it have an impact it has to be of concern for our shareholders or clients or, in other words, whether CC is a "factor that would make an investment in [UBS] speculative or risky" (as described by the US Securities and Exchange Commission Guidance Regarding Disclosure Related to CC; Final Rule, p. 6294). In this sense. We both continue to better understand if and how climate change may impact products, sectors, clients and monitor concerns of stakeholders which may impact UBS access to capital. For example, as UBS monitors the impact of emerging regulation in the European Union, specifically the "green supporting factor" and "brown supporting factors" actions in EU prudential regulations (covering banks) of the European Commission Action Plan on Sustainable Finance. UBS may face incentives and disincentives to use its financing capacity to encourage the transition to a low-carbon economy. Accordingly the incentives and disincentives would impact UBS by aligning such incentives with UBS capital buffer. The first part of the EC Action Plan on Sustainable Finance is scheduled to rollout through Q2 2019.
Assets	Not yet impacted	<ul style="list-style-type: none"> In order to manage our own risk derived from both the physical and transition risks associated with climate change, we have performed both top-down balance sheet stress testing, as well as targeted, bottom-up analysis of specific sector exposures. Our top-down approach consisted of a scenario-based stress test to assess UBS's balance sheet vulnerability. Leveraging its existing firm-wide top-down stress testing methodology, we developed a climate change scenario and its related regulatory response to assess the impacts on financial assets, operational income and physical assets. Financial impacts were moderate and in line with other stress scenarios, particularly those that foresee an oil shock component. The biggest risk from the regulatory response (i.e. transition risk) was for exposures to large corporates that are most sensitive to shocks in market variables like equity indices. The impact on smaller unlisted companies, including the Swiss corporate portfolio, was limited. The biggest risk from severe weather events (i.e. physical risk) was damage to properties in Zurich due to the concentration of assets owned here. As UBS moves closer to full alignment with the TCFD it will better understand if UBS is impacted. This alignment will occur within the 5 year implementation pathway outlined by the TCFD.
Liabilities	Impacted for some suppliers, facilities, or product lines	<ul style="list-style-type: none"> Amongst other growing liability impacts from climate-related risks that UBS monitors on an ongoing basis, UBS can be held liable for its failure to meet regulatory requirements. This compliance risk includes climate-related requirements. In the EU, UBS is exposed to mandatory requirement known as the EU Energy Efficiency Directive, which applies to companies with 500 or more employees. To meet the requirements of this directive, UBS establishes a system and documents it in an Energy Management Manual. The Manual reflects how UBS fulfills the requirements of ISO 50001 (UBS Energy Management System) in order to ensure compliance to the EU Energy Efficiency Directive of the established environmental management system across own operations in European locations. The impact to UBS is the cost to manage and meet the regulatory requirement. This is approximately CHF 100k for external assurance of UBS Energy Management System against the ISO 50001 standard.
Other	Please select	

C3. Business Strategy

C3.1

(C3.1) Are climate-related issues integrated into your business strategy?

Yes

C3.1a

(C3.1a) Does your organization use climate-related scenario analysis to inform your business strategy?

Yes, qualitative and quantitative

C3.1c

C3.1c Explain how climate-related issues are integrated into your business objectives and strategy.

Climate related issues are integrated into business strategy through the UBS & Society organization, which is headed by UBS CEO.

- Strategy and reviews are presented to the UBS and Society Operating Committee which shapes the strategy & suggests priorities to the Group Executive Board and Corporate Culture and Responsibility Committee (CCRC) for approval (with ongoing updates). At the Group Executive Board level, climate-related priorities are considered within the context of broader UBS strategy.
- UBS' first CC strategy was developed in 2006 with a main focus on our operations (40% reduction of GHG footprint by 2012 from 2004). In 2012, we achieved our target & defined a new target (-50% by 2016 from 2004, early overachieved in 2014), including our banking business and risk management to support the low-carbon economy transition. Now, we have committed to sourcing 100% of the firm's electricity from renewable sources by 2020 and reduce the firm's GHG footprint by 75% by 2020 from 2004. Further, UBS Chairman joined the European Financial Services Round Table in signing the Call for a strong, ambitious implementation of the Paris Agreement, submitted to COP22.
- How: Internal environmental experts develop & regularly review our strategy and present it to senior management. Strategy is influenced by long-term science about climate change (CC), stakeholder expectations (eg clients, investors, shareholders, governments/regulators, NGOs), CC-related societal challenges and our business model – and how UBS can best contribute to these challenges.
- Aspects: Strategy influence factors by CC are regulatory uncertainty, physical climate change factors and market uncertainty – all regarded by their direct impact on us and indirect impact through our clients. The most influencing factor in our CC strategy is the impact of the transition to a low-carbon economy. To plan for climate-related developments, UBS employs forward-looking scenario analyses, eg stress testing exercises around CC and climate-related regulatory and market developments (e.g. Paris Agreement). These exercises inform our risk management processes and our businesses & strategy.
- What: We believe the transition to a low-carbon economy is vital and we are focused on supporting our clients in preparing for success in an increasingly carbon-constrained world. As a leading global financial services provider, we do this in four different ways today: □
 - We seek to protect our assets from climate change risks by limiting our risk appetite for carbon-related assets and by estimating our firm's vulnerability to climate change risks using scenario-based stress testing approaches and other forward-looking portfolio analyses. So far, no material risk on our balance sheet has been identified.
 - For example, UBS has taken a substantial business decision to limit its risk appetite for carbon-related assets. Specifically, UBS limits financing for new coal-fired projects, and only transacts with coal-fired operators that strategize to reduce their coal intensity, restricts capital raising for the coal-mining sector as a whole, and, support clients' to achieve "zero deforestation" in supply chains. □
 - We support our clients' efforts to assess, manage and protect themselves from climate-related risks by offering innovative products and services in investment, financing and research. We have developed several products that allow clients to identify the weighted carbon intensity of their investments and / or to align them with the Paris Agreement. □
 - We mobilize private and institutional capital toward investments that facilitate climate change mitigation and adaptation and we support the transition to a low-carbon economy as a corporate advisor and / or with our lending capacity. □
 - We continue to reduce our greenhouse gas (GHG) emissions and increase the firm's share in renewable energy.
 - Another example of a substantial business decision, UBS set quantitative targets and continue to reduce UBS's Group-wide GHG emissions and increase our share in renewable energy in line with our commitment to RE100. This will reduce the firm's GHG footprint by 75% by 2020 compared with 2004 levels.
- In the long-term, we recognize that financial institutions are increasingly expected to play a key role in the transition to a low-carbon economy and we are determined to support our clients in preparing for success in an increasingly carbon-constrained world. As one of the leading wealth management firms worldwide and the leading universal bank in Switzerland backed by a top asset management business and a client-centered investment bank, our short and long term CC strategy focuses on the above-mentioned areas. The long-term timeframe spans over the next 30 years.
- Advantage: By including environmental and social considerations in our strategic thinking & risk management and in our products & services, we gain & retain business and position ourselves for future growth. UBS offers products and services to help its clients with the transition, and we work to create value for our clients by generating long-term, sustainable and measurable benefits with these products & services. This thinking is embedded in one of our firm's Principles, namely sustainable performance, and we focus on ensuring that our investment-related activities take into consideration long-term sustainability and the broader perspective.

