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FAQ on climate change

How does UBS take action to support the orderly transition to a low-carbon economy?

UBS considers an orderly transition to a low-carbon economy as 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 take action in four different ways:

- We seek to protect our assets from climate-related risks by limiting our risk appetite for carbon-related assets and by estimating our firm's vulnerability to climate-related risks using scenario-based stress testing approaches and other forward-looking portfolio analyses. We have so far not found any significant climate-related financial risk on our balance sheet. Our exposure to carbon-related assets on our banking balance sheet is low, at 1.9% or USD 5.4 billion as of 31 December 2020, decreasing further from 2.3% at the end of 2019 and 2.8% at the end of 2018.
- We support our clients' efforts to assess, manage and protect them from climate-related risks by offering innovative products and services in investment, financing and research. We actively engage on climate topics with companies that we invest in; our Asset Management (AM) division has implemented an engagement program with 49 companies from oil and gas and utilities sectors and we voted on 50 climate-related shareholder resolutions during 2020.
- We mobilize private and institutional capital towards investments facilitating climate change mitigation and adaptation and in supporting the transition to a low-carbon economy as corporate advisor, and/or with our lending capacity. In 2020, our climate-related sustainable investments rose to USD 160.8 billion from USD 108 billion at the end of 2019, and the deal value in equity and debt capital market services, and in financial advisory services, related to climate change mitigation and adaptation, rose to USD 98.9 billion, from USD 87.2 billion in 2019.
- We continue to drive the reduction of our greenhouse gas (GHG) emissions and therefore have committed to achieving net zero emissions in our own operations (scope 1 and 2) by 2025. In 2020, we achieved our target of using 100% renewable electricity. This reduces our firm's GHG footprint by 79% compared with 2004 levels.

How does UBS address the climate impacts of extraction and burning of fossil fuels?

To meet the United Nations Sustainable Development Goals (the SDGs), there is a need for generating electricity from low-carbon sources. Recognizing the climate implications caused by the extraction and burning of fossil fuels, we are committed to:

- Not providing project-level finance to new coal-fired power plants globally;
- Only supporting financing to transactions of existing coal-fired operators (>30% coal reliance) who have a transition strategy in place that aligns with a pathway under the Paris Agreement on Climate Change (the Paris Agreement), or the transaction is related to renewable energy;
- Not providing financing where the stated use of proceeds is for greenfield¹ thermal coal mines;
- Severely restricting lending and capital raising to the coal mining sector and not providing financing to coal mining companies engaged in mountain-top removal (MTR) operations;
- Not providing financing where the stated use of proceeds is for new offshore oil projects in the Arctic or greenfield oil sands projects;

¹ Greenfield means a new mine / well or an expansion of an existing mine / well which results in a material increase in existing production capacity.

- Only provide financing to companies which have significant reserves or production in arctic oil and/ or oil sands (>30% of reserves or production) where the stated use of proceeds is related to renewable energy or conventional oil & gas assets;
- Transactions directly related to LNG infrastructure assets are subject to enhanced Environmental & Social Risk (ESR) due diligence considering relevant factors such as management of methane leaks, and the company's past and present environmental and social performance;
- Transactions directly related to ultra-deepwater drilling assets are subject to enhanced ESR due diligence considering relevant factors such as environmental impact analysis, spill prevention and response plans, and the company's past and present environmental and social performance.

How does UBS apply its standard policy on coal power?

UBS does not provide project-level finance to new coal-fired power plants globally.

- We only support financing to transactions of existing coal-fired operators (>30% coal reliance) who have a transition strategy in place that aligns with a pathway under the Paris Agreement, or the transaction is related to renewable energy. We first evaluate client strategies, on a forward-looking basis, to understand if they meet the pledged ambitions of their host countries, as expressed under the Paris Agreement and otherwise known as Nationally Determined Contributions (NDCs).
- As countries ramp up the ambition of their NDCs over time to meet the Paris target of well below 2°C, we will further support our clients in capitalizing on opportunities embedded in this transition to a low-carbon economy.

How does UBS address alignment with the Paris Agreement?

- We support the orderly transition to a low-carbon economy. Our climate strategy underlines our commitment to the SDGs on climate action and on affordable and clean energy – and to the Paris Agreement.
- These key UBS commitments are embedded in the UN-backed Principles for Responsible Banking (PRB). This global framework specifies the role of banks in supporting a sustainable future and scaling up their contribution to the achievement of both the SDGs and the Paris Agreement. UBS became a founding signatory of the PRB in September 2019.
- We seek to support clients in their management of carbon-related risks and to help them capitalize on opportunities embedded within the transition to a low-carbon economy. Recognizing that an orderly transition to a low-carbon economy requires both meeting growing energy demand and reducing carbon emissions, we seek to support clients who are diversifying their energy mix and reducing their dependency on fossil fuels.
- We support our clients' efforts to assess, manage and protect them from climate-related risks by offering innovative products and services in investment, financing and research. Our AM 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.
- We are a founding signatory of the Net Zero Asset Managers initiative, a leading group of global asset managers committed to support the goal of net zero GHG emissions by 2050 or sooner.
- We were one of the pilot banks testing the Paris Agreement Capital Transition Assessment (PACTA). In the context of the PACTA pilot, we studied the alignment of select climate sensitive sectors in our corporate credit portfolio with Paris Agreement benchmarks. For example, the assessment showed that the fuel mix in UBS's power utilities credit portfolio, according to the PACTA methodology, is significantly less carbon intensive than the global corporate economy.