C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization's strategy and/or financial planning?

Yes, and we have developed a low-carbon transition plan

C3.1a

(C3.1a) Does your organization use climate-related scenario analysis to inform its strategy?

Yes, qualitative and quantitative

C3.1b

(C3.1b) Provide details of your organization's use of climate-related scenario analysis.

Climate related scenarios and models applied	Details
2DS RCP 2.6 RCP 4.5 RCP 6 RCP 8.5 IEA B2DS IEA Sustainable development scenario IEA NPS IEA CPS REMIND MESSAGE-GLOBIOM Nationally determined contributions (NDCs)	In order to manage our own, and our clients', risk derived from both the physical and transition risks associated with climate change, we have been using scenario-based approaches since 2014. We have performed both top-down balance sheet stress testing (across the firm), as well as targeted, bottom-up analysis of specific sector exposures (in real estate, utilities, and oil & gas)in short (0-3 yrs), mid- (3-10 yrs), and long-term horizons (10-80 yrs). Our initial (2014) top-down approach consisted of a scenario- based stress test to assess UBS's balance sheet vulnerability across the firm. Leveraging our existing firm-wide top-down stress testing methodology, we developed a climate change scenario (which assumes that severe weather events result in governments around the world agreeing to implement carbon pricing mechanisms to assess the impact on financial assets, operational income and physical assets). The scenario anticipated that these mechanisms will prompt a shift away from coal and other fossil fuels to cleaner alternatives and adversely impact markets and gross domestic product. The results showed moderate financial impact in line with other stress scenarios, such as those that foresee an oil shock. Our subsequent (2015) bottom-up analyses of oil and gas utilities as well as electric utilities loan portfolios consisted of a forward-looking analysis to assess impacts of a long-term low fossil fuel price scenario resulting from policies promoting greater use of renewables, enhancing efficiency standards and limiting emissions. We calculated the impact this scenario would have on company probability of default and aggregated company-level results at the portfolio level to assess changes to expected loss. We also assessed the vulnerability of loan portfolios secured by real estate in Switzerland and the US to physical risk by mapping the location of collateral in over 6,000 postal code areas against Swiss Re's CatNet tool, which aggregates a large dataset of observed natural hazards such as wildfire, river and pluvial flooding and tropical cyclones. In 2017, based on historic academic precipitation observations, we conducted Drought stress test (Natural Capital Finance Alliance tool) on UBS's energy portfolio. From both top-down and bottom-up approaches, our internal stress tests suggested no immediate threat to UBS's balance sheet. However, we identified methodological challenges ranging from the suitability of climate scenarios for banking risk modelling to data availability. To address these challenges, 35 banks, including UBS, the UN Environment Programme Finance Initiative (UNEP FI), the Integrated Assessment Modelling Consortium (IAMC) responsible for the MESSAEGE and REMIND models (based on the RCPs) and risk consultancies Oliver Wyman and Acclimatise began a collaboration of several years in 2018. UBS is 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 IEA scenarios over a 5-year time horizon. The methodology provides an assessment of a bank's credit- financed activities in relation to the global shift to a low-carbon economy. We evaluate client strategies on a forward looking basis to understand if they meet the pledged ambitions of their host countries, as expressed in the Nationally Determined Contributions (NDCs). Scenario analysis can capture policy and technology risks at the counterparty level from climate scenarios. These risks translate into change in demand, increased costs, changing competitive landscape. In 2018, UBS took a decision to not finance any new coal-fired projects globally, while only financing coal-fired operators that have a strategy to reduce coal dependency along a Paris Agreement-aligned pathway. This was a substantial business decision based upon a scenario-based review of our power portfolio.

C3.1d

(C3.1d) Describe where and how climate-related risks and opportunities have influenced your strategy.

	Have climate related risks and opportunities influenced your strategy in this area?	Description of influence
Products and services	Yes	Climate risks and opportunities have influenced UBS's products and services strategy in the short term (0-3 years) and will continue to influence the strategy in the mid- and long term (3-10, 10-80 years). In 2018 and 2019, UBS climate strategy, in response to new banking climate regulation and emerging climate-related risk, was discussed by the Board of Director's Risk Committee. UBS climate strategy is now a regular agenda item for the joint meeting of BoD Risk Committee and Corporate Culture and Responsibility Committee (CCRC). 2020 has seen the creation of the cross-firm Sustainable Finance Committee which aims to address commercial aspects of sustainable finance and placing additional emphasis on sustainable finance client solutions across the group. We seek to protect our assets 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 reduced carbon-related assets on our balance sheet to 0.8% or USD 1.9 billion as of 31 December 2019, down from 1.6% at the end of 2018 and 2.8% at the end of 2017. In 2018, UBS took a strategic decision to not finance any new coal-fired projects globally, while only financing coal-fired operators that have a strategy to reduce coal dependency along a Paris aligned pathway. This was a substantial strategic decision based upon a scenario-based review of our power portfolio. 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. AM has implemented an engagement program with 50 companies from oil and gas and utilities sectors and we voted on 44 climate-related shareholder resolutions during 2019. 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 2019, our climate-related sustainable investments rose to $108 billion from $87.5 billion at the end of 2018, 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 $87.2 billion, from $56.5 billion in 2018.
Supply chain and/or value chain	Yes	Climate risks and opportunities have influenced UBS's supply chain strategy in the short term (0-3 years) and will continue to influence the strategy in the mid- and long term (3-10, 10-80 years). UBS applies a Responsible Supply Chain Management (RSCM) framework for the procurement of goods and services (conducted by Chain IQ, who performs supplier due diligence and establishes remediation measures, supported by experts within UBS). Evaluation of energy efficiency and carbon emissions are part of RSCM background checks. A substantial business decision impacted by climate change in this area was joining the RE100 initiative and committing to using 100% renewable electricity by mid 2020 and reducing our greenhouse gas emissions by 75% against 2004 levels. In 2019, 103 vendors were classified as vendors that provide UBS with goods or services with potentially high impacts, both newly sourced as well as ongoing engagements, which are regularly re-assessed. 17% of these vendors were considered as in need of improving their management practices. Specific remediation actions were agreed with all of them and the implementation progress has been closely monitored. In 2019, no UBS vendor relationship was terminated as a result of RSCM assessments. This can partly be related to the fact that we assess the vendor's potential risks before entering into a contract with them. We also screened all our significant active suppliers for environmental and human rights issues and 18 suppliers with potential material risks were referred to a specialized environmental and social risk unit for enhanced due diligence. There are several environmental indicators that are related to the impact of engagement with suppliers and that track the success of our implemented measures, such as energy consumption and related share of renewables and scope 2 emissions, travel distance and related travel type and scope 3 emissions, paper consumption and related paper types and scope 3 emissions, waste volumes and related recycling ratio and scope 3 emissions. An example: We engage with our facility management providers: we set quantitative objectives and offer incentives for improved energy efficiency and reduced scope 1 and 2 emissions across our real-estate portfolio. Energy efficiency measures and related scope 1 and 2 savings are tracked and also used for reporting to CDP (see C4.3a, C4.3b).
Investment in R&D	Yes	UBS is building intellectual capital in our asset management division, through innovating new products and services to meet shifting consumer demand for such products that mitigate climate-related risks and provide investment opportunities in the transition to a low-carbon economy. Growing the organization requires investment in staffing (UBS in society had 89 FTE in 2016, 108 FTE in 2017, 135 FTE in 2018 and grew to 145 in 2019). An example of a substantial strategic decision in this field (influenced by climate risks and opportunities) is that AM has developed a suite of products allowing clients to identify the carbon intensity of their investments and/or to align them with the Paris Agreement: In 2017, AM together with the New Employment Savings Trust launched a strategy called Climate Aware with an aim to do more than manage investments based on carbon foot-printing. In 2018, AM followed its successful UK Climate Aware rules-based fund with an Irish-based fund that is available for international investors outside of the UK. The portfolio is oriented towards companies that are better prepared for a low-carbon future while reducing exposure to, rather than excluding, companies with higher carbon risk, in order to pursue strategic engagement with these companies. The strategy involves not only a reduction of the CO_2 footprint of the portfolio but also an innovative approach to aligning the portfolio with the 2°C carbon reduction scenario. The Climate Aware strategy was expanded in 2019 to include mitigation, adaptation and transition. Further to this, REPM requires all investments to adhere to our sustainability policies, which includes incorporating resilience, climate change and reducing GHG emissions (down 19.4%). The climate change and resilience measures have been incorporated to reduce risk and enhance value upon sale, while the GHG emission reductions not only benefit the environment, there is a strong correlation with reduced utility costs which enhance our clients returns. Our results of integrating climate include: • A+ scores for REPM (both Property and Infrastructure modules) on the UN Principles of Responsible Investment Assessment since 2017 • REPM funds have outperformed the Global Real Estate Sustainability Benchmark (GRESB) every year since 2012, with all 20 submitted funds receiving five star (15 funds) or four star (5 funds)
Operations	Yes	Climate risks and opportunities have influenced UBS's strategy in terms of operations in the short term (0-3 years) and will continue to influence the strategy in the mid- and long term (3-10, 10-80 years). We continue to reduce our greenhouse gas (GHG) emissions and increase the firm's share in renewable energy. A substantial strategic decision impacted by climate change in this area was joining the RE100 initiative and committing to using 100% renewable electricity by mid 2020 and reducing our greenhouse gas emissions by 75% against 2004 levels. A second substantial strategic decision impacted by climate risks and opportunities in the in-house environmental management area has been that UBS is phasing out all fossil fuel based heating systems at end of life.

