Sustainability at UBS

This document should be read in conjunction with the UBS Group AG Sustainability Report 2020 and Annual Report 2020

ubs.com/annualreporting

March 11, 2021
Sustainability strategy

› Our commitment:
We want to be the financial provider of choice for clients who wish to mobilize capital towards the achievement of the 17 Sustainable Development Goals and the orderly transition to a low-carbon economy.

› Our ambition:
To be a leader in sustainable finance across all client segments
To be a recognized innovator and thought leader in philanthropy
To be an industry leader for sustainable business practices
To be an employer of choice

› Our climate strategy:
Protecting our own assets
Estimating climate-risk through stress testing and reducing exposure to carbon related assets
Protecting our clients’ assets
Helping clients assess and manage climate-related risks and engaging with institutional clients on climate topics
Mobilizing capital
Supporting the transition to a low-carbon economy by helping private and institutional clients invest sustainably
Reducing our direct climate impact
Managing our own environmental footprint
Achievements, progress and goals

What we achieved in 2020

- USD 793 billion in core sustainable investment assets (62% increase)
- USD 6.9 billion directed into SDG-related impact investments
- USD 15.3 billion in Climate Aware strategies
- 33 green, social and sustainability bond transactions supported
- 100% of assets of UBS retirement savings funds converted into sustainable investments (~USD 9 billion)

Shaping a high-performing organization

- 26% of Directors and above are women
- 20.7% of UK/21.9% of US employees are from underrepresented ethnicities at Director level & above
- EQUALS certification for equal pay practices in Switzerland, US, UK, Hong Kong and Singapore

Transitioning to a low-carbon economy

- 1.9% share of carbon-related assets in banking balance sheet
- USD 161 billion climate-related sustainable investment assets (69% increase)
- 49 oil and gas, and utilities companies were actively engaged on climate topics
- 100% of our electricity consumption sourced from renewable sources

Addressing societal challenges

- USD 168 million in donations raised by UBS Optimus Foundation (74% increase)
- USD 30 million committed to COVID-19-related aid projects supporting the communities
- 519,534 beneficiaries reached through strategic community affairs activities
- 3.7 million people’s well-being improved through UBS Optimus Foundation activities

Goals (select)

Sustainable finance
- Global Wealth Management to continue to mainstream sustainable and impact investments

Philanthropy
- Raise USD 150 million in donations and improve the lives of 3.8 million beneficiaries through community investment and client philanthropy

Business practices
- Advance biodiversity and human rights strategies

Employer of choice
- Continue leadership in key HR rankings

Goals (select)

Sustainable finance
- Add USD 70 billion of invested assets classified as impact investing or with sustainability focus

Philanthropy
- Raise USD 1 billion in donations and reach 26 million beneficiaries through community investment and client philanthropy

Business practices
- Achieve net zero emissions for all scope 1 and 2 activities

Employer of choice
- Increase the percentage of Director level and above positions filled by women (aspiration to reach 30%)
Sustainability governance structure (as of 31.12.20)

**Corporate Culture and Responsibility Committee**
Supports the Board of Directors of UBS Group in its duties to safeguard and advance the firm’s reputation for responsible and sustainable conduct. Approves and monitors UBS in Society’s overall strategy and annual objectives.

**Group Executive Board**
Group CEO supervises execution of UBS in Society’s strategy and annual objectives. Permanent guest to the Corporate Culture and Responsibility Committee (CCRC). President Asset Management leads Strategic Workstream on Sustainability. Co-President Global Wealth Management oversees Group Investor Protection Initiative (includes implementation of sustainability regulatory requirements). Group Chief Risk Officer oversees Climate Risk Program.

**Sustainable Finance Committee**
Helps UBS achieve its ambition of being a leader in sustainable finance and provide leadership for cross-divisional work streams and opportunities.
Chair Sustainable Finance Committee is a member of the UBS in Society Steering Committee.

**UBS in Society Steering Committee**
Ensures firmwide execution of UBS in Society strategy across business divisions, functions and regions.
Members are responsible for defining and implementing the sustainability strategy of their business area / function in line with UBS in Society strategy.
Head UBS in Society develops the UBS in Society strategy, leads its execution and submits annual objectives to the Group CEO. Permanent guest to the CCRC and member of the Sustainable Finance Committee.