C3.1d

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

Climate-related scenarios	Details
Other, please specify (Integrated Assessment Modeling (IAM))	<p>In order to manage our own, and our clients', risk derived from both the physical and transition risks associated with climate change, we have performed both top-down balance sheet stress testing, as well as targeted, bottom-up analysis of specific sector exposures. In doing so, we identified challenges ranging from the suitability of climate scenarios for banking risk modelling to data availability. To address these challenges, we have committed to work towards alignment and knowledge-sharing within the industry, as detailed below. Our top-down approach consisted of a scenario-based stress test to assess UBS's balance sheet vulnerability. Leveraging its existing firm-wide top-down stress testing methodology, we developed a climate change scenario and its related regulatory response to assess the impact on financial assets, operational income and physical assets. Financial impacts were moderate and in line with other stress scenarios, particularly those that foresee an oil shock component. The biggest risk from the regulatory response (i.e. transition risk) was for exposures to large corporates that are most sensitive to shocks in market variables like equity indices. The impact on smaller unlisted companies, including the Swiss corporate portfolio, was limited. This analysis was, however instrumental in UBS senior management decision to limit our risk appetite in sectors with carbon-related assets. Specifically, UBS limits financing for new coal-fired projects, and only transacts with coal-fired operators that strategize to reduce their coal intensity, restricts capital raising for the coal-mining sector as a whole, and, support clients' to achieve "zero deforestation" in supply chains. In the most recently scenario analysis, 16 banks, including UBS and the UN Environment Programme Finance Initiative (UNEP FI) have partnered to collaboratively develop analytical tools that will help banks disclose their exposures to climate-related risks and opportunities as envisioned by the TCFD. This includes further refining scenario-based stress-testing methodologies. The working group partnered with the Integrated Assessment Modelling community and an analytical methodology developed by banking sector consultant, Oliver Wyman. UBS a pilot of a bottom-up and top-down scenario analysis, using outputs from the IAM* community (Potsdam Institute for Climate Impact Research and the International Institute for Applied Systems Analysis), to develop the scenarios.as outputs fit well with banking sector needs at the time. Outcome will be presented to senior management in 2018/2019 for further decision. *Integrated assessment models (IAMs): A suite of integrated energy-economy-climate models developed by the scientific community. These models explore the relationship between emissions, the climate outcome until 2100, and socioeconomic developments including a detailed representation of the energy and land-use systems. Have been relied upon in various Intergovernmental Panel on Climate Change assessments, which is the international body for assessing the science related to climate change. Ingoing assumptions hold a Middle of the road" world, where social, economic and technological trends do not significantly vary from historical patterns. Current policies are continued until 2020, at which point a carbon price begins to be assessed at a level that ensures the world does not exceed 2 degree warming. Developing and developed region per capita GDP increases through the century, with developing countries reaching current OECD levels by the second half of the century. Global economic growth is similar in both the 2°C and reference scenarios, reflecting the economic efficiency of a global carbon price.</p>

C4. Targets and performance

C4.1

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

Absolute target

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number

Abs 1

Scope

Scope 1+2 (market-based) +3 (upstream)

% emissions in Scope

100

% reduction from base year

75

Base year

2004

Start year

2006

Base year emissions covered by target (metric tons CO2e)

360502

Target year

2020

Is this a science-based target?

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

% achieved (emissions)

79

Target status

Underway

Please explain

UBS' first climate change strategy was developed in 2006. So far, the strategy has been updated twice, in 2012 and 2015. In 2012, our reduction target was updated with the guidance of Sir David King and his team from the Smith School of Enterprise and the Environment at Oxford University. Sir David King was the Chief Scientific Adviser to H.M. Government under both Tony Blair and Gordon Brown and Head of the Government Office for Science.

Target reference number

Abs 2

Scope

Scope 1

% emissions in Scope

100

% reduction from base year

100

Base year

2004

Start year

2006

Base year emissions covered by target (metric tons CO2e)

41858

Target year

2040

Is this a science-based target?

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

% achieved (emissions)

68

Target status

Underway

Please explain

Replacement of all fossil-fuel heating systems in owned real estate at end of life.

C4.2

(C4.2) Provide details of other key climate-related targets not already reported in question C4.1/a/b.

Target

Renewable energy consumption

KPI – Metric numerator

% of renewable electricity (in relation to total electricity consumption)

KPI – Metric denominator (intensity targets only)

Base year

2004

Start year

2015

Target year

2020

KPI in baseline year

28

KPI in target year

100

% achieved in reporting year

56

Target Status

Underway

Please explain

UBS is part of the RE100 initiative and aims to source 100% renewable energy by 2020

Part of emissions target

Is this target part of an overarching initiative?