C3.1e

(C3.1e) Describe where and how climate-related risks and opportunities have influenced your financial planning.

	Financial planning elements that have been influenced	Description of influence
Row 1	Revenues Capital expenditures Capital allocation Acquisitions and divestments Access to capital Assets Liabilities	Revenues: UBS has identified opportunity to meet client demand for products and services which both help mitigate risks from the transition to a low-carbon economy and capture investment opportunities in the transition. An estimated USD 90 trillion will be needed in low-carbon investments by 2030, to finance the transition and meet Paris Agreement goals (Sarah Breeden PRA, OECD). UBS identifies the investment needs involved in the transition to a low-carbon economy and supports clients' efforts to assess, manage and protect them from climate-related risks by offering innovative products and services in investment, financing and research. UBS also mobilizes private and institutional capital towards investments facilitating climate change mitigation and adaptation, through its role as a corporate advisor and/or lending capacity. Capital allocation/capital expenditures: As UBS aligns its disclosure with TCFD recommendations within the five-year pathway by 2022, we will further undertake a strategic impact assessment and better understand the implications of climate change on our business strategy. • Planning for shifts in UBS business strategy with respect to climate-related risks and opportunities has already impacted planning capital expenditures, and may be further impacted as we continue to align. • For example, UBS is building intellectual capital in our asset management division, through innovating new products and services (e.g. staffing SI), to meet shifting consumer demand for such products that mitigate climate-related risks and provide investment opportunities in the transition to a low-carbon economy. Growing the organization requires investment in staffing (all of UBS in society had 89 FTE in 2016, 108 FTE in 2017, and it grew to 135 in 2018 and to 145 in 2019). • In the risk organization, investments in implementing the TCFD recommendations are expected to increase as UBS gradually moves closer to full alignment. Investments in capacity and staff resources in TCFD implementation were an estimated at CHF 500k. Aquisitions and divestments: • UBS would apply its comprehensive EMS (including the detection of climate risks and opportunities) to assess the acquired entity (assets and clients). In the cases were operations are integrated, UBS would incorporate the newly acquired target entity's operations into the EMS, including annual review, application of operational controls on areas where climate-related risks and opportunities are materially relevant. • UBS is continuously identifying, assessing, and managing climate-related risks and opportunities through its environmental management system. Access to capital: • We have so far not identified significant climate-related financial risk on our balance sheet. We explain this by UBS's relatively small lending book in climate-sensitive-sectors and availability of insurance we have relevant exposures to such sectors (e.g., Swiss mortgage lending book). A material impact can be defined as whether it would be of concern for our shareholders or clients or, in other words, whether CC is a "factor that would make an investment in [UBS] speculative or risky" (as described by the US Securities and Exchange Commission Guidance Regarding Disclosure Related to CC; Final Rule, p. 6294). • UBS is directly impacted by the growing number of sustainable finance related regulations globally. This includes the broad EU Sustainable Finance Action Plan where UBS will need to comply with the suitability, product disclosure, and Taxonomy regulations that impact wealth and asset management activities beginning in 2021. Additionally there are emerging regulations that focus on prudential risk management including the already in force PRA Supervisory Statement on Climate Change and the proposed ECB guide to climate and environmental risk management which will apply as of 2021. UBS also will comply with relevant local standards such as the HKMA Greenness Assessment Framework and regulations under development in Singapore and other jurisdictions. Assets: In order to manage our own risk derived from both the physical and transition risks associated with climate change, we have performed both top-down balance sheet stress testing, as well as targeted, bottom-up analysis of specific sector exposures. We have so far not identified significant climate-related financial risk on our balance sheet. We explain this by UBS's relatively small lending book in exposed sectors and availability of insurance where we have relevant exposures to such sectors (e.g., Swiss mortgage lending book). We should however continue to work on improving data availability, scenario applicability and methodology development. As long as they are not reliably available, we cannot consider respective financial risk analysis to be robust. • Our top-down approach consisted of a scenario- based stress test to assess UBS's balance sheet vulnerability. • Leveraging its existing firm-wide top-down stress testing methodology, we developed a climate change scenario and its related regulatory response to assess the impacts on financial assets, operational income and physical assets. Financial impacts were moderate and in line with other stress scenarios, particularly those that foresee an oil shock component. • The biggest risk from the regulatory response (i.e. transition risk) was for exposures to large corporates that are most sensitive to shocks in market variables like equity indices. • The impact on smaller unlisted companies, including the Swiss corporate portfolio, was limited. The biggest risk from severe weather events (i.e. physical risk) was damage to properties in Zurich due to the concentration of assets owned here. • As UBS aligns disclosure with TCFD recommendations within the five-year pathway by 2022, we will further undertake a strategic impact assessment and better understand the implications of climate change on our business. Liabilities: • Amongst other growing liability impacts from climate-related risks that UBS monitors on an ongoing basis, UBS can be held liable for its failure to meet regulatory requirements. This compliance risk includes climate-related requirements. In the EU, UBS is exposed to mandatory requirement known as the EU Energy Efficiency Directive, which applies to companies with 500 or more employees. • To meet the requirements of this directive, UBS establishes a system and documents it in an Energy Management Manual. The Manual reflects how UBS fulfills the requirements of ISO 50001 (UBS Energy Management System) in order to ensure compliance to the EU Energy Efficiency Directive of the established environmental management system across own operations in European locations. • The impact to UBS is the cost to manage and meet the regulatory requirement. This is approximately CHF 100k for external assurance of UBS Energy Management System against the ISO 50001 standard.