**Global ESR Committee**
Defines ESR (environmental and social risk) framework and independent controls that align UBS’s ESR appetite with that of UBS in Society.
Group Chief Risk Officer is responsible for development and implementation of principles and appropriate independent control frameworks for ESR.
Climate Strategy

i. Protecting our own assets
   Estimating climate-risk through stress testing and reducing exposure to carbon-related assets
   - 1.9%
     Exposure to carbon-related assets on our balance sheet, reduced from 2.3%

ii. Protecting our clients’ assets
    Helping clients assess and manage climate-related risks and engaging with institutional clients on climate topics
    - 49
      Oil and gas and utility companies part of climate engagement program as of 31.12.20

iii. Mobilizing capital
     Supporting the transition to a low-carbon economy by helping private and institutional clients invest sustainably
     - USD 161bn
       Climate-related sustainable investments, up from USD 108bn in 2019

iv. Reducing our direct climate impact
    Managing our own environmental footprint
    - 79%
      Reduction in our greenhouse gas footprint since 2004 baseline

Refer to the Sustainability Report 2020 for detailed TCFD-aligned climate disclosures
Actively contributing to a lower carbon society – decarbonizing across the firm

**Corporate lending**

› Low and continuously reducing exposure to carbon-related assets

› Tight climate-related lending standards

**Asset management**

› Founding signatory of the Net Zero Asset Managers Initiative

**Our own operations**

› Targeting net zero scope 1 & 2 emissions by 2025

› RE100 goal met in 2020

Carbon-related assets on balance sheet

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7.5</td>
<td>6.1</td>
<td>5.4</td>
<td></td>
</tr>
</tbody>
</table>

**Interim targets**

To be reviewed every 5 years

**2050 or sooner**

Net zero GHG emissions across all AuM

GHG footprint

<table>
<thead>
<tr>
<th>Kilotonnes CO₂e</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>132</td>
<td>104</td>
<td>75</td>
<td></td>
</tr>
</tbody>
</table>

Refer to the Sustainability Report 2020 for detailed TCFD-aligned climate disclosures
## Climate-related lending standards

Climate-related standards in the energy and utilities sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td><strong>Coal-fired power plants</strong>&lt;br&gt;No project-level finance to new coal-fired power plants globally.&lt;br&gt;Financing to transactions of existing coal-fired operators (&gt;30% coal reliance) subject to a transition strategy that aligns with the Paris Agreement, or the transaction is related to renewable energy.</td>
</tr>
<tr>
<td></td>
<td><strong>Coal mining</strong>&lt;br&gt;No financing where the stated use of proceeds is for greenfield (^1) thermal coal mines.&lt;br&gt;Continuing to severely restrict lending and capital raising to the coal mining sector.</td>
</tr>
<tr>
<td>Mountaintop removal (MTR)</td>
<td><strong>Not providing financing to coal mining companies engaged in MTR operations.</strong></td>
</tr>
<tr>
<td>Oil and gas</td>
<td><strong>Arctic oil and oil sands</strong>&lt;br&gt;No financing where the stated use of proceeds is for new offshore oil projects in the Arctic or greenfield (^1) oil sands projects.&lt;br&gt;Financing to companies with significant reserves or production in arctic oil and/or oil sands (&gt;30% of reserves or production) only if the stated use of proceeds is related to renewable energy or conventional oil and gas assets.</td>
</tr>
<tr>
<td></td>
<td><strong>Liquefied natural gas (LNG) and ultra-deepwater drilling</strong>&lt;br&gt;Enhanced Environmental &amp; Social Risk (ESR) due diligence considering relevant factors and the company’s past and present environmental and social performance.</td>
</tr>
</tbody>
</table>

\(^1\) New mines / wells or expansion of existing mines / wells resulting in a material increase in production capacity

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Numbers in USDbn unless otherwise indicated; refer to slides the Sustainability Report 2020 for more information.
## Transparency on our climate strategy – climate-related metrics (TCFD)