RE100

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

C4.3a

(C4.3a) Identify the total number of projects at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of projects	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	1	197
To be implemented*	2	651
Implementation commenced*	8	70
Implemented*	26	9402
Not to be implemented	0	0

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Activity type

Energy efficiency: Building services

Description of activity

Other, please specify (Summary of 9 measures in the Americas)

Estimated annual CO2e savings (metric tonnes CO2e)

895

Scope

Scope 2 (location-based)

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in CC0.4)

222840

Investment required (unit currency – as specified in CC0.4)

2000000

Payback period

4 - 10 years

Estimated lifetime of the initiative

6-10 years

Comment

Measures include changes to LED lighting and improvement of operations

Activity type

Low-carbon energy installation

Description of activity

Other, please specify (Summary of 3 measures in Switzerland)

Estimated annual CO2e savings (metric tonnes CO2e)

20

Scope

Scope 1

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in CC0.4)

4216

Investment required (unit currency – as specified in CC0.4)

105000

Payback period

21-25 years

Estimated lifetime of the initiative

21-30 years

Comment

Measures include replacement of heating oil or gas heating system by low carbon district heating; improved insulation

Activity type

Energy efficiency: Building services

Description of activity

Other, please specify (Summary of 8 measures)

Estimated annual CO2e savings (metric tonnes CO2e)

Scope

Scope 1

Scope 2 (location-based)

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in CC0.4)

153777

Investment required (unit currency – as specified in CC0.4)

2100000

Payback period

11-15 years

Estimated lifetime of the initiative

11-15 years

Comment

Replacement of end-of-life-equipment (boiler, BMS, air conditioning, ventilation) with more energy efficient systems and smaller refurbishments (facade, glazing)

Activity type

Energy efficiency: Building fabric

Description of activity

Other, please specify (New office building in London)

Estimated annual CO2e savings (metric tonnes CO2e)

8442

Scope

Scope 1

Scope 2 (location-based)

Scope 2 (market-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in CC0.4)

4000000

Investment required (unit currency – as specified in CC0.4)

80000000

Payback period

21-25 years

Estimated lifetime of the initiative

21-30 years

Comment

Employees were moved from less efficient buildings to the new highly efficient building in London.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Compliance with regulatory requirements/standards	The Zurich Energy Model is a capacity building project established in 1987 by fourteen major energy consumers - among them UBS - in the city of Zurich. The objective of the firms involved in the Zurich Energy Model is a joint increase in energy efficiency, to optimize investments and corporate costs, and to communicate innovative solutions to the general public. In 2013, the group agreed with canton Zurich to set a revised target of increasing energy efficiency by 40% until 2020 based on 2000 (old target 16.5% between 2000 and 2012). In 2007, UBS was awarded the Zurich Energy Model trophy for its achievements and successes in the field of energy efficiency and energy management.
Dedicated budget for energy efficiency	As part of the climate change strategy, a dedicated budget for energy efficiency measures has been established.
Dedicated budget for other emissions reduction activities	As part of the climate change strategy, a dedicated budget for other emission reductions (such as offsetting) has been established.
Employee engagement	By providing incentives, education and awareness on environmental matters to its employees and suppliers, we encourage people to make the right choices and promote sustainable behavior both at work and in their domestic situations. In 2017 UBS provided training and awareness raising to some 3700 employees.
Financial optimization calculations	Financial optimization calculations are a standard method to identify and assess projects to reduce energy consumption and as a result reduce carbon emissions.
Lower return on investment (ROI) specification	UBS has adopted a technical standard supporting worldwide oversight of measures taken to improve energy efficiency in fields such as building operation, replacement investments and rehabilitations. The standard sets energy efficiency target values, for example for heating boilers, chillers and heat pump systems as well as for glazing, facades and lighting. It also includes a specification to assess projects according to their live-cycle costs.

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Group of products

Description of product/Group of products

We support our client's efforts to assess, manage and protect them from climate related risks by offering innovative products and services in investment, financing and research. In 2017, we rolled out a series of low- carbon products and services to our clients that reduce energy use, improve access to renewable energy sources, and invest in companies that have a track record of reducing carbon emissions as well as align their carbon reduction strategy with the transition to a low- carbon economy.

Are these low-carbon product(s) or do they enable avoided emissions?

Low-carbon product

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Other, please specify (UBS proprietary calculation based)

% revenue from low carbon product(s) in the reporting year

2.3

Comment

2.3% is a proxy as it represents the portion of total invested assets that are formally categorized as low-carbon. – Our Asset Management business has developed the capability for equity portfolio managers to examine the carbon footprint of their portfolios and comparing the relative carbon footprints of their company holdings and comparing them to that of the benchmark. Carbon emissions data is also made available to all equity portfolio managers through the Portfolio Optimization Platform, which allows portfolio managers and analysts to download carbon and carbon intensity data on over 6,000 companies. – In 2017, our Asset Management business launched an innovative climate aware rules-based fund for UK investors. The portfolio is oriented towards companies that are better prepared for a low carbon future while reducing exposure to, rather than excluding, companies with higher carbon risk, in order to pursue strategic engagement with these companies. The strategy involves not only a reduction of the CO2 footprint of the portfolio but also an innovative approach to aligning the portfolio with the two degree carbon reduction scenario in the future. – Our Asset Management business engages with companies in which it invests on behalf of clients to discuss approaches to mitigating climate change risk, as well as actively voting on shareholder resolutions to improve transparency and disclosure around climate-related reporting. Specifically in the context of the climate aware fund, UBS Asset Management has implemented an engagement program associated with the strategy in order to drive positive change at companies that are considered at highest risk for climate change. The Climate Aware fund received the Fund Launch of the Year award from Funds Europe Magazine, and NEST received an innovation award from Pensions & Investments Magazine. The solution provides a unique way for investors to reduce passive portfolio exposures to carbon risks. – Our Asset Management business established a comprehensive approach to environmental and social factors, and to corporate governance, across investment disciplines. The 2017 Global Real Estate Sustainability Benchmark (GRESB) awarded ten of UBS Asset Management's real estate and infrastructure funds 5-star ratings, and seven funds ranked first in their respective peer groups.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start

January 1 2004

Base year end

December 31 2004

Base year emissions (metric tons CO2e)

41858

Comment

Scope 2 (location-based)

Base year start

January 1 2004

Base year end

December 31 2004

Base year emissions (metric tons CO2e)

243308

Comment

Scope 2 (market-based)

Base year start

January 1 2004

Base year end

December 31 2004

Base year emissions (metric tons CO2e)

219727

Comment

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.

Defra Voluntary 2017 Reporting Guidelines

ISO 14064-1

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

Other, please specify (VfU)

C5.2a

(C5.2a) Provide details of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.