C3.1f

(C3.1f) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

Climate factors have already for years been integrated in our active investment decisions. With the more pronounced attention for this topic, its relevance and influence on investment decisions has further risen:

• UBS recognized the importance of climate already early on and has over 3 years of live track record in a dedicated climate methodology that has been applied to several underlying equity indices/products.

• More recently, this methodology has also been transported to fixed income indices, allowing us to offer climate aware fixed income solutions. The Climate Aware methodology has been identified as a important area of growth across AM's institutional and wholesale business.

• Within Switzerland UBS Asset Management has been very active in terms of raising capital for clean energy infrastructure (CEIS I/II).

• UBS Asset Management hired a team that will run unique long short hedge funds on the energy sector, focusing on climate winners in the long term and climate laggards in the short term.

• We have developed very robust stewardship services around climate change. In 2019, ShareAction, an international organization focused on advancing responsible investment, awarded UBS as the best performing asset manager in climate proxy voting in its report, "Voting matters – Are asset managers using their proxy votes for climate action?"

• Engagement has provided AM with a differentiated approach and to establish ourselves as using best practices within the industry.

• We are one of the most active participants in the Climate Action 100+ collective engagement group, leading the engagements with some of the most prominent and key targets of this group in terms of changing their view on climate risk for their business model.

• We have added climate reporting as one element of our mandate reporting, creating insights for our clients on their current climate profile and leading into conversations how to improve this. We have identified reporting as another area for differentiation.

C-FS3.2

(C-FS3.2) Are climate-related issues considered in the policy framework of your organization?

Yes, both of the above

C-FS3.2a

(C-FS3.2a) In which policies are climate-related issues integrated?

Bank lending (Bank)	Credit policy Risk policy	Majority of the portfolio	Risk policy: Procedures and tools for the identification, assessment and monitoring of environmental and social risks are applied and integrated into standard risk, compliance and operations processes. Credit policy/ Client onboarding: Potential clients are assessed for environmental and social risks associated with their business activities as part of UBS's Know Your Client compliance processes. Credit policy/ Portfolio review: At portfolio level, we regularly review sensitive sectors and activities prone to bearing climate, environmental, and social risks. We assess client exposure and revenue in such sectors and attempt to benchmark the portfolio quality against the Paris Agreement, and/or regional and/or sectoral 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 have added climate reporting as one element of our mandate reporting, creating insights for our clients on their current climate profile and leading into conversations on how to improve this.
Investing (Asset manager)	Risk policy Policy related to other products and services Engagement policy Sustainable/Responsible Investment Policy Investment policy/strategy Proxy voting policy	Majority of the portfolio	Risk policy / Policy related to other products/services: New financial products and services are reviewed before their launch in order to assess their compatibility and consistency with UBS's climate change strategy and against environmental and human rights standards, which also intersect with our risk management approach on climate change (part of UBS Climate Strategy). Climate, environmental and social risks are also considered in investment decision processes. Engagement policy: Our firm-wide stewardship strategy includes a thematic engagement program on climate change based on the recommendations of the TCFD. Through dialogue with investee companies, we encourage companies to demonstrate: • Governance ensuring climate change considerations are overseen by the Board. • Risk management addressing the uncertainties arising from climate change. • Strategy considerations taking into account the outcomes of scenario analysis, the understanding of the climate resilience of the business, and the specific actions that the company commits to in aligning with a low carbon economy. • Targets and metrics providing meaningful and ambitious measures of performance. • Responsible advocacy on climate change policy. We expect companies to have a strategy for reducing carbon emissions, to be clear about goals, and to report on progress. We will generally support proposals that require companies to report to shareholders, at a reasonable cost and excluding proprietary data, information concerning their potential liability from operations that contribute to global warming, their policy on climate risks and opportunities, and specific targets to reduce emissions. In tandem with engagement, we believe that our voting activities allow us to reinforce the messages communicated to management during our various dialogues and, ultimately, express our dissent if the objectives set out at the start of our engagement with a given company are not met. At AM, our policies and guidelines all address climate change, including the AM Sustainable Investment Policy, AM Global Stewardship Statement, AM Annual Stewardship Report, and AM Proxy Voting Policies. More details are provided below. Sustainable/ Responsible investment policy pertaining to our Climate Aware Strategy: UBS-AM has a 3+ year live track record of a dedicated climate methodology that has been applied to several underlying equity indices/products. The strategy was developed in conjunction with a UK pension fund. It aims to meet current investment goals while taking into account climate change objectives such as lower-carbon footprint, reduced exposure to fossil fuel reserves, and greater exposure to renewable energy opportunities. By including engagement, it has also been designed to be forward-looking. Modelling climate change, especially in the context of equity and fixed income portfolios, means using sophisticated assumptions around the uncertainties of climate change, given we don't yet know its full implications. To add clarity to our own modelling, UBS has been working in several innovative areas. For example, we look at factors like supply chain patents, and improvements to qualitative data, such as greater levels of disclosure by companies around target emissions. As data availability improves we expect the opportunities for integrating these types of metrics into portfolios to increase. More recently, this methodology has also been transported to fixed income indices, and we expect to offer climate aware fixed income solutions in the near future. Dedicated engagement program for the Climate Aware Strategy: In 2019, we have reported on our dedicated engagement program that supports that strategy through a focus list of 50 companies that pose the great risks from a climate perspective.. While UBS-AM has interests across a wide range of industries, we identified the energy and utilities sectors as particularly exposed to climate change transition. Our approach was unique, understanding how the companies we invest in address climate risks and with direct engagement, influencing real change. In order to ensure a systematic approach to our engagement with companies, we developed a scorecard analysis based on the TCFD that reveals interesting insights on the current practice on climate change by the and the gaps we need to address. We scored companies on eight factors: responsiveness, governance, risk management, strategy, performance, targets, lobbying and disclosure. Proxy voting policy: In November 2019 Share Action (the responsible investment campaign group) ranked UBS-AM as the leading asset manager for voting on climate resolutions. They examined the shareholder votes cast by over 50 of the world's largest asset managers on a total of 65 proposals that would speed up corporate action on climate change, including emissions reduction targets, climate reporting and governance, and corporate lobbying.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	Please select	

C-FS3.2b

(C-FS3.2b) Describe your exclusion policies related to industries and/or activities exposed or contributing to climate-related risks.

Coal	Bank lending	New business/investment for new projects	Our policies for coal sector include: Coal-fired power plants: -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, or the transaction is related to renewable energy. Coal mining: - Not providing financing where the stated use of proceeds is for greenfield thermal coal mines. (Greenfield means a new mine / well or an expansion of an existing mine / well which results in a material increase in existing production capacity.) -Continuing to severely restrict lending and capital raising to the coal mining sector. Mountaintop removal (MTR): -Not providing financing to coal mining companies engaged in MTR operations.
Oil & gas	Bank lending	New business/investment for existing projects	Our policy for oil and gas sectors include: Arctic oil and oil sands: -Not providing financing where the stated use of proceeds is for new offshore oil projects in the Arctic or greenfield oil sands projects. (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. Liquefied natural gas (LNG) and ultra-deepwater drilling: -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.

C-FS3.3

(C-FS3.3) Are climate-related issues factored into your external asset manager selection process?