### Climate-related metrics 2020

<table>
<thead>
<tr>
<th>Metric</th>
<th>For the year ended</th>
<th>% change from</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk management</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identified significant climate-related financial risk on balance sheet</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Carbon-related assets (USD billion)</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Proportion of total banking products exposure, gross (%)</td>
<td>5.4</td>
<td>6.1</td>
</tr>
<tr>
<td>Total exposure to climate-sensitive sectors (USD billion)</td>
<td>38.7</td>
<td>35.2</td>
</tr>
<tr>
<td>Proportion of total banking products exposure, gross (%)</td>
<td>13.7</td>
<td>13.3</td>
</tr>
<tr>
<td>Weighted carbon intensity of Climate Aware strategies (in tonnes CO₂e per USD million of revenue)</td>
<td>68.2</td>
<td>74.5</td>
</tr>
<tr>
<td>Compared to weighted carbon intensity of composite benchmark (%)</td>
<td>(51.0)</td>
<td>(54.0)</td>
</tr>
<tr>
<td>Number of climate-related shareholder resolutions voted upon</td>
<td>50</td>
<td>44</td>
</tr>
<tr>
<td>Proportion of supported climate-related shareholder resolutions (%)</td>
<td>88.0</td>
<td>81.8</td>
</tr>
<tr>
<td><strong>Opportunities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Climate-related sustainable investments (USD billion)</td>
<td>160.8</td>
<td>108.0</td>
</tr>
<tr>
<td>Proportion of UBS clients’ total invested assets (%)</td>
<td>3.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Total deal value in equity or debt capital market services related to climate change mitigation and adaptation (CCMA) (USD billion)</td>
<td>69.8</td>
<td>52.7</td>
</tr>
<tr>
<td>Total deal value of financial advisory services related to CCMA (USD billion)</td>
<td>29.1</td>
<td>34.5</td>
</tr>
<tr>
<td>Number of strategic transactions in support of Switzerland’s Energy Strategy 2050</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td><strong>Own operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GHG footprint (kilotones CO₂e)</td>
<td>75</td>
<td>104</td>
</tr>
<tr>
<td>Percentage change from baseline 2004 (target: −75% by 2020) (%)</td>
<td>(79.0)</td>
<td>(71.2)</td>
</tr>
</tbody>
</table>

1 Methodology revised to analyze underlying commodities in our commodity trade finance business; prior periods were restated;
2 Climate-sensitive sectors defined as business activities that are rated as having high, moderately high, moderate, or moderately low vulnerability to transition risks. For more details, refer to the “Scenario analysis” section and the footnotes to the “UBS corporate lending to climate-sensitive sectors 2020” table in the Sustainability Report 2020; prior periods were restated.
Transparency on our climate strategy – exposure to climate-sensitive sectors (TCFD)

**UBS corporate lending to climate-sensitive sectors, 2020**

*Inventory of exposure to transition-risk-sensitive sectors, across the Investment Bank and Personal & Corporate Banking*

<table>
<thead>
<tr>
<th>Climate-sensitive sector</th>
<th>Gross exposure</th>
<th>Share of total exposure to all sectors (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aerospace and defence</td>
<td>962</td>
<td>0.3</td>
</tr>
<tr>
<td>Automotive</td>
<td>966</td>
<td>0.3</td>
</tr>
<tr>
<td>Chemicals</td>
<td>2,021</td>
<td>0.7</td>
</tr>
<tr>
<td>Constructions and materials</td>
<td>3,905</td>
<td>1.4</td>
</tr>
<tr>
<td>Food and beverage</td>
<td>1,754</td>
<td>0.6</td>
</tr>
<tr>
<td>Industrial materials</td>
<td>151</td>
<td>0.1</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>2,778</td>
<td>1.0</td>
</tr>
<tr>
<td>Mining</td>
<td>3,276</td>
<td>1.2</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>4,951</td>
<td>1.7</td>
</tr>
<tr>
<td>Plastics and rubber</td>
<td>373</td>
<td>0.1</td>
</tr>
<tr>
<td>Primary materials</td>
<td>249</td>
<td>0.1</td>
</tr>
<tr>
<td>Textile products and apparel</td>
<td>1,128</td>
<td>0.4</td>
</tr>
<tr>
<td>Real estate</td>
<td>13,357</td>
<td>4.7</td>
</tr>
<tr>
<td>Transportation</td>
<td>2,337</td>
<td>0.8</td>
</tr>
<tr>
<td>Utilities</td>
<td>493</td>
<td>0.2</td>
</tr>
<tr>
<td>Total exposure to climate-sensitive sectors</td>
<td>38,700</td>
<td>13.7</td>
</tr>
<tr>
<td>Total exposure to all sectors</td>
<td>283,376</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Numbers in USDm unless otherwise indicated; refer to the Sustainability Report 2020 for further information; 1 Methodology revised to analyze underlying commodities in our commodity trade finance business; prior periods were restated; 2 Climate-sensitive sectors defined as business activities that are rated as having high, moderately high, moderate, or moderately low vulnerability to transition risks. For more details, refer to the “Scenario analysis” section and the footnotes to the “UBS corporate lending to climate-sensitive sectors 2020” table in the Sustainability Report 2020; prior periods were restated.
Continued growth in sustainable investing assets