Methodology in VfU Indicators (available on www.vfu.de) The VfU indicators to measure the in-house environmental performance of financial institutions were presented in 1996 by the Association of 'Environmental Management in Banks, Saving Banks, and Insurance Companies' (German abbreviation VfU) and have since been widely applied within financial institutions.

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Row 1

Gross global Scope 1 emissions (metric tons CO2e)

13305

End-year of reporting period

<Not Applicable>

Comment

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We are reporting a Scope 2, market-based figure

Comment

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Row 1

Scope 2, location-based

161349

Scope 2, market-based (if applicable)

112102

End-year of reporting period

<Not Applicable>

Comment

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

Yes

C6.4a

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

Source

Hydrofluorocarbons (HFCs) (Air-conditioning, Chillers, etc)

Relevance of Scope 1 emissions from this source

Emissions are not relevant

Relevance of location-based Scope 2 emissions from this source

No emissions excluded

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

No emissions excluded

Explain why the source is excluded

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

C6.5

(C6.5) Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, calculated

Metric tonnes CO2e

9430

Emissions calculation methodology

Emissions related to production of used paper. Paper is one of the biggest continuous material accounts of a financial institution. Activity data: Quantity of purchased paper Emissions factor: based on a study on emissions from paper lifecycle GWP: same as Scope 1 and 2 Data quality: High data quality External verification according to ISO 14064 performed by EY.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Capital goods

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

GHG emissions from capital goods are not considered to be relevant nor material for our company (as a financial services firm). Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy. The application of the principles is fundamental to ensure that GHG-related information is a true and fair account. Relevance: To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it is capable of making a difference in a decision of users by helping them to evaluate past, present or future events, or to confirm or correct prior expectations and evaluations. To be relevant, information must have predictive value or feedback value or both and it must be timely.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

GHG emissions from fuel-and-energy-related activities are not considered to be relevant nor material for our company. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy. The application of the principles is fundamental to ensure that GHG-related information is a true and fair account. Relevance: To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it is capable of making a difference in a decision of users by helping them to evaluate past, present or future events, or to confirm or correct prior expectations and evaluations. To be relevant, information must have predictive value or feedback value or both and it must be timely.

Upstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

GHG emissions from upstream transportation and distribution are not considered to be relevant nor material for our company. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy. The application of the principles is fundamental to ensure that GHG-related information is a true and fair account. Relevance: To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it is capable of making a difference in a decision of users by helping them to evaluate past, present or future events, or to confirm or correct prior expectations and evaluations. To be relevant,

Waste generated in operations

Evaluation status

Relevant, calculated

Metric tonnes CO2e

5253

Emissions calculation methodology

Emissions related to the generation of waste Activity data: Quantity of generated waste sent to landfill or incineration Emissions factor: from Ecoinvent database GWP: same as Scope 1 and 2 Data quality: High data quality External verification according to ISO 14064 performed by EY.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO2e

55979

Emissions calculation methodology

Business travel, in the form of business trips and visits to clients, is an important environmental aspect of a financial institution, particularly for globally-active companies due to air travel. Activity data: Distance traveled Emissions factor: from Ecoinvent database or Defra / DECCs Guidance GWP: same as Scope 1 and 2 Data quality: High data quality External verification according to ISO 14064 performed by EY. Methodology described in Guidelines to Defra / DECC's GHG Conversion Factors for Company Reporting - Annex 6 - Passenger Transport: Air Passenger Transport Conversion Factors Developed by AEA (2009) using the methodology developed in discussion with the Department for Transport and the airline industry, 2008. These emissions factors are intended to be an aggregate representation of the typical emissions per passenger km from illustrative types of aircraft for the 3 types of air services.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Employee commuting

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

GHG emissions from employee commuting are not considered to be relevant nor material for our company. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy. The application of the principles is fundamental to ensure that GHG-related information is a true and fair account. Relevance: To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it is capable of making a difference in a decision of users by helping them to evaluate past, present or future events, or to confirm or correct prior expectations and evaluations. To be relevant, information must have predictive value or feedback value or both and it must be timely.

Upstream leased assets

Evaluation status

Relevant, calculated

Metric tonnes CO2e

6100

Emissions calculation methodology

Emissions related to leased office space. Activity data: Estimated energy used for heating purposes in lease office space. (Electricity included in scope 2 emissions) Emissions factor: same as scope 1 or 2 GWP: same as Scope 1 and 2 Data quality: High data quality External verification according to ISO 14064 performed by EY.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

Downstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

As a financial services company, emissions from transportation and distribution of products sold, are not relevant nor material. Transportation of own staff is included in business travel. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

As a financial services company, emissions from processing of sold products, are not relevant nor material. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

Use of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

As a financial services company, emissions from use of sold products, are not relevant nor material. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

As a financial services company, emissions from end of life treatment of sold products, are not relevant nor material. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

Downstream leased assets

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

GHG emissions from downstream leased assets are either already included in scope 1 and 2 emissions or the emissions are not material. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

Franchises

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

UBS do not operate franchises.

Investments

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

In June 2017, the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) provided its recommendations on climate-related disclosures. They call on companies to disclose the impacts of climate change on their businesses. Investors and financial institutions will gain transparency to help them make better investment decisions with a common set of data to assess the climate change risks and opportunities of specific companies (including footprinting of investment portfolios, where guidance is still in development). We plan to further align our disclosure within the five-year pathway outlined by the TCFD and collaborate within the industry to close gaps.

Other (upstream)

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

No relevant emissions in this category. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

Other (downstream)

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

Emissions calculation methodology

Percentage of emissions calculated using data obtained from suppliers or value chain partners

Explanation

No relevant emissions in this category. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

C6.7

(C6.7) Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?

No

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure

0.00000431

Metric numerator (Gross global combined Scope 1 and 2 emissions)

125407

Metric denominator

unit total revenue

Metric denominator: Unit total

29067000000

Scope 2 figure used

Market-based

% change from previous year

13.8

Direction of change

Decreased

Reason for change

Although operating income increased by 2.6%, the decrease was mainly driven by energy efficiency measures in the building portfolio (operational improvements, investments in energy efficient equipment). This is also demonstrated in the FTE intensity figure below.