Not applicable, because we don't have externally managed assets

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Absolute target

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number
Abs 1

Year target was set
2006

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 1+2 (market-based) +3 (upstream)

Base year
2004

Covered emissions in base year (metric tons CO2e)
360502

Covered emissions in base year as % of total base year emissions in selected Scope(s) (or Scope 3 category)
100

Target year
2020

Targeted reduction from base year (%)
75

Covered emissions in target year (metric tons CO2e) [auto-calculated]
90125.5

Covered emissions in reporting year (metric tons CO2e)
103670

% of target achieved [auto-calculated]
94.9905039824097

Target status in reporting year
Underway

Is this a science-based target?
Yes, we consider this a science-based target, but this target has not been approved as science-based by the Science-Based Targets initiative

Please explain (including target coverage)
UBS' first climate change strategy was developed in 2006. So far, the strategy has been updated twice, in 2012 and 2015. In 2012, our reduction target was updated with the guidance of Sir David King and his team from the Smith School of Enterprise and the Environment at Oxford University. Sir David King was the Chief Scientific Adviser to H.M. Government under both Tony Blair and Gordon Brown and Head of the Government Office for Science.

Target reference number
Abs 2

Year target was set
2006

Target coverage
Company-wide

Scope(s) (or Scope 3 category)
Scope 1

Base year
2004

(C6.2) Describe your organization’s approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based
We are reporting a Scope 2, location-based figure

Scope 2, market-based
We are reporting a Scope 2, market-based figure

Comment

C6.3

(C6.3) What were your organization’s gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based
142636

Scope 2, market-based (if applicable)
73460

Start date
<Not Applicable>

End date
<Not Applicable>

Comment

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?
Yes

C6.4a

(C6.4a) Provide details of the sources of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure.

Source
Hydrofluorocarbons (HFCs) from air-conditioning units or chillers

Relevance of Scope 1 emissions from this source
Emissions are not relevant

Relevance of location-based Scope 2 emissions from this source
No emissions excluded

Relevance of market-based Scope 2 emissions from this source (if applicable)
No emissions excluded

Explain why this source is excluded
Not a material source of greenhouse gases for the business - analysis done and confirmed by external auditor EY (ISO 14064)

C6.5

(C6.5) Account for your organization’s gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status
Relevant, calculated

Metric tonnes CO2e
8400

Emissions calculation methodology
Emissions related to production of used paper. Paper is one of the biggest continuous material accounts of a financial institution. Activity data: quantity of purchased paper Emissions factor: based on a study on emissions from paper lifecycle GWP. Same as Scope 1 and 2 data quality: high data quality External verification according to ISO 14064 performed by EY.

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain

Capital goods

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
GHG emissions from capital goods are not considered to be relevant nor material for our company (as a financial services firm). Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy. The application of the principles is fundamental to ensure that GHG related information is a true and fair account. Relevance: To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it is capable of making a difference in a decision of users by helping them to evaluate past, present or future events, or to confirm or correct prior expectations and evaluations. To be relevant, information must have predictive value or feedback value or both and it must be timely.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
GHG emissions from fuel-and-energy-related activities are not considered to be relevant nor material for our company. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy. The application of the principles is fundamental to ensure that GHG related information is a true and fair account. Relevance: To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it is capable of making a difference in a decision of users by helping them to evaluate past, present or future events, or to confirm or correct prior expectations and evaluations. To be relevant, information must have predictive value or feedback value or both and it must be timely.

Upstream transportation and distribution

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
GHG emissions from upstream transportation and distribution are not considered to be relevant nor material for our company. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy. The application of the principles is fundamental to ensure that GHG related information is a true and fair account. Relevance: To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it is capable of making a difference in a decision of users by helping them to evaluate past, present or future events, or to confirm or correct prior expectations and evaluations. To be relevant, information must have predictive value or feedback value or both and it must be timely.

Waste generated in operations

Evaluation status
Relevant, calculated

Metric tonnes CO2e
4358

Emissions calculation methodology
Emissions related to the generation of waste Activity data: Quantity of generated waste sent to landfill or incineration Emissions factor: from Ecoinvent database GWP: same as Scope 1 and 2 Data quality: High data quality External verification according to ISO 14064 performed by EY.

Percentage of emissions calculated using data obtained from suppliers or value chain partners
100

Please explain

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO2e

43705

Emissions calculation methodology

Business travel, in the form of business trips and visits to clients, is an important environmental aspect of a financial institution, particularly for globally-active companies due to air travel. Activity data: Distance traveled Emissions factor: from Ecoinvent database or Defra / DECCs Guidance GWP: same as Scope 1 and 2 Data quality: High data quality External verification according to ISO 14064 performed by EY. Methodology described in UK Department for Business, Energy & Industrial Strategy - Government Greenhouse gas conversion factors for company reporting - methodology paper https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2019

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Employee commuting

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

GHG emissions from employee commuting are not considered to be relevant nor material for our company. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy. The application of the principles is fundamental to ensure that GHG-related information is a true and fair account. Relevance: To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it is capable of making a difference in a decision of users by helping them to evaluate past, present or future events, or to confirm or correct prior expectations and evaluations. To be relevant, information must have predictive value or feedback value or both and it must be timely.

Upstream leased assets

Evaluation status

Relevant, calculated

Metric tonnes CO2e

6122

Emissions calculation methodology

Emissions related to leased office space. Activity data: Estimated energy used for heating purposes in lease office space. (Electricity included in scope 2 emissions) Emissions factor: same as scope 1 or 2 GWP: same as Scope 1 and 2 Data quality: High data quality External verification according to ISO 14064 performed by EY.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Downstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Please explain

As a financial services company, emissions from transportation and distribution of products sold, are not relevant nor material. Transportation of own staff is included in business travel. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

Processing of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
As a financial services company, emissions from processing of sold products, are not relevant nor material. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

Use of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
As a financial services company, emissions from use of sold products, are not relevant nor material. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

End of life treatment of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
As a financial services company, emissions from end of life treatment of sold products, are not relevant nor material. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

Downstream leased assets

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
GHG emissions from downstream leased assets are either already included in scope 1 and 2 emissions or the emissions are not material. Our GHG accounting and reporting is externally verified by EY according to ISO 14064 and is based on the principles: relevance, completeness, consistency, transparency and accuracy.

Franchises

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
UBS does not operate franchises.

Other (upstream)

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
No other upstream GHG sources

Other (downstream)

Evaluation status

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Please explain
No other downstream GHG sources

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure
0.00000291

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
84034

Metric denominator
unit total revenue

Metric denominator: Unit total
28889000000

Scope 2 figure used
Market-based

% change from previous year
20.6

Direction of change
Decreased

Reason for change
Intensity figure in metric tonnes per operating income in USD. Reasons for change: The decrease in this intensity figure is driven by decrease in operating income of 4.4% (Total operating income was USD 28,889 million in 2019 compared with USD 30,213 million in 2018) and decrease of 24.1% of combined scope 1 and 2 emissions. This was mainly driven by energy efficiency measures in the building portfolio (operational improvements, investments in energy efficient equipment), IT infrastructure (data center efficiency), sustainable renovation of buildings and the move into more efficient buildings (building portfolio strategy) and an increase in share of renewables.