Invested assets
GWM+AM+P&C

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Core SI: 182bn 5.6%</td>
<td>10 93 12 3</td>
<td>13 50 13 5</td>
<td>9 52 9 5</td>
</tr>
<tr>
<td>Core SI: 313bn 10.1%</td>
<td>13 225 20 3</td>
<td>9 372 46 9</td>
<td>132 13 7 128</td>
</tr>
<tr>
<td>Core SI: 489bn 13.5%</td>
<td>13 225 20 3</td>
<td>9 372 46 9</td>
<td>132 13 7 128</td>
</tr>
<tr>
<td>Core SI: 793bn 18.9%</td>
<td>13 225 20 3</td>
<td>9 372 46 9</td>
<td>132 13 7 128</td>
</tr>
<tr>
<td>Core SI: 182bn 5.6%</td>
<td>10 93 12 3</td>
<td>13 50 13 5</td>
<td>9 52 9 5</td>
</tr>
<tr>
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<tr>
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<td>13 225 20 3</td>
<td>9 372 46 9</td>
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</tr>
<tr>
<td>Core SI: 793bn 18.9%</td>
<td>13 225 20 3</td>
<td>9 372 46 9</td>
<td>132 13 7 128</td>
</tr>
<tr>
<td>Other</td>
<td>3,262</td>
<td>3,101</td>
<td>3,119</td>
</tr>
<tr>
<td>Core SI</td>
<td>3,080</td>
<td>2,788</td>
<td>3,119</td>
</tr>
<tr>
<td>2020 YoY</td>
<td>2016-2020 CAGR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+9%</td>
<td>+2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+62%</td>
<td>+45%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(13%)</td>
<td>(7%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+153%</td>
<td>+9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+44%</td>
<td>+47%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+38%</td>
<td>+69%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+175%</td>
<td>+78%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Numbers in USDbn unless otherwise indicated; refer to slide 21 for key terms and definitions
2020 was a pivotal year for sustainable finance at UBS

**Sustainable investments preferred for GWM clients investing globally**

**Extended suite of Climate Aware strategies in Asset Management**

**100% of Swiss retirement savings funds in sustainability-focused strategies**

**Established UBS Hub for Sustainable Finance**

- Bring together the best of what UBS has to offer in sustainable finance
- Facilitate the sharing of insights from experts across UBS and our extensive network

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**GWM+P&C 100% SI multi-asset mandate invested assets**

<table>
<thead>
<tr>
<th>Year</th>
<th>Invested Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>9bn</td>
</tr>
<tr>
<td>2020</td>
<td>20bn</td>
</tr>
</tbody>
</table>

**AM climate aware invested assets**

<table>
<thead>
<tr>
<th>Year</th>
<th>Invested Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>3bn</td>
</tr>
<tr>
<td>2020</td>
<td>15bn</td>
</tr>
</tbody>
</table>

**9bn invested assets converted FY20**

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Numbers in USD unless otherwise indicated
Driving forward the group diversity, equity and inclusion agenda