Intensity figure

2.03

Metric numerator (Gross global combined Scope 1 and 2 emissions)

125407

Metric denominator

full time equivalent (FTE) employee

Metric denominator: Unit total

61798

Scope 2 figure used

Market-based

% change from previous year

10.8

Direction of change

Decreased

Reason for change

Despite a decrease of 0.8% in the number of FTE's, there is also a decrease in intensity. This was mainly driven by energy efficiency measures in the building portfolio (operational improvements, investments in energy efficient equipment).

C7. Emissions breakdowns

C7.1

(C7.1) Does your organization have greenhouse gas emissions other than carbon dioxide?

Yes

C7.1a

(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).

Greenhouse gas	Scope 1 emissions (metric tons of CO2e)	GWP Reference
CO2	13273	IPCC Fifth Assessment Report (AR5 – 100 year)
CH4	19	IPCC Fifth Assessment Report (AR5 – 100 year)
N2O	13	IPCC Fifth Assessment Report (AR5 – 100 year)

C7.2

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

Country/Region	Scope 1 emissions (metric tons CO2e)
Switzerland	8793
United Kingdom of Great Britain and Northern Ireland	2432
United States of America	1899
Other, please specify (Rest of world)	181

C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.

By activity

C7.3c

(C7.3c) Break down your total gross global Scope 1 emissions by business activity.

Activity	Scope 1 emissions (metric tons CO2e)
Stationary combustion	13008
Mobile combustion	297

C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh)
Switzerland	5350	1587	165433.61	165433.61
United Kingdom of Great Britain and Northern Ireland	41209	0	95171.85	95171.85
United States of America	59075	59075	159982.25	0
Other, please specify (Rest of world)	55715	51440	103603.06	12166.86

C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

By activity

C7.6c

(C7.6c) Break down your total gross global Scope 2 emissions by business activity.

Activity	Scope 2, location-based emissions (metric tons CO2e)	Scope 2, market-based emissions (metric tons CO2e)
Electricity	156701	107454
District heating	4648	4648

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Decreased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined) and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	0	No change	0	
Other emissions reduction activities	9402	Decreased	6.6	Emissions were reduced by 6.6% as result of implemented energy efficiency measures in the building portfolio (operational improvements, investments in energy efficient equipment) . Last year 9402t CO2e were reduced by our emissions reduction projects, and our total Scope 1 and Scope 2 emissions in the previous year was 141,755 tCO2e, therefore we arrive at 6.6% through $(9402/141,755)*100=6.6\%$ (rounded).
Divestment	0	No change	0	
Acquisitions	0	No change	0	
Mergers	0	No change	0	
Change in output	0	No change	0	
Change in methodology	0	No change	0	
Change in boundary	0	No change	0	
Change in physical operating conditions	4253	Decreased	3	Weather patterns were not as extreme as in the previous year (winter not as cold, summer not as hot). The consumption of heating and electricity for cooling therefore went down
Unidentified	142	Decreased	0.1	
Other	2552	Decreased	1.8	No more parallel usage of different buildings in London and Stamford (employees were consolidated into one building)

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Market-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertakes this energy-related activity
Consumption of fuel (excluding feedstocks)	Yes
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	Yes
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	Yes
Generation of electricity, heat, steam, or cooling	Yes

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total MWh
Consumption of fuel (excluding feedstock)	HHV (higher heating value)	0	68027	68027
Consumption of purchased or acquired electricity	<Not Applicable>	274908	215999	490907
Consumption of purchased or acquired heat	<Not Applicable>	43203	24642	67845
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	238	0	238
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	267	<Not Applicable>	267
Total energy consumption	<Not Applicable>	318616	308668	627284

C8.2b

(C8.2b) Select the applications of your organization's consumption of fuel.

	Indicate whether your organization undertakes this fuel application
Consumption of fuel for the generation of electricity	Yes
Consumption of fuel for the generation of steam	No
Consumption of fuel for the generation of cooling	No
Consumption of fuel for co-generation or tri-generation	No

C8.2c

(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.

Fuels (excluding feedstocks)

Natural Gas

Heating value

HHV (higher heating value)

Total fuel MWh consumed by the organization

57931

MWh fuel consumed for the self-generation of electricity

0

MWh fuel consumed for self-generation of heat

57931

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self- cogeneration or self-trigeneration

<Not Applicable>

Fuels (excluding feedstocks)

Distillate Oil

Heating value

HHV (higher heating value)

Total fuel MWh consumed by the organization

7070

MWh fuel consumed for the self-generation of electricity

0

MWh fuel consumed for self-generation of heat

7070

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self- cogeneration or self-trigeneration

<Not Applicable>

Fuels (excluding feedstocks)

Motor Gasoline

Heating value

HHV (higher heating value)

Total fuel MWh consumed by the organization

1214

MWh fuel consumed for the self-generation of electricity

0

MWh fuel consumed for self-generation of heat

0

MWh fuel consumed for self-generation of steam

<Not Applicable>

MWh fuel consumed for self-generation of cooling

<Not Applicable>

MWh fuel consumed for self- cogeneration or self-trigeneration

<Not Applicable>

Fuels (excluding feedstocks)

Diesel

Heating value

HHV (higher heating value)

Total fuel MWh consumed by the organization

1812

MWh fuel consumed for the self-generation of electricity
1812

MWh fuel consumed for self-generation of heat
0

MWh fuel consumed for self-generation of steam
<Not Applicable>

MWh fuel consumed for self-generation of cooling
<Not Applicable>

MWh fuel consumed for self- cogeneration or self-trigeneration
<Not Applicable>

C8.2d

(C8.2d) List the average emission factors of the fuels reported in C8.2c.

Diesel

Emission factor

251.5

Unit

kg CO2e per MWh

Emission factor source

UK Defra 2016

Comment

Distillate Oil

Emission factor

267.82

Unit

kg CO2e per MWh

Emission factor source

UK Defra 2016

Comment

Motor Gasoline

Emission factor

240.53

Unit

kg CO2e per MWh

Emission factor source

UK Defra 2016

Comment

Natural Gas

Emission factor

184

Unit

kg CO2e per MWh

Emission factor source

UK Defra 2016

Comment

C8.2e

(C8.2e) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.

