

# UBS Green Funding Framework

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# Table of Contents

<b>1.</b>	<b>Strategy .....</b>	<b>3</b>
1.1.	Group sustainability strategy .....	3
1.2.	Governance on sustainability .....	3
<b>2.</b>	<b>UBS Green Funding Framework .....</b>	<b>4</b>
2.1.	Use of Proceeds .....	4
2.2.	Process for Asset Evaluation and Selection .....	5
2.3.	Management of Proceeds .....	5
2.4.	Reporting .....	5
<b>3.</b>	<b>External Review .....</b>	<b>6</b>
<b>4.</b>	<b>Disclaimer .....</b>	<b>7</b>

# 1. Strategy

## 1.1. Group sustainability strategy

At UBS, we are committed to working toward the 17 United Nations Sustainable Development Goals (the SDGs) and the orderly transition to a low-carbon economy, as well as supporting our clients to do so. Finance has an important role to play as companies and individuals consider how best to approach the transition to a more sustainable global economy. As the world shifts to a low-carbon economy, the regulatory environment continues to evolve, as do the associated capital-raising and investment opportunities.

We are guided by our ambition to be a leader in sustainability. This is reflected in our vision to be the bank for the next generation. To help us realize that vision, our sustainability and impact strategy is based on three overarching strategic pillars: Protect, Grow and Attract.

### **Protect**

As part of our continued commitment to protect our clients' assets and those of our firm, we are focused on managing our business by aligning to the sustainable long-term Group strategy and evolving standards. We maintain a strong control and risk framework, as well as a robust sustainability data strategy, to support our risk management processes, regulatory requirements and product offerings.

### **Grow**

We continue to expand our sustainability and impact offerings across all business divisions to meet our clients' evolving needs. For example, we identify and offer innovative sustainable financing and investment solutions, with the aim to support our clients through the world's transition to a low-carbon economy. To facilitate this, we established a dedicated Group Sustainability and Impact (GSI) Business Development & Client Forum (the GSI BDCF) under the authority of the Group Executive Board (the GEB) Lead for Sustainability and Impact, focused on client, product and impact approaches.

### **Attract**

We aspire to be the bank of choice for clients and employees alike, maintaining top-quartile sustainability ratings and positioning UBS as the go-to employer through our engagement and education programs.

› Refer to the latest UBS Group Sustainability Report available under "Annual reporting" at [ubs.com/investors](https://ubs.com/investors) for detailed information about UBS's sustainability strategy and activities

## 1.2. Governance on sustainability

The Board of Directors (BoD), notably the Corporate Culture and Responsibility Committee (the CCRC), oversees the execution of our firm's sustainability activities and ambitions including the climate strategy while our firm's climate-related risk appetite and independent controls are set by the Group Executive Board (GEB). The CCRC is chaired by the Chairman of the UBS Group, with four BoD members as committee members. Permanent guests include the Group CEO, the Group Chief Risk Officer (the GCRO), the GEB Lead for Sustainability and Impact (S&I), the Chief Sustainability Officer (the CSO) and the Group General Counsel.

› Refer to the latest UBS Group Sustainability Report available under "Annual reporting" at [ubs.com/investors](https://ubs.com/investors) for detailed information about UBS's sustainability governance

## 2. UBS Green Funding Framework

Sustainability is integrated across multiple aspects of how UBS conducts its business and with our wide range of sustainable product offerings, we aim to help our clients and investors to meet their sustainability ambitions. Raising green funding allows UBS to connect our environmental objectives with access to the financial markets.

Under the UBS Green Funding Framework, a variety of financial instruments can be used, including bonds, covered bonds, notes, derivatives, deposits or similar financial products ("Green Liabilities").

UBS AG and its subsidiaries ("UBS AG Group") maintain assets that meet the environmental criteria as defined herein in an amount equal to the aggregate net proceeds of the issue of the Green Liabilities ("Green Funding").


The UBS Green Funding Framework is aligned with international market practice and meets the four core pillars set out in the Green Bond Principles, the recognized voluntary process guidelines of the International Capital Market Association (ICMA) for green bond issuances:

- Use of Proceeds
- Process for Asset Evaluation and Selection
- Management of Proceeds
- Reporting

### 2.1. Use of Proceeds

UBS AG including its subsidiaries allocate an amount equal to the aggregate net proceeds of outstanding Green Funding to the financing/refinancing of new or existing eligible assets.

UBS has defined the following as eligible assets ("Eligible Assets"):

Eligible Asset category	Eligible Asset criteria	Targeted SDGs
Green buildings	<p>New or existing commercial or residential buildings certified, or to be certified, by the following green building certification systems</p> <ul style="list-style-type: none"> <li>✓ Minergie, Minergie-P or Minergie-A;<sup>1</sup> or</li> <li>✓ Any other equivalent certification system as determined by UBS</li> </ul>	

For existing assets, UBS will apply a look-back period of a maximum of two years from the issuance date of the respective Green Liability. UBS may apply additional ESG screening filters to identify new or additional Eligible Assets.