<table>
<thead>
<tr>
<th>Strategic priorities</th>
<th>2025 ambitions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td>Focus on increasing female representation in Director+ roles through hiring, promotions and retention and continue leadership in key gender diversity rankings</td>
</tr>
<tr>
<td><strong>Race and ethnicity</strong></td>
<td>Execute strategy to increase the representation of diverse heritage employees at UBS</td>
</tr>
<tr>
<td><strong>Inclusive leadership</strong></td>
<td>Broaden employee and Line Manager understanding and skill base around Inclusive Leadership. Shifting the focus of the narrative beyond gender diversity</td>
</tr>
<tr>
<td><strong>External brand and reputation</strong></td>
<td>Work with colleagues in internal and external communications to showcase UBS as a best practice employer in the DE&amp;I space</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>Lead global DE&amp;I governance committee, with firm-wide representation to drive strategic alignment across the Firm towards meeting our Group DE&amp;I objectives</td>
</tr>
<tr>
<td><strong>2025 ambitions</strong></td>
<td>Female representation at Director+ ranks</td>
</tr>
<tr>
<td></td>
<td>Increase in ethnic minority representation at Director+ ranks</td>
</tr>
<tr>
<td><strong>U.S.</strong></td>
<td>Ethnic minority representation at Director+ ranks</td>
</tr>
</tbody>
</table>

Refer to the Sustainability Report 2020 for further information
Continued focus on operational risks

Operational resilience during COVID-19
› Continued to serve clients without material impact on business

Employee conduct is a central consideration in the annual compensation process
› Incentive schemes distinguish clearly between quantitative performance and conduct-related behaviors

Suitability risk, product selection, cross-divisional service offerings, quality of advice and price transparency remain areas of focus
› Low interest rates, market volatility and major legislative change programs require adjustments to control processes

Continued focus on financial crime
› Significant investments in detection capabilities and core systems
› Exploring new technologies; implementing more sophisticated rule-based monitoring by applying self-learning systems to identify potentially suspicious transactions
› Active participation in public/private partnerships to improve information sharing and better detect financial crimes

Continued focus on sustainable remediation and resolution of underlying root causes

Significant operational risk issues outstanding

![Graph showing operational risk issues from 2019 to 2020](image-url)
Robust Cyber and Information Security (CIS) program

CIS governance structure

| Cyber & Information Security Governance Board |
| Co-chaired by Group COO & Group Head Compliance, Regulatory & Governance |
| › Senior Executives across all business divisions and control functions |
| › Oversee CIS Governance Framework |
| › Drive CIS accountability across the firm |
| › Define the CIS strategic roadmap |
| › Evaluate CIS threat landscape and risks for the firm |

Board of Directors RC

Group Executive Board

Regional Boards

Business Divisions (BDs)

CIS program oversight
Receive reporting on all CIS activities, including:
› Quarterly cyber briefings
› Weekly cyber threat intelligence updates
› Risk appetite assessments and KRI's

First line of defense
› Dedicated BD Information Security Officer teams; dotted line to Group CISO
› Implement the CIS Program in BDs; manage Third Party security risk

CIS threat defense

1. Analyze - support business decisions and prioritization through a lens of business risk informed by the threat
2. Protect and prevent - deep layers of defenses ensure availability, integrity, confidentiality, and privacy
3. Detect - intelligence and state-of-the-art technology to detect threats
4. Respond & recover - preparedness to drive prompt operational response to mitigate the impact of adverse events and safely resume critical services

COVID-19 update

› Enhanced monitoring for COVID-19 and work-from home related cyber threats
› Security controls have been effective to date with no significant cyber incidents
External awards and recognition

- Ranked first globally by our peers for ESG and Impact Investing
- A+ score in the Strategy and Governance module
- Market leading position in 2020 GRESB assessments
- Index member
- Corporate responsibility prime status
- Corporate ESG Performance
- CEA WINNER
- The Corporate Engagement Awards 2020
- The Prince’s Responsible Business Network
- Race at Work Charter signatory
Appendix
Our long history in sustainability

- **1954**: Beginnings of UBS Community Affairs at Wealth Management US
- **1992**: UBS among the first signatories of the UNEP Bank Declaration (UNEP FI)
- **1994**: First bank to obtain ISO 14001 certification for worldwide environmental management system
- **1997**: First Socially Responsible Investment (SRI) funds
- **1999**: Founding of UBS Optimus Foundation
- **2006**: Introduction of comprehensive climate strategy and start offsetting all CO₂ emissions resulting from business air travel
- **2009**: UBS Asset Management becomes signatory of Principles for Responsible Investment
- **2014**: Founding UBS in Society, a program to further focus us on sustainable performance
- **2015**: Sustainability industry leader in the Dow Jones Sustainability Index
- **2017**: UBS Asset Management launches Climate Aware and global impact equity strategies
- **2018**: First 100% sustainable cross-asset portfolio for private clients
- **2019**: Banning project-level financing on new coal-fired power plants
- **2020**: Commitment to net zero emissions in 100% of AM AuM by 2050
  - Commitment to net zero GHG emissions from our own operations by 2025
Heatmap of climate-sensitive sector exposure