	Total Gross generation (MWh)	Generation that is consumed by the organization (MWh)	Gross generation from renewable sources (MWh)	Generation from renewable sources that is consumed by the organization (MWh)
Electricity	1208	1208	267	267
Heat	65001	65001	0	0
Steam	0	0	0	0
Cooling	0	0	0	0

C8.2f

(C8.2f) Provide details on the electricity, heat, steam and/or cooling amounts that were accounted for at a low-carbon emission factor in the market-based Scope 2 figure reported in C6.3.

Basis for applying a low-carbon emission factor

Contract with suppliers or utilities (e.g. green tariff), supported by energy attribute certificates

Low-carbon technology type

Solar PV
Wind
Hydropower

MWh consumed associated with low-carbon electricity, heat, steam or cooling

256435

Emission factor (in units of metric tons CO2e per MWh)

0

Comment

Our offices in Switzerland, Germany, Luxembourg, UK and New Zealand have contracts with suppliers which guarantee electricity from renewable sources (backed by local certificates, such as GO, REC etc).

Basis for applying a low-carbon emission factor

Contract with suppliers or utilities (e.g. green tariff), not supported by energy attribute certificates

Low-carbon technology type

Other low-carbon technology, please specify (District heating)

MWh consumed associated with low-carbon electricity, heat, steam or cooling

15145

Emission factor (in units of metric tons CO2e per MWh)

0.0105

Comment

Various offices are connected to district heating with low carbon emission factor (e.g. waste incineration, biomass)

Basis for applying a low-carbon emission factor

Contract with suppliers or utilities (e.g. green tariff), not supported by energy attribute certificates

Low-carbon technology type

Solar PV
Wind
Hydropower

MWh consumed associated with low-carbon electricity, heat, steam or cooling

1192

Emission factor (in units of metric tons CO2e per MWh)

0

Comment

Estimated MWh consumed associated with low carbon electricity in markets with no certification system in place.

C9. Additional metrics

C9.1

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

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 and/or Scope 2 emissions and attach the relevant statements.

Scope

Scope 1

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Reasonable assurance

Attach the statement

EY - ISO 14064 Assurance Report.pdf

Page/ section reference

Page 1

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope

Scope 2 location-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Reasonable assurance

Attach the statement

EY - ISO 14064 Assurance Report.pdf

Page/ section reference

Page 1

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope

Scope 2 market-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Reasonable assurance

Attach the statement

EY - ISO 14064 Assurance Report.pdf

Page/ section reference

Page 1

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.**Scope**

Scope 3- all relevant categories

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Attach the statement

EY - ISO 14064 Assurance Report.pdf

Page/section reference

Page 1

Relevant standard

ISO14064-3

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

Yes

C10.2a

(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?

Disclosure module verification relates to	Data verified	Verification standard	Please explain
C6. Emissions data	Renewable energy products	ISO 14064-3	EY performs a reasonable assurance engagement on an annual basis. Verification of renewable energy purchase is an essential part of our greenhouse gas footprint calculation. It covers 100% of our operations globally. EY - ISO 14064 Assurance Report.pdf
C8. Energy	Other, please specify (Energy consumption)	ISO 14064-3	EY performs a reasonable assurance engagement on an annual basis. Verification of energy consumption (such as gas, oil, fuels, district heat and cooling, electricity) is an essential part of our greenhouse gas footprint calculation. It covers 100% of our operations globally. EY - ISO 14064 Assurance Report.pdf

C11. Carbon pricing

C11.1

(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?
Yes

C11.1a

(C11.1a) Select the carbon pricing regulation(s) which impacts your operations.

- EU ETS
- Switzerland carbon tax

C11.1b

(C11.1b) Complete the following table for each of the emissions trading systems in which you participate.

EU ETS

% of Scope 1 emissions covered by the ETS

10

Period start date

January 1 2017

Period end date

December 31 2017

Allowances allocated

0

Allowances purchased

1249

Verified emissions in metric tons CO2e

1249

Details of ownership

Facilities we own and operate

Comment

C11.1c

(C11.1c) Complete the following table for each of the tax systems in which you participate.

Switzerland carbon tax

Period start date

January 1 2017

Period end date

December 31 2017

% of emissions covered by tax

66

Total cost of tax paid

667000

Comment

C11.1d

(C11.1d) What is your strategy for complying with the systems in which you participate or anticipate participating?

UBS is committed to be certified according to ISO 14001 and 50001, which ensures compliance with all local regulations where UBS is operating. The goals we set yearly for energy efficiency and the measures we implement to achieve them also take into account carbon pricing systems.

In the UK, for example, we are required to purchase allowances according to our CO2 emissions at our building at 5 Broadgate and our data center in London. Here we work with an external provider (Carbon Clear): They track and verify our emissions and support us with purchasing the correct amount of allowances and implementing our strategy. Additionally, 5 Broadgate is a new and highly energy efficient building, which enabled us to move employees from our less efficient buildings there. This resulted in overall lower energy consumption and less CO2 emissions, so we have to purchase less allowances.

UBS also uses an internal price on carbon.

C11.2

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

Yes

C11.2a

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

Credit origination or credit purchase

Credit purchase

Project type

Wind

Project identification

VER credit serial numbers GS1-1-CN-GS2499-12-2014-4214-39813 to 89812 GS1-1-CN-GS2499-12-2014-4214-12178 to 39812 GS1-1-TW-GS472-12-2013-3497-265411 to 270509 GS1-1-TW-GS472-12-2014-3498-40966 to 68463 GS1-1-TW-GS472-12-2015-5121-5008 to 92410

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO2e)

197635

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

197635

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

Credit origination or credit purchase

Credit purchase

Project type

Energy efficiency: households

Project identification

VER credit serial numbers GS1-1-CN-GS949-16-2014-5070-10169 to 46500 GS1-1-CN-GS949-16-2014-5070-2001 to 10168

Verified to which standard

Gold Standard

Number of credits (metric tonnes CO2e)

44500

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

44500

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

C11.3

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

Yes

C11.3a

(C11.3a) Provide details of how your organization uses an internal price on carbon.