Intensity figure
1.22

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO2e)
84034

Metric denominator
full time equivalent (FTE) employee

Metric denominator: Unit total
68794

Scope 2 figure used
Market-based

% change from previous year
29.1

Direction of change
Decreased

Reason for change
The reduction of 29.1% is due to a 7% increase in the number of FTE's and the decrease of 24.1% of combined scope 1 and 2 emissions. This was mainly driven by energy efficiency measures in the building portfolio (operational improvements, investments in energy efficient equipment), IT infrastructure (data center efficiency), sustainable renovation of buildings and the move into more efficient buildings (building portfolio strategy) and an increase in share of renewables.

C7. Emissions breakdowns

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?
Decreased

C7.9a

(C11.3) Does your organization use an internal price on carbon?

Yes

C11.3a

(C11.3a) Provide details of how your organization uses an internal price on carbon.

Objective for implementing an internal carbon price

Navigate GHG regulations
Stakeholder expectations
Drive energy efficiency
Drive low-carbon investment
Stress test investments
Identify and seize low-carbon opportunities

GHG Scope

Scope 1
Scope 2
Scope 3

Application

UBS employs differentiated carbon pricing depending on the business unit and region in which the internal carbon price is used. In Switzerland for in-house operations, a price as set by the Swiss CO2 Levy is referenced when pricing internal investments in cleaner energy systems. This price is held as a price point for decision making on financial planning costs. For risk management, scenario-based carbon prices used in scenario analyses are taken as guidance and input. These are considered modeled information, specific to a scenario, and therefore have a more research-based advisory role in decision-making, rather than strict guidance.

Actual price(s) used (Currency /metric ton)

110

Variance of price(s) used

UBS employs differentiated carbon pricing depending on the business unit and region in which the internal carbon price is used. Carbon prices progress from 0 in 2015 to over 100+ in subsequent decades, as implied by the scenario (for risk management). CO2 Levy prices in Switzerland are as set by the government. -- In Switzerland for in-house operations, a price as set by the Swiss CO2 Levy is referenced when pricing internal investments in cleaner energy systems. This price is held as a price point for decision making on financial planning costs. For risk management, scenario-based carbon prices used in scenario analyses are taken as guidance and input. These are considered modeled information, specific to a scenario, and therefore have a more research-based advisory role in decision-making, rather than strict guidance.

Type of internal carbon price

Shadow price
Implicit price

Impact & implication

Our top-down approach uses an internal carbon price to assess UBS balance sheet vulnerability, consisted of a scenario-based stress test. Leveraging its existing firm-wide top-down stress testing methodology, we developed a climate change scenario and its related regulatory response to assess the impacts on financial assets, operational income and physical assets. Financial impacts were moderate and in line with other stress scenarios, particularly those that foresee an oil shock component. The biggest risk from the regulatory response (i.e. transition risk) was for exposures to large corporates that are most sensitive to shocks in market variables like equity indices. -- In Switzerland for in-house operations, a price as set by the Swiss CO2 Levy is referenced when pricing internal investments in cleaner energy systems. This price is held as a price point for decision making on financial planning costs. The price applied to the replacement of fossil fuel heating systems results in higher projected costs for CO2-intense systems compared to renewable solutions and support decision making. In 2019, two projects were initiated to replace fossil fuel heating systems with renewable solutions due to this approach resulting in savings of more than 400 tCO2e when implemented. For risk management, scenario-based carbon prices used in scenario analyses are taken as guidance and input. These are considered modeled information, specific to a scenario, and therefore have a more research-based advisory role in decision-making, rather than strict guidance.

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our suppliers
Yes, our customers
Yes, our investee companies

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement
Engagement & incentivization (changing supplier behavior)

Details of engagement
Run an engagement campaign to educate suppliers about climate change
Climate change performance is featured in supplier awards scheme
Offer financial incentives for suppliers who reduce your operational emissions (Scopes 1 &2)
Offer financial incentives for suppliers who reduce your downstream emissions (Scopes 3)
Offer financial incentives for suppliers who reduce your upstream emissions (Scopes 3)

% of suppliers by number
100

% total procurement spend (direct and indirect)
100

% of supplier-related Scope 3 emissions as reported in C6.5
100

Rationale for the coverage of your engagement
The UBS Responsible Supply Chain Management (RSCM) approach is contract-based. All suppliers must agree to the Responsible Supply Chain Standard (including requirements towards environment (including climate performance), human right, health and safety and anti- corruption), for contracts to be awarded. Supplier relationships are terminated for non-compliance. To assess the compliance with the Responsible Supply Chain Standard, we focus on suppliers with high impact (i.e. high potential for environmental and social risks and climate related issues). In 2019, our sourcing and procurement services continued to be performed by ChainIQ, a company that applies UBS' unchanged RSCM framework and processes. The RSCM framework is operated by experienced and specifically trained procurement and sourcing specialists (in 2019, 50 specialists were trained globally) and supported by internal and external experts. Strategy for Prioritization· The RSCM framework includes an impact assessment of newly sourced goods and services, which takes into account potential environmental impacts along the lifecycle of a product or a service, and all purchased goods and services are categorized accordingly Suppliers of potentially high-impact goods or services, are requested to conduct a self- assessment on their responsible management practices and to provide corresponding evidence. Actual and potential negative impacts that are considered in the impact assessment of purchased goods and services include:- Adverse environmental impacts due to inefficient use of resources (e.g. water, energy, biomass) and emissions during the lifecycle of the product- Hazardous substances, emissions, pollutants and limited biodegradability of products, adversely affecting people and the environment- Unfair employment practices, e.g. low wages, excessive overtime, absence of occupational health & safety measures- Risks for consumer health and safety, e.g. low indoor air quality, inappropriate warning signage- Procurement and use of materials with a strongly negative environmental and/or social impact- Insufficient management of subcontractors regarding sustainability aspects

Impact of engagement, including measures of success
In 2019, 103 vendors were classified as vendors that provide UBS with goods or services with potentially high impacts, both newly sourced as well as ongoing engagements, which are regularly re-assessed. 17% of these vendors were considered as in need of improving their management practices. Specific remediation actions were agreed with all of them and the implementation progress has been closely monitored. In 2019, no UBS vendor relationship was terminated as a result of RSCM assessments. This can partly be related to the fact that we assess the vendor's potential risks before entering into a contract with them. We estimate the 224 new and potentially high-impact suppliers to be about 20% of our spend based upon previous years data, however this number is subject to revision. We also screened all our significant active suppliers for environmental and human rights issues and 18 suppliers with potential material risks were referred to a specialized environmental and social risk unit for enhanced due diligence. We measure success as the reduction in environmental impact and GHG emissions in our supply chain. There are several environmental indicators that are related to the impact of engagement with suppliers and that track the success of our implemented measures, such as energy consumption and related share of renewables and scope 2 emissions, travel distance and related travel type (air travel, train, car, etc) and scope 3 emissions, paper consumption and related paper types (recycled, new fibres, etc) and scope 3 emissions, waste volumes and related recycling ratio and scope 3 emissions. Three example: We engaged with our Facility Management providers: we set quantitative objectives and offer incentives for improved energy efficiency and reduced scope 1 and 2 emissions across our real-estate portfolio. Energy efficiency measures and related scope 1 and 2 savings are tracked and also used for reporting to CDP (see questions C4.3a and C4.3b) We engaged with utilities suppliers and track scope 2 emissions related to purchased electricity and heat. Scope 2 market based emissions were reduced by 42% since 2016 and 26% year-on-year. We engaged with paper suppliers in order to purchase paper with recycled content and lower GHG emissions in the production process. Paper related scope 3 emissions were reduced by 26% since 2016 and 11% year-on-year.