**High**
- 22 Thermal coal mining
- 21 Oil refining
- 39 Shale gas drilling

**Moderately high**
- 404 Integrated oil and gas
- 571 Midstream oil and gas
- 3 Power generation (high-carbon, regulated)
- 2,397 Chemicals
- 1,769 Conventional oil extraction
- 508 Cement or concrete manufacture

**Moderate**
- 818 Commercial airlines
- 824 Manufacture of other metals
- 13,357 Commercial real estate (low efficiency)
- 783 Land-based shipping (high-carbon trucks)
- 952 Automobile manufacturing (high-carbon)
- 841 Consumer durables manufacturing
- 15 Livestock: beef extensive grazing
- 321 Power generation (moderate-carbon, regulated)

283,376 Total exposure

Numbers in USDm unless otherwise indicated; refer to the Sustainability Report 2020 for further information
Our approach to tax matters

UBS is committed to acting in a socially responsible manner with respect to both its own tax position and that of its clients.

UBS Code of Conduct and Ethics

We pay and report all taxes due. We report information relating to our own tax position and that of our clients and employees as required. We will not help our clients or any other party avoid paying the tax that they owe or reporting their income and gains, nor will we support any transactions where we know or shall presume that the tax outcome is dependent on unrealistic assumptions or the hiding of facts. We will also not contract with third parties that provide services for or on our behalf, where those acts help others to evade taxes owed.

Every employee is required to read and affirm his or her commitment to following the Code of Conduct and Ethics on an annual basis.

Five key Principles

1. UBS will fully comply with tax laws in a principled manner;
2. UBS will manage its tax affairs in a manner which is consistent with maximizing long-term shareholder value;
3. UBS will maintain transparency and seek a mutually beneficial relationship with tax authorities;
4. UBS will refrain from promoting or engaging in transactions, products or services that lack a commercial purpose; and
5. UBS will submit all tax sensitive transactions to additional scrutiny.

Refer to our separate “Our approach to tax matters” publication for further information.
Our standards – overview (environmental and social risk policy framework)

Controversial activities
We will not do business

› UNESCO world heritage sites
› Wetlands on the Ramsar list
› Endangered species
› High conservation value forests
› Illegal fire
› Illegal logging
› Child labor
› Forced labor
› Indigenous peoples’ rights
› Controversial weapons

Areas of concern
Business subject to stringent criteria

Soft commodities:
› Palm oil
› Soy
› Timber
› Fish and seafood

Power generation:
› Coal-fired power plants
› Large dams
› Nuclear power

Extractives:
› Arctic oil and oil sands
› Coal mining
› Liquefied natural gas (LNG)
› Ultra-deepwater drilling
› Hydraulic fracturing
› Precious metals
› Diamonds

Refer to the Sustainability Report 2020 for further information
Key terms and definitions

SDGs
The 17 United Nations (UN) Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development apply universally to all. With the SDGs, countries are mobilizing efforts to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind.

Core sustainable investments: Sustainable investment (SI) products that involve a strict and diligent asset selection process through either exclusions (of companies / sectors from portfolios where the companies / sectors are not aligned to an investor’s values) or positive selections (such as best-in-class, thematic or ESG integration and impact investing).

Core SI categories:
Integration – sustainability focus: Strategies where sustainability is an explicit part of the investment guidelines, universe, selection and/or investment process.
Integration – ESG integration: Strategies that integrate environmental, social and governance (ESG) factors into fundamental financial analysis to improve risk/return.
Impact investing: Strategies where the intention is to generate measurable environmental and social impact alongside financial return.
Third-party SI: SI products from third-party providers applying a strict and diligent asset selection process.
Exclusions: Strategies that exclude companies from portfolios where they are not aligned to an investor’s values. Includes customized screening services (single or multiple exclusion criteria).