Objective for implementing an internal carbon price

Navigate GHG regulations
Stakeholder expectations
Drive energy efficiency
Drive low-carbon investment
Stress test investments
Identify and seize low-carbon opportunities

GHG Scope

Scope 1
Scope 2
Scope 3

Application

UBS employs differentiated carbon pricing depending on the business unit and region in which the internal carbon price is used. In Switzerland for in-house operations, a price as set by the Swiss CO2 Levy is referenced when pricing internal investments in cleaner energy systems. This price is held as a price point for decision making on financial planning costs. For risk management, scenario-based carbon prices used in scenario analyses are taken as guidance and input. These are considered modeled information, specific to a scenario, and therefore have a more research-based advisory role in decision-making, rather than strict guidance.

Actual price(s) used (Currency /metric ton)

110

Variance of price(s) used

UBS employs differentiated carbon pricing depending on the business unit and region in which the internal carbon price is used. In Switzerland for in-house operations, a price as set by the Swiss CO2 Levy is referenced when pricing internal investments in cleaner energy systems. This price is held as a price point for decision making on financial planning costs. For risk management, scenario-based carbon prices used in scenario analyses are taken as guidance and input. These are considered modeled information, specific to a scenario, and therefore have a more research-based advisory role in decision-making, rather than strict guidance.

Type of internal carbon price

Shadow price
Implicit price
Offsets

Impact & implication

Our top-down approach, to use an internal carbon price to assess UBS balance sheet vulnerability, consisted of a scenario-based stress test. Leveraging its existing firm-wide top-down stress testing methodology, we developed a climate change scenario and its related regulatory response to assess the impacts on financial assets, operational income and physical assets. Financial impacts were moderate and in line with other stress scenarios, particularly those that foresee an oil shock component. The biggest risk from the regulatory response (i.e. transition risk) was for exposures to large corporates that are most sensitive to shocks in market variables like equity indices.

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our suppliers
Yes, our customers

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement

Compliance & onboarding

Details of engagement

Included climate change in supplier selection / management mechanism

Climate change is integrated into supplier evaluation processes

% of suppliers by number

100

% total procurement spend (direct and indirect)

100

% Scope 3 emissions as reported in C6.5

93.3

Rationale for the coverage of your engagement

The UBS Responsible Supply Chain Management (RSCM) approach is contract-based. By contract, all our suppliers are to agree to the Responsible Supply Chain Standard (including requirements towards environment, human right, health and safety and anti-corruption). To assess the compliance with the Responsible Supply Chain Standard, we focus on suppliers with high impact (i.e. high potential for environmental and social risks). In 2017, our sourcing and procurement services continued to be performed by Chain IQ, a company that applies UBS' unchanged RSCM framework and processes. The RSCM framework is operated by experienced and specifically trained procurement and sourcing specialists (in 2017, 79 specialists were trained globally) and supported by internal and external experts. The UBS Responsible Supply Chain Management (RSCM) approach is contract-based. Strategy for Prioritization. The RSCM framework includes an impact assessment of newly sourced goods and services, which takes into account potential environmental and social impacts along the lifecycle of a product or a service, and all purchased goods and services are categorized accordingly. Suppliers of potentially high-impact goods or services, are requested to conduct a self-assessment on their responsible management practices and to provide corresponding evidence. Actual and potential negative impacts that are considered in the impact assessment of purchased goods and services include:- Adverse environmental impacts due to inefficient use of resources (e.g. water, energy, biomass) and emissions during the lifecycle of the product- Hazardous substances, emissions, pollutants and limited biodegradability of products, adversely affecting people and the environment- Unfair employment practices, e.g. low wages, excessive overtime, absence of occupational health & safety measures- Risks for consumer health and safety, e.g. low indoor air quality, inappropriate warning signage- Procurement and use of materials with a strongly negative environmental and/or social impact- Insufficient management of subcontractors regarding sustainability aspects

Impact of engagement, including measures of success

In 2017, 155 suppliers have been classified as suppliers of newly sourced goods or services with potentially high impacts. 40% of these suppliers were considered as in need of improving their management practices. Specific remediation actions were agreed with all of them and the implementation progress has been closely monitored. We estimate the 155 new and potentially high-impact suppliers to be about 23% of our spend based upon previous year's approximations, however this number is subject to revision. We also screened all our significant active suppliers for environmental and human rights issues and 9 suppliers with potential material risks were referred to a specialized environmental and social risk unit for enhanced due diligence.

Comment

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement

Collaboration & innovation

Details of engagement

Run a campaign to encourage innovation to reduce climate change impacts

Size of engagement

100

% Scope 3 emissions as reported in C6.5

0

Please explain the rationale for selecting this group of customers and scope of engagement

We engage with them on enhanced transaction due diligence when transactions are linked to high GHG emitting projects or business activities that have a close link to and negative impact on climate change. We prioritize engagement where the GHG (or other climate change sensitive) impact of the project is material to the climate change issue. This is the case e.g. for coal-fired power plants or the palm oil sector. There are various ways of evaluating success in this context.

Impact of engagement, including measures of success

An engagement is particularly successful if we can facilitate change in behaviour on the client side (e.g. that based on our engagement the client commits to joining the Roundtable on Sustainable Palm Oil and establishes a time-bound plan to certifying their palm oil plantations in a certain time frame).

