

Our climate change commitment

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 support this transition through our comprehensive climate change strategy.

We are determined to support our clients in preparing for success in an increasingly carbon-constrained world. As a leading global financial services provider, we focus our climate change strategy on risk management, investments, financing, research and our own operations. Our key commitments include:

Supporting renewable energy and clean tech transactions

Only supporting transactions of companies operating coal-fired power plants if they have a strategy to reduce coal exposure or adhere to the strict greenhouse gas emission standards recommended by leading international agencies

Not supporting certain coal mining companies and significantly limiting lending and capital raising provided to the sector

Securing 100% of our electricity from renewable sources by 2020, thereby reducing our own greenhouse gas footprint by 75% compared to 2004 levels

We publicly support international, collaborative action against climate change:

- Our Chairman is signatory to the European Financial Services Round Table's statement in support of a strong, ambitious response to climate change.
- Our CEO is a member of the CEO Climate Leaders, an alliance mobilized by the World Economic Forum.
- Our Head Sustainable Investors at Asset Management is member of the FSB Taskforce on Climate-related Financial Disclosures.
- We have joined RE100, a global initiative to get the world's most influential companies to use only renewable power.
- We support the CDP, as an investor member as well as a questionnaire respondent, in their aim to improve company disclosure of risks and opportunities related to climate change.

Implementation of our climate change strategy – Key examples:

Risk management: seeking to protect our clients', and our own, assets from climate change risks, within our sphere of influence.

At portfolio level, we regularly review sensitive sectors and activities prone to bearing climate change 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.

We also estimate our firm's vulnerability to climate change risks using scenario-based stress testing approaches and other forward looking portfolio analyses. For example in 2015 we assessed potential impacts of increasing climate change regulations and severe weather event scenarios on our energy and real estate loan portfolios. The potential financial impact on UBS was found to be moderate, primarily due to the relatively short term maturity profile of these loan portfolios and availability of insurance coverage for real estate.

We participate in international efforts that seek to provide guidance on how to integrate climate change and natural capital in risk management. In 2015 we contributed to the development of the Carbon Asset Risk Framework led by the UN Environment Programme Finance Initiative, and the World Resources Institute, and the Natural Capital Declaration's Corporate Bonds Water Credit Risk Tool and Report.

Investments: helping to mobilize private and institutional capital towards investments facilitating climate change mitigation and adaptation.

In 2015, Wealth Management Americas acted as distributor for the World Bank's first market-linked green bonds in the US. This is a contribution to broadening the investor base for climate-related investments in this region.

Nine of our Asset Management's real estate funds obtained the top "Green Star" award in the 2015 Global Real Estate Sustainability Benchmark (GRESB). This was recognition for our efforts in defining and implementing a sustainable and responsible property investment strategy. Most of the 11 funds entered ranked with – in the top quartile of their respective peer set, among more than 700 real estate portfolios. Our real estate debt funds ranked first and second in the inaugural GRESB Debt Survey.

The UBS Clean Energy Infrastructure Switzerland offers institutional investors unprecedented access to a diversified portfolio of Swiss infrastructure facilities and companies in the field of renewable energies and energy efficiency. Capital commitments reached approximately CHF 400 million as of December 31, 2015.

Overall, such climate change-related investments account for approximately 5.75% of our sustainable investments (at end of 2015).

We also mobilized capital on our own books. End of 2015, we held green bonds in the amount of CHF 320 million.

Financing: supporting this transition as corporate advisor, and/or with our lending capacity.

We provide capital raising and strategic advisory services globally to companies offering products that make a positive contribution to climate change mitigation and adaptation, including those in the solar, wind, hydro, energy efficiency, waste and biofuels, and transport sectors. For clients that contribute to climate change mitigation and adaptation, the Investment Bank provided equity or debt capital market services in 2015 (total deal value CHF 10 billion) or acted as financial advisor (total deal value CHF 35 billion).

We invest in Swiss corporations by supporting Swiss small and medium-sized enterprises (SME) in their energy-saving efforts. As promoted by the Swiss Energy Agency's SME model, clients benefit from the agency's energy check-up for SME at reduced costs and are granted UBS cash premiums for committing to an energy reduction plan within the scheme. Until the end of 2014, the Swiss Energy Agency recorded double the target for UBS SME in their overall energy savings which is equivalent to the energy consumption of approximately 400 single-family homes. UBS clients saved more

than 1,800 t/CO₂ per annum by the end of 2014. In addition, the UBS environmental bonus, launched in 2015, supports corporate clients when upgrading to more environmentally friendly commercial vehicles. Swiss private clients continue to benefit from the UBS "eco" mortgage when building energy-efficient homes. Our commitment as financial partner in the energy transition in Switzerland continues by our sponsorship of the Swiss Energy and Climate Summit.

Research: offering our clients research capacity on climate change issues.

In early 2016, we launched "Climate change: a risk to the global middle class" – our first report measuring the impact of climate change and its effects on the global middle class. This UBS study leverages the most recent scientific data on temperature-related mortality and flood risk in global cities. The sample referenced in this report includes 215 cities across 15 countries at different stages of economic development.

In 2015, our Chief Investment Office Wealth Management (CIO) published a series of reports on sustainable investing, with an overarching publication on the topic "Adding value(s) to investing". Climate change is an enduring feature of CIO's publications, including in a report in September 2015 in direct response to the adoption by the UN General Assembly of the Sustainable Development Goals (SDG). Sustainability-themed investment ideas were also comprehensively covered in the CIO Years Ahead 2016 publication. For example, CIO outlined "clean air and carbon reduction" as a Longer Term Investment.

Investment Bank's publications covered climate change and the Paris climate change conference (COP21) repeatedly in 2015, on topics such as "COP21: What, how, how likely?" and "ESG Keys: What Does COP 21 Mean?", from our ESG and Sustainability research team and "COP21 – Mind the Gap" from the Utilities team. The Investment Bank's 2014/15 ESG Analyzer identified climate change as among the top four structural issues currently facing firms across all sectors.

In-house operations: reducing our own greenhouse gas emissions.

We continue to reduce UBS's greenhouse gas (GHG) emissions and increase our share in renewable energy in line with our commitment to RE100. At the end of 2015, we sourced 54% of our energy from renewable sources and we were at 53% below the GHG emission levels of baseline year 2004. One of the key drivers for this achievement is our Group-wide real estate strategy, which includes consolidating work space in larger buildings, investing in energy-efficient infrastructure and implementing energy reduction measures across our building portfolio. Since 2012, we reduced our energy consumption by more than 13%, thus outperforming our target of 10% reduction by 2016.

UBS and Society

Our climate change commitment is part of the UBS and Society program, a cross-divisional umbrella platform covering all our activities and capabilities in sustainable investing and philanthropy, environmental and human rights policies that govern client and supplier relationships, managing our own environmental footprint, as well as our firm's community interactions.

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