Other SI categories: Norms-based screening assets: Invested assets that fall under the application of a UBS policy on the prohibition of investment in and indirect financing of companies involved in the development, production or purchase of anti-personnel mines and cluster munitions, and do not otherwise qualify as a core SI.

Green, social- and sustainability bonds: Debt instruments with a commitment to use the proceeds to (re-)finance green or sustainable projects, aligned with the voluntary guidelines in the pertinent International Capital Market Association (ICMA) Principles.

Carbon-related assets: Assets tied to the energy and utilities sectors (Global Industry Classification Standard), excluding renewables, utilities and nuclear power.
Scope 1: accounts for direct greenhouse gas (GHG) emissions by UBS.
Scope 2: accounts for indirect GHG emissions associated with the generation of imported/purchased electricity (grid average emission factor), heat or steam.

GRI (Global Reporting Initiative): Provider of the world’s most widely used sustainability disclosure standards (the GRI standards).
TCFD (Task Force on Climate-related Financial Disclosures): Provider of disclosure recommendations designed to help companies provide better information to support informed capital allocation.
SASB (Sustainability Accounting Standards Board): Provider of disclosure standards (the SASB Standards) to guide the disclosure of financially material sustainability information by companies to their investors.
Cautionary statement regarding forward-looking statements

This report contains statements that constitute “forward-looking statements,” including but not limited to management’s outlook for UBS’s financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS’s business and future development. While these forward-looking statements represent UBS’s judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS’s expectations. The outbreak of COVID-19 and the measures taken in response to the pandemic have had and may continue to have a significant adverse effect on global economic activity, and an adverse effect on the credit profile of some of our clients and other market participants, which has resulted in and may continue to increase credit loss expense and credit impairments. In addition, we face heightened operational risks due to remote working arrangements, including risks to supervisory and surveillance controls, as well as increased fraud and data security risks. The unprecedented scale of the measures taken to respond to the pandemic as well as the uncertainty surrounding vaccine supply, distribution, and efficacy against mutated virus strains creates significantly greater uncertainty about forward-looking statements in addition to the factors that generally affect our businesses, which include, but are not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), liquidity coverage ratio and other financial resources, including changes in RWA assets and liabilities arising from higher market volatility and other changes related to the COVID-19 pandemic; (ii) the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (iii) the continuing low or negative interest rate environment in Switzerland and other jurisdictions; (iv) developments (including as a result of the COVID-19 pandemic) in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, and currency exchange rates, and the effects of economic conditions, market developments, and geopolitical tensions, and changes to national trade policies on the financial position or creditworthiness of UBS’s clients and counterparties as well as on client sentiment and levels of activity; (v) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (vi) changes in or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, net stable funding ratio, liquidity and funding requirements, heightened operational resilience requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS’s business activities; (vii) the degree to which UBS is successful in implementing further changes to its legal structure to improve its resolvability and meet related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, proposals in Switzerland and other jurisdictions for mandatory structural reform of banks or systemically important institutions or to other external developments, and the extent to which such changes will have the intended effects; (viii) UBS’s ability to maintain and improve its systems and controls for the detection and prevention of money laundering and compliance with sanctions to meet evolving regulatory requirements and expectations, in particular in the US, (ix) the uncertainty arising from the UK’s exit from the EU; (x) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers will adversely affect UBS’s ability to compete in certain lines of business; (xi) changes in the standards of conduct applicable to our businesses that may result from new regulations or new enforcement of existing standards, including measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (xii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA as well as the amount of capital available for return to shareholders; (xiii) the effects on UBS’s cross-border banking business of tax or regulatory developments and of possible changes in UBS’s policies and practices relating to this business; (xiv) UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xv) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xvi) UBS’s ability to implement new technologies and business methods, including digital services and technologies, and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xvii) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xviii) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks and systems failures, the risk of which is increased while COVID-19 control measures require large portions of the staff of both UBS and its service providers to work remotely; (xix) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS’s operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xx) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS’s ability to maintain its stated capital return objective; and (xxi) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the SEC. More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS’s Annual Report on Form 10-K for the year ended 31 December 2020. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.