Comment

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement
Compliance & onboarding

Details of engagement
Climate change considerations are integrated into customer screening processes

% of customers by number
100

% of customer - related Scope 3 emissions as reported in C6.5

Portfolio coverage (total or outstanding)
All of the portfolio

Please explain the rationale for selecting this group of customers and scope of engagement
Procedures and tools for the identification, assessment and monitoring of environmental and social risks (ESR; including climate risks) are applied and integrated into standard risk, compliance and operations processes. All prospects and clients are assessed for ESR associated with their business activities as part of UBS's onboarding and Know Your Client (KYC) compliance processes. This type of engagement applies to all our customers and portfolios in order to fully identify, assess, and monitor ESR to UBS's downstream value chain. Where required during the onboarding and KYC due diligence processes, the ESR unit directly engages with the prospect or client on ESR related aspects (incl. climate related) by requesting first-hand information or setting conditions that are monitored thereafter by the ESR unit. We also engage with clients as part of our transaction due diligence process. For example, as stated in UBS ESR standard on coal power, UBS does not provide project-level finance for new coal-fired power plants globally and only supports 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. In an Investment Banking context (lending, equity or bond underwriting), this means that we regularly engage with clients during transactions on their fossil fuel strategy and their alignment with the Paris Agreement. We evaluate client strategies on a forward looking basis, to understand if they meet the pledged ambitions of their host countries, as expressed in the Nationally Determined Contributions (NDCs). Where UBS standards are not met transactions cannot proceed. Together with other financial institutions UBS thereby provides an important signal to companies to reduce their GHG emissions and commit to a transition towards a low carbon economy. At portfolio level, we regularly review climate sensitive sectors and activities prone to bearing climate, environmental, and social risks. We assess client exposure and revenue in such sectors and attempt to benchmark the portfolio quality against the Paris Agreement, and/or regional and/or sectoral averages.

Impact of engagement, including measures of success
We engage in order to encourage clients to improve their sustainability performance. Hence, a measure of impact and success is when a client commits to and delivers on a condition set by the ESR unit and thereby improves its performance. Another measure is our internal incident reporting. We measure the design and operational effectiveness of our ESR controls in all processes (onboarding, KYC and transaction processes). An incident can be created for example if the environmental and social, as well as climate, risks are not adequately assessed. Further to this, the ESR unit provides quarterly updates to specific metrics within the bank's risk appetite statement, where the threshold of permitted incidents is defined. If an incident would get to a maturity level 3 of the operational risk framework, a formal closure item needs to be filed which is subject to an update to senior management. A measure of success is when we minimize the number of such system incidents. Portfolio reviews give us an accurate aggregated exposure profile in different ESR relevant and climate-sensitive sectors to inform all ESR processes (onboarding, KYC and transaction processes). Based on the outcome of these reviews, we can explore ways to improve the future portfolio profile along a range of risk parameters. For example, in the palm oil sector, UBS review of market developments in the sector found that demand for products developed in accordance with the 'No Deforestation, No Peat and No Exploitation' (NDPE), which is increasingly being adopted in the palm oil sector. As a result, the Global ESR Committee took action, and UBS has adopted the standard in its banking practices with clients in the sector. Early detection and effective management of environmental and social (and reputational) risks of onboarded clients over short, medium and long term time horizons is vital to UBS. Our climate-related achievements have been recognized by external experts and we have continued significantly reduce the share of carbon-related assets to 0.8% of total banking products (down from 1.6% in 2018 and 2.8% in 2017). For the fifth year running, UBS has been named the best performer in the Diversified Financial Services and Capital Markets Industry of the Dow Jones Sustainability Indices (DJSI), the most widely recognized corporate sustainability rating.

C-FS12.1c

(C-FS12.1c) Give details of your climate-related engagement strategy with your investee companies.

Type of engagement
Information collection (Understanding investee behavior)

Details of engagement
Included climate change in investee selection / management mechanism

% of investees by number
100

% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b

Portfolio coverage
Majority of the portfolio

Rationale for the coverage of your engagement
At UBS Asset Management the integration of sustainability is oriented around the ESG Material Issues framework developed by our Sustainable and Impact research team to facilitate the integration process. Sustainability covers a wide range of topics, so financial analysts and portfolio managers need to focus their attention on a limited set of factors that could affect a company’s financial performance. The ESG Material Issues framework identifies the 3 to 5 most financially relevant factors per sector that can impact the investment thesis across 32 different industry sectors. This helps analysts focus on those sustainability factors most likely to influence investment returns. We use ESG integration to embed our understanding of climate change into our investment decision. We recognize that how the investments we make could be affected by climate change depends on a combination of business models and activities, regulatory jurisdictions, asset locations, technologies and innovation, among other factors.

Impact of engagement, including measures of success
We believe that ESG integration, which includes the very important topic of climate, involves a more holistic accounting of sustainability factors in the research process. We believe this leads to better informed investment decisions which could enhance performance and reduce risk. In addition, there is clear client demand for ESG factors to be integrated within the research process. In 2019 we conducted a large-scale survey of over 613 institutional investors representing more than €19 trillion AuM. 78% of those surveyed integrate ESG, citing materiality of risk as theoret key reason for doing so. Among European AO's the majority believe that systemic environmental factors will be more material to their investments than traditional financial factors. With this in mind, our ESG integration approach is designed to support client demand and drive improvements at the investee level by deepening the understanding of material ESG risk. In 2019, UBS AM conducted 358 engagement meetings in which long term sustainability issues were discuss and in which concrete expectations were communicated to senior management. Of these meetings 37% included discussions on environmental and climate change related issues. These meetings support integration efforts as they are directly tied to the investment cases. We measure the success of

our engagement efforts to support integration through the the increase in ouf AuM of assets integrating sustainability and climate change issues, which we report on an annual basis and which exceeded $300 Billion in AuM by the end of 2019.

Type of engagement
Information collection (Understanding investee behavior)

Details of engagement
Climate change is integrated into investee evaluation processes

% of investees by number
100

% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b

Portfolio coverage
Majority of the portfolio

Rationale for the coverage of your engagement
At UBS Asset Management the integration of sustainability is oriented around the ESG Material Issues framework developed by our Sustainable and Impact research team to facilitate the integration process. Sustainability covers a wide range of topics, so financial analysts and portfolio managers need to focus their attention on a limited set of factors that could affect a company's financial performance. The ESG Material Issues framework identifies the 3 to 5 most financially relevant factors per sector that can impact the investment thesis across 32 different industry sectors. This helps analysts focus on those sustainability factors most likely to influence investment returns. We use ESG integration to embed our understanding of climate change into our investment decision. We recognize that how the investments we make could be affected by climate change depends on a combination of business models and activities, regulatory jurisdictions, asset locations, technologies and innovation, among other factors.

Impact of engagement, including measures of success
We believe that ESG integration, which inludes the very important topic of climate, involves a more holistic accounting of sustainability factors in the research process. We believe this leads to better informed investment decisions which could enhance performance and reduce risk. In addition, there is clear client demand for ESG factors to be integrated within the research process. In 2019 we conducted a large-scale survey of over 613 institutional investors representing more than €19 trillion AuM. 78% of those surveyed integrate ESG, citing materiality of risk as theor key reason for doing so. Among European AO's the majority believe that systemic environmental factors will be more material to their investments than traditional financial factors. With this in mind, our ESG integration approach is designed to support client demand and drive improvements at the investee level by deepening the understanding of material ESG risk. In 2019, UBS AM conducted 358 engagement meetings in which long term sustainability issues were discuss and in which concrete expectations were communicated to senior management. Of these meetings 37% included discussions on environmental and climate change related issues. These meetings support integration efforts as they are directly tied to the investment cases. We measure the success of our engagement efforts to support integration through the the increase in ouf AuM of assets integrating sustainability and climate change issues, which we report on an annual basis and which exceeded $300 Billion in AuM by the end of 2019.