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

Direct engagement with policy makers

Trade associations

C12.3a

C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Carbon tax	Support	Joining others in support of the Paris Agreement, UBS signed the World Economic Forum's open letter from CEOs to world leaders urging climate action.	We believe that effective climate policies have to include explicit or implicit prices on carbon achieved via market mechanisms or coherent legislative measures according to national preferences, which will trigger low-carbon investment and transform current emission patterns at a significant scale. We support global mitigation approaches that promote cost effective incentives for cutting emissions, while respecting level playing fields and preventing carbon leakage. We urge a strategic action agenda?—?supported by clear and consistent policies and robust monitoring, reporting and verification (MRV)?—?that will complement business efforts to stimulate innovation as well as collaborative actions across value chains, and to develop and scale up alternative and renewable energy sources, promote energy efficiency, end deforestation and accelerate other low-carbon options and technologies such as ICT. We welcome transparency and disclosure regarding financial investments and policies in relation to all energy-related activities?—?including fossil-based and alternative. We support assessments of resilience to climate risks and call for new financial instruments to stimulate alternative energy and efficiency projects as well as green bonds. This will enable climate action to be integrated with financial reporting and instruments. We encourage governments to set science-based global and national targets for the reduction of GHG emissions and the development of alternative energy sources.
Mandatory carbon reporting	Support with minor exceptions	Further supporting the Paris Agreement, UBS signed the European Financial Services Round Table statement in support of a strong, ambitious response to climate change	We will work with policy-makers and regulators to incentivize and leverage further private climate finance, co-operating closely with national and international development banks. There is further scope for expanding the activity of these existing and emerging institutions to fulfil their potential in driving private investment flows into low carbon and renewable energy projects. It is equally important that they both take emissions positively into account when assessing a project and ensure their wider investments do not undermine climate change objectives. We will work with policy-makers and companies on consistent voluntary standards for disclosure by companies. A consistent and comparable mechanism for disclosing information on carbon emissions and climate change strategy will assist sustainable investor decisions and allow stress testing of climate change risk within a portfolio. We will work with policy-makers, regulators and companies to develop methods for assessing forward-looking exposure to climate-related risks, providing greater transparency of preparedness and sensitivity to climate risk of investee companies and issuers.
Climate finance	Support	Joint statement by our CEO and the alliance members to urge G20 governments to act on the recommendations of the TCFD	A global network of chief executive officers who see the business benefits of bold and proactive action to ensure a smooth transition to a low-carbon and climate-resilient economy. The group represents business leaders from diverse industry sectors and regions that use their position and influence to drive change. Priority areas for this group include: implementation of the Financial Stability Board's Task Force recommendations on Climate-related Financial Disclosures; building support for effective carbon markets; and, transformational change in the energy, mobility and agriculture value chains.

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Financial Stability Board, Task Force on Climate-Related Financial Disclosures

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

The TCFD seeks to develop recommendations for voluntary climate-related financial disclosures that are consistent, comparable, reliable, clear, and efficient, and provide decision-useful information to lenders, insurers, and investors. The TCFD believes that better access to data will enhance how climate-related risks are assessed, priced, and managed. Companies can more effectively measure and evaluate their own risks and those of their suppliers and competitors. Investors will make better informed decisions on where and how they want to allocate their capital. Lenders, insurers and underwriters will be better able to evaluate their risks and exposures over the short, medium, and long-term.

How have you, or are you attempting to, influence the position?

Our Head Sustainable Investors at Asset Management is a member of the task force and helped to shape the recommendations the task force has made to financial institutions and corporations.

Trade association

Swiss Bankers Association

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

Position on Switzerland's energy strategy (which is linked to climate change as it directs a transition to renewable energy sources) is supportive, with some reservations on the impact on the Swiss economy and energy security which is a high priority for banks.

How have you, or are you attempting to, influence the position?

As a member of the Swiss Bankers Association (SBA), UBS took part in the consultation process for the Swiss Energy Strategy 2050. We worked on influencing the position in line with our climate change commitment and the role of banks in the transition towards a low-carbon economy.

Trade association

Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU)

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

VfU has a position statement on the financing of the energy transition. The six core aspects are: 1) security of energy service, 2) security of planning, 3) currently continued support of renewable energy investments, 4) energy transition is more than renewable energy development, 5) supporting cap and trade schemes, 6) regulating financial market may impede the financing of the energy transition. This position was mainly developed with the energy transition in Germany in mind.

How have you, or are you attempting to, influence the position?

We have influenced the position as a member of the board and have participated in the discussions to shape a position paper that would be in line with our climate change strategy.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

- UBS chairs the joint CSR working group of major Swiss trade associations economiesuisse and SwissHoldings, which consider sustainability topics, including climate change. It is also a member of economiesuisse's working group on energy, which also considers climate change, including how it pertains to policy-making in Switzerland. Both the Chairman and Group CEO of UBS are directly involved in initiatives that influence policy consistent with our firm's climate change strategy (including e.g. via the World Economic Forum CEO Climate Leader Alliance).
- UBS' governance of sustainability ensures that relevant functions are involved and informed about UBS' climate change strategy. The Board of Directors' Corporate Culture and Responsibility Committee (CCRC), chaired by the UBS Chairman, and with the Group CEO and the Head UBS and Society as permanent guests, meets six times a year. Two of these meetings are also attended by UBS' business regions presidents as guests. The CCRC regularly considers UBS' strategy on climate change, including also external activities that influence policy.
- The UBS and Society Operating Committee, chaired by the Head UBS and Society (reporting directly to the Group CEO) ensures that relevant aspects are communicated to and discussed with the CCRC and relevant functions within the firm, including Group Governmental Affairs. UBS also has a cross-region and cross-business sustainability think tank in place, the Sustainability Council, in which sustainability topics, including climate change, are discussed with relevant functions (including Group Governmental Affairs and Group Regulatory Relations). Conclusions from the Council are also relayed to the Chairman and the CCRC. Internal communication of the climate change strategy ensures all employees are informed and educated about the firm's climate change strategy. For example, regular intranet articles inform employees about our CC strategy and the economic impact of CC on the economy and the financial sector.

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

In mainstream reports in accordance with TCFD recommendations

Page 243, as part of UBS 2017 Annual Report.

Status

Complete

Attach the document

full-report-ubs-group-ag-consolidated-2017-en.pdf

Content elements

- Governance
 - Strategy
 - Risks & opportunities
 - Emissions figures
 - Emission targets
 - Other metrics
-

Publication

In other regulatory filings

UBS GRI was part of its regulatory filings in 2017.

Status

Complete

Attach the document

gri-en-2017.pdf

Content elements

- Governance
 - Strategy
 - Risks & opportunities
 - Emissions figures
 - Emission targets
 - Other metrics
-

Publication

In voluntary communications

Climate strategy communique.

Status

Complete

Attach the document

climate-strategy-factsheet.pdf

Content elements

- Governance
 - Strategy
 - Risks & opportunities
 - Emissions figures
 - Emission targets
 - Other metrics
-

C14. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

C14.1

(C14.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	UBS Group AG Chair, Axel A. Weber Chairman of the Board of Directors / Chairperson of the Corporate Culture and Responsibility Committee	Board chair

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	Public or Non-Public Submission	I am submitting to
I am submitting my response	Public	Investors

Please confirm below

I have read and accept the applicable Terms