<sup>1</sup> Minergie® is a Swiss registered quality label for the planning of new and refurbished low energy consumption buildings. The trademark is supported by the Swiss Confederation, Swiss Cantons and the Principality of Liechtenstein. Three different levels of certifications are available for new buildings and refurbishments: Minergie, Minergie-P and Minergie-A. To view the detailed requirements for certification, please visit [www.minergie.ch](http://www.minergie.ch).

## 2.2. Process for Asset Evaluation and Selection

UBS has established a Green Funding Forum as the primary governance body responsible for the 'day-to-day' management of the Green Funding Framework and its related topics, including the management of the pool of Eligible Assets as well as any reporting and governance matters associated with Green Liabilities and Green Funding. The Forum is chaired by the Global Head of Issuance and Funding Strategy within Group Treasury. Participant members in the Forum include representatives from across UBS Group functions, including Group Sustainability & Impact, Group Risk Control, Group Legal, Group Compliance Regulatory & Governance, and Group Finance, as well as Personal & Corporate Banking and Investment Banking.

All Eligible Assets covered by the UBS Green Funding Framework meet the principles and standards defined by the UBS Code of Conduct and Ethics, as well as the UBS Sustainability and Climate Risk Policy Framework and Sustainable Finance Guideline. Details of UBS's sustainability-related policies and guidelines can be found under UBS's sustainability reporting at [ubs.com/gri](https://ubs.com/gri).

For the purpose of raising Green Funding, the asset-owning UBS business unit is responsible for data accuracy and maintaining the relevant processes for identifying, monitoring and keeping records of Eligible Assets and providing the methodology for identification of the Eligible Assets to be reviewed by the Green Funding Forum.

UBS may, from time to time, update, amend or replace the Green Funding Framework including items such as additional Eligible Asset categories. Any such update must be approved by Group Risk Control, the Green Funding Forum and the Group Asset and Liability Committee (Group ALCO, a sub-committee of the Group Executive Board). For material amendments, including changes to the Eligible Asset criteria, UBS will seek a new Second Party Opinion.

## 2.3. Management of Proceeds

The proceeds raised under this Green Funding Framework will be booked by the executing unit in a dedicated booking structure to ensure the monitoring of the source of funds, in such a manner to ensure tracking and effective oversight of Green Funding. Eligible Assets may be originated and held by UBS AG or any of its subsidiaries. UBS AG and its subsidiaries maintain, on a consolidated basis, a pool of Eligible Assets at least equal to the net proceeds of outstanding Green Funding of the UBS AG Group. Eligible Assets included in the pool will

be tracked and reviewed for ongoing eligibility and availability on a quarterly basis. Usage of Eligible Assets will be monitored and reported across Green Liabilities to ensure transparency and that Eligible Assets are not allocated to more than one Green Liability.

If a Green Liability is issued by UBS AG but Eligible Assets are held at a subsidiary, UBS AG allocates new or existing internal funding to that subsidiary as funding for the financing and refinancing of such Eligible Assets.

UBS ensures it holds sufficient Eligible Assets at the incurrence of any Green Liability. In the case of relevant Eligible Assets exiting the pool of Eligible Assets due to divestments, maturities or other reasons leading to the volume of the Eligible Asset pool to temporarily fall below the volume of outstanding Green Liabilities, Group Treasury will manage the exceeding amount in accordance with UBS's liquidity policy (in cash, cash equivalents, high-quality liquid assets and/or other money market instruments). UBS aims to remedy the situation within 12 months.

## 2.4. Reporting

UBS provides a Green Funding Investor Report on an annual basis, which is published on the UBS Investor Relations webpage. This report includes information on Green Funding, the Eligible Assets, and the estimated environmental impact.

### Allocation reporting will include:

1. Total amount of Green Funding allocated to Eligible Assets
2. Share of Eligible Assets that are newly financed by UBS during the reporting period
3. Unallocated proceeds and relevant rationale
4. Geographical distribution of Eligible Assets by country, where relevant
5. A breakdown of percentage share or amount allocated to Eligible Assets:
  - Per certification system and certificate level
  - By new properties and renovated properties (if available)

### Impact reporting may include:

1. CO2 emissions saved per sqm per annum
2. Energy savings per sqm per annum
3. Selection of project examples, where feasible

The methodology used to calculate the estimated environmental impact will be disclosed at a high-level in the Green Funding Investor Report.

### 3. External Review

To secure alignment with international guidelines, UBS has obtained a Second Party Opinion from Sustainalytics<sup>2</sup> as an independent third party and global provider of such reviews.

UBS also obtains, on an annual basis, an external review on the Eligible Asset Pool including the selection process, asset allocation and reporting, as part of the annual Green Funding Investor Report.

The above documents, as well as details of our Green Liabilities and any associated certifications, are available on UBS's [Investor Relations webpage](#).

<sup>2</sup> Sustainalytics UK Limited, 1 Oliver's Yard, 55-71 City Road, London EC1Y 1HQ, United Kingdom.

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