Type of engagement
Innovation & collaboration (changing markets)

Details of engagement
Carry out collaborative engagements with other investors or institutions

% of investees by number

% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b
66.7

Portfolio coverage
Majority of the portfolio

Rationale for the coverage of your engagement
Our Asset Management (AM) is involved in Climate Action 100+, a collaborative engagement initiative launched in December 2017. Its aim is to engage with high-level greenhouse gas emitters (The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions - therefore the 66.7% in the scope 3 field), and other companies across the global economy, that have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement. It has the support of 450 investors, representing more than USD 39 trillion of assets under management. AM is directly involved in 30 coalitions of investors (at the end of 2019) within Climate Action 100+ and leads seven of the company dialogues across regions. Whether AM is a lead or participating investor, it is an active member of these coalitions, providing feedback on the climate change performance of companies, the discussion agenda, engagement goals and the progress of these dialogues.

Impact of engagement, including measures of success
Since its launch in December 2017, Climate Action 100+ has grown into one of the world's largest investor-led engagement initiatives, with more than 450 investor signatories with more than $39 trillion in assets under management. The five-year initiative's first progress report provides a sector-by-sector analysis of progress to date. For each sector, it includes performance indicators, a list of key company milestones, and case studies. By way of example, in 2019 UBS Asset Management was a co-lead in the engagement dialogue with global energy company, Equinor. Through engagement with investors, Equinor committed to pursue a business strategy consistent with the goals of the Paris agreement. The company also agreed set out new climate-related targets in line with this long-term ambition. Furthermore, it committed to additional interim emission reduction targets and a review of existing commitments, raising ambition where appropriate, as part of this process. Additional steps agreed to by Equinor included extending remuneration across the business linked to attainment of climate targets and undertaking a review of lobbying activity on climate change policy. The full progress report from CA100+ can be downloaded from https://climateaction100.wordpress.com/progress-report/

Type of engagement
Engagement & incentivization (changing investee behavior)

Details of engagement
Initiate and support dialogue with investee boards to set Paris-aligned strategies

% of investees by number

% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b
27

Portfolio coverage
Minority of the portfolio

Rationale for the coverage of your engagement
In 2018, Asset Management launched a 3 year engagement program on climate change . While UBS Asset Management has interests across a wide range of industries,

we identified the energy and utilities sectors as particularly exposed to climate change transition. The objective of our dialogue with 49 oil & gas and utilities companies is to support the transition to a low carbon economy. The companies in our engagement focus list represent 27% of CO2 emissions (scope 1 and 2) of the entire benchmark (FTSE All developed) (Therefore the 27% in the "% Scope 3 emissions" field and the "Minority of the portfolio" in the Portfolio coverage field). From the start of the program through to the end of 2019, we've organized 128 meetings with the companies in the focus list. 29 of the 49 target companies have been engaged collaboratively through Climate Action 100+ (CA100+). We're also leading an increased number of CA 100+ coalitions: seven in 2019, compared to five in 2018. In-depth analysis on the companies in the focus list has been completed to assess: – Alignment with the Taskforce on Climate-related Financial Disclosure (TCFD) recommendations – Evidence of the Board's oversight of climate related risks and opportunities and integration in remuneration packages and board selection processes – Evidence of integration of climate change in risk management –Existence of scenario analysis and reflections on impact on the business model – Disclosure on strategy and initiatives for reducing GHG emissions – Disclosure of goals and progress to reduce normalized GHG emissions –Ensure consistency of indirect and direct lobbying activities on climate change with the Paris Agreement Based on this original assessment we've identified tailored engagement objectives for each company in the list.

Impact of engagement, including measures of success
Based on this original assessment we've identified tailored engagement objectives for each company in the list. After more than eighteen months of dialogue with the companies, we have been able to assess progress against these objectives for 26 companies. For the remaining 23, we decided to coordinate at least another additional meeting with management before being able to assess the current level of responsiveness. The measure of our progress to end 2019 can be summarized as follows: 1) Limited success was achieved across 27% of the companies, where between 0 - 25% of the objectives were met 2) Some success was achieved with 38% of companies, where 25 - 50% of the objectives were met 3) Good success was achieved with 15% of companies, where 50 - 75% of the objectives were met 4) Excellent success was achieved with 19% of companies where 75 - 100% of the objectives were met We consider our engagement program to be successful if we have good or excellent progress on at least 50% of the companies and/or at least limited success on 80% of the companies. However it is also important to point out that our engagements are not simply driven by a quant target but the magnitude of the impact in terms of climate commitments. These are linked to the TCFD, and having several leading companies meet our ambitious climate objectives and agreeing to align their strategies with the Paris agreement would also be considered a significant success. By way of example, in 2019 UBS Asset Management was a co-lead in the Climate Action 100+ engagement dialogue with global energy company, Equinor. Through engagement with investors, Equinor committed to pursue a business strategy consistent with the goals of the Paris agreement. The company also agreed set out new climate-related targets in line with this long-term ambition. Furthermore, it committed to additional interim emission reduction targets and a review of existing commitments, raising ambition where appropriate, as part of this process. Additional steps agreed to by Equinor included extending remuneration across the business linked to attainment of climate targets and undertaking a review of lobbying activity on climate change policy.

Type of engagement
Engagement & incentivization (changing investee behavior)

Details of engagement
Support climate-related issues in proxy voting

% of investees by number
100

% Scope 3 emissions as reported in C-FS14.1a/C-FS14.1b

Portfolio coverage
All of the portfolio

Rationale for the coverage of your engagement
It is our belief that voting rights have economic value and should be treated accordingly. As a result we consider voting to be an important part of our fiduciary duty to clients and integral to both the investment process and our overall stewardship approach. Asset Management votes therefore globally in over 55 countries across both its actively managed and index/rules based passive strategies. It seeks to vote all shares held consistently across its range of investments, in order to maximize the outcome of the vote. We have been voting on a discretionary basis on behalf of our clients since 1995. We implemented our first internal voting policy in 1998. During 2019, we voted on over 10,000 meetings and more than 100,000 resolutions.

Impact of engagement, including measures of success
Our voting activities allow us to reinforce the messages communicated to management during our various dialogues and, ultimately, express our dissent if the objectives set out at the start of our engagement with a given company are not met. In 2019 we voted on over 780 shareholder resolutions which were focused on ESG issues, supporting 60% of them. More specifically, 44 of these resolutions were climated-related shareholder resolutions and we supported 82% of them. Generally, we have not supported resolutions that were too prescriptive in nature, didn't address material issues, or which asked companies to introduce policies and practices that had already been adequately addressed. The positive impact of proxy voting in relation to climate can be seen by the 2019 BP shareholder resolution which UBS-AM co-filed. The resolution requested the company to align its business strategy with the Paris goals, and received 99% of votes in favor at the 2019 AGM. As a consequence, the resolution was adopted by BP. A measure of success is the external recognition we receive for our leadership in climate change voting: In 2019, UBS AM was highly ranked by two external bodies in relation to its engagement and proxy voting activities on climate change. In its report "Voting Matters" ShareAction ranked UBS AM Number 1 for voting on climate change resolutions. Shortly afterwards, Influence Map included UBS AM amongst the leaders (band A) in its study "Asset Managers and Climate Change".

