

15 March 2019

FAQ on climate and coal

How does UBS take action to support a low carbon economy?

- 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 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 balance sheet is low, at 1.2% or 2.7bn USD as of December 31, 2018, down from 2.8% at end of 2017.
 - 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 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.
 - 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.
 - We continue to reduce our greenhouse gas (GHG) emissions and increase the firm's share in renewable energy.
- We understand it as a confirmation of the right direction of our efforts that UBS is again included in CDP's 2018 Climate A List, CDP's highest ranking. CDP runs a global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts.

Does UBS engage in public discussions on climate?

- We actively participated in governmental discussions concerning the implementation of the commitments made at the Paris Climate Change Conference and in the Sustainable Development Goals (SDGs).
- 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 Equity Team at Asset Management is member of the FSB TCFD (Financial Stability Board's Task Force on Climate-related Financial Disclosures).
- We are a member of 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.
- Our Asset Management division joined other institutional investors to support a Statement on Climate Change, which was officially presented to governments at the Conference of the Parties to the United Nations Framework Convention on Climate Change COP 24 meeting in Poland. The statement is asking public leaders to a) achieve the Paris Agreement goals, b) accelerate private sector investments into the low carbon transition and c) commit to improve climate-related financial reporting as suggested by the TCFD.

How does UBS deal with climate implications created by the extraction and burning of coal?

- For sustainable development, there is a need for electricity from low-carbon sources. We are supporting the utility sector in providing solutions that are in line with a sustainable development pathway.
- Recognizing the climate implications created by the extraction and burning of coal, we are committed to:
 - not providing project-level finance to new coal-fired power plants globally;
 - only supporting financing 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;
 - severely restricting lending and capital raising to the coal mining sector and not supporting coal mining companies engaged in mountain-top removal (MTR) operations.

What does UBS mean by alignment "with a pathway under the Paris Agreement"?

- 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.
- We look for coal-fired operators to be aligned with the commitments of their host countries to reduce GHG emissions as expressed under the Paris Agreement.
- Recognizing that transitioning to a low-carbon economy requires both meeting growing energy demand and reducing carbon emissions, we seek to support clients who are diversifying their fossil fuel dependencies.
- 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 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.

How does UBS apply its policy on coal power?

- 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 deal with coal-fired operators that are not aligned with a transition path under the Paris Agreement?

- We only finance clients that are in line with our policy.