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?
Direct engagement with policy makers
Trade associations

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

Carbon tax	Support	Joining others in support of the Paris Agreement, UBS signed the World Economic Forum's open letter from CEOs to world leaders urging climate action.	We believe that effective climate policies have to include explicit or implicit prices on carbon achieved via market mechanisms or coherent legislative measures according to national preferences, which will trigger low-carbon investment and transform current emission patterns at a significant scale. We support global mitigation approaches that promote cost effective incentives for cutting emissions, while respecting level playing fields and preventing carbon leakage. We urge a strategic action agenda?—?supported by clear and consistent policies and robust monitoring, reporting and verification (MRV)?—?that will complement business efforts to stimulate innovation as well as collaborative actions across value chains, and to develop and scale up alternative and renewable energy sources, promote energy efficiency, end deforestation and accelerate other low-carbon options and technologies such as ICT. We welcome transparency and disclosure regarding financial investments and policies in relation to all energy-related activities?—?including fossil-based and alternative. We support assessments of resilience to climate risks and call for new financial instruments to stimulate alternative energy and efficiency projects as well as green bonds. This will enable climate action to be integrated with financial reporting and instruments. We encourage governments to set science-based global and national targets for the reduction of GHG emissions and the development of alternative energy sources.
Mandatory carbon reporting	Support with minor exceptions	Further supporting the Paris Agreement, UBS signed the European Financial Services Round Table statement in support of a strong, ambitious response to climate change.	We will work with policy-makers and regulators to incentivize and leverage further private climate finance, co-operating closely with national and international development banks. There is further scope for expanding the activity of these existing and emerging institutions to fulfil their potential in driving private investment flows into low carbon and renewable energy projects. It is equally important that they both take emissions positively into account when assessing a project and ensure their wider investments do not undermine climate change objectives. We will work with policy-makers and companies on consistent voluntary standards for disclosure by companies. A consistent and comparable mechanism for disclosing information on carbon emissions and climate change strategy will assist sustainable investor decisions and allow stress testing of climate change risk within a portfolio. We will work with policy-makers, regulators and companies to develop methods for assessing forward-looking exposure to climate-related risks, providing greater transparency of preparedness and sensitivity to climate risk of investee companies and issuers.
Climate finance	Support	Joint statement by our CEO and the alliance members to urge G20 governments to act on the recommendations of the TCFD.	A global network of chief executive officers who see the business benefits of bold and proactive action to ensure a smooth transition to a low-carbon and climate-resilient economy. The group represents business leaders from diverse industry sectors and regions that use their position and influence to drive change. Priority areas for this group include: implementation of the Financial Stability Board's Task Force recommendations on Climate-related Financial Disclosures; building support for effective carbon markets; and, transformational change in the energy, mobility and agriculture value chains.
Other, please specify (Various – Carbon Tax, Carbon Reporting, Climate Finance, Climate Scenario Analysis)	Support	Publications by the Institute of International Finance Sustainable Finance Working Group on public consultations (e.g. Bank of England proposed climate scenario analysis BES, EC proposed Sustainable Finance Renewed Strategy) and position papers (e.g. Sustainable Finance Policy & Regulation: The Case for Greater Alignment, March 2020; Building a Global ESG Disclosure Framework: a Path Forward, June 2020)	The Institute of International Finance Sustainable Finance Working Group, of which UBS serves as the Vice-Chair, has written several response letters to consultation papers as well as staff papers outlining positions on the need for international standards for sustainable finance regulation, alignment of financial sector and real economy regulation, climate scenario analysis and stress tests by the financial sector, and development of international standards for ESG and climate report. The IIF has also developed recommendations for financial sector firms TCFD disclosure.
Other, please specify	Support	Publications by the Associations for Financial Markets in Europe (AFME), Asia Securities Industry & Financial Markets Association (ASIFMA), and the umbrella Global Financial Markets Association (GFMA) on public consultations (e.g. Bank of England proposed climate scenario analysis BES, EC proposed Sustainable Finance Renewed Strategy) and position papers (e.g. Status of European Regulatory Developments on Sustainable Finance, AFME, February 2020; Sustainable Finance in Asia Pacific Regulatory State of Play, ASIFMA, March 2020)	AFME, ASIFMA, and GFMA broadly support further development of sustainable and climate finance including carbon taxes, carbon reporting, and scenario analysis.

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Financial Stability Board, Task Force on Climate-Related Financial Disclosures

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

The TCFD seeks to develop recommendations for voluntary climate-related financial disclosures that are consistent, comparable, reliable, clear, and efficient, and provide decision-useful information to lenders, insurers, and investors. The TCFD believes that better access to data will enhance how climate-related risks are assessed, priced, and managed. Companies can more effectively measure and evaluate their own risks and those of their suppliers and competitors. Investors will make better informed decisions on where and how they want to allocate their capital. Lenders, insurers and underwriters will be better able to evaluate their risks and exposures over the short, medium, and long-term.

How have you influenced, or are you attempting to influence their position?

Our Head Sustainable Equity Team at Asset Management is a member of the task force and helped to shape the recommendations the task force has made to financial institutions and corporations.

Trade association

Swiss Bankers Association

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association's position
The Swiss Bankers Association (SBA) supports the introduction/expansion of a CO2 levy on all fossil fuels seems as the best market-based solution to to considerably improve the incentive structure for low emission technologies and for associated financial investments in Switzerland. SBA also encourages all members to participate in voluntary climate compatibility tests, and engages in industry initiatives to strengthen the role of the Swiss financial center with its diverse range of stakeholders and its technical expertise to play a leading role in transition.

How have you influenced, or are you attempting to influence their position?
As a member of the Swiss Bankers Association (SBA) and with a representative in its Sustainable Finance Working Group as well as with our Chairman Axel A. Weber on its Board, UBS influences the development of the SBA's position in line with our climate change commitment. We also participated in the establishment of new set of industry guidelines on ESG integration into the client advisory process.

Trade association
Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstituten (VfU)

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association's position
VfU has a position statement on the financing of the energy transition. The six core aspects are: 1) security of energy service, 2) security of planning, 3) currently continued support of renewable energy investments, 4) energy transition is more than renewable energy development, 5) supporting cap and trade schemes, 6) regulating financial market may impede the financing of the energy transition. This position was mainly developed with the energy transition in Germany in mind.

How have you influenced, or are you attempting to influence their position?
We have influenced their position as a member of the board and have participated in the discussions to shape a position paper that would be in line with our climate change strategy.

Trade association
Economiesuisse

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association's position
Economiesuisse promotes a coordinated global approach to tackle the challenges caused by climate change and advocates for a global and uniform carbon pricing. . The approach should allow companies to develop innovative solutions and technologies. Economiesuisse promotes a reliable, affordable, and environmentally friendly energy supply.

How have you influenced, or are you attempting to influence their position?
We have participated in the discussions to shape a position that would be in line with our climate change strategy.

Trade association
Institute of International Finance (IIF) Sustainable Finance Working Group

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association's position
IIF member firms around the world have been launching a wealth of new products, investment vehicles and programs to help bring sustainability considerations into the mainstream of global finance. The IIF helps connect these initiatives and align forces with public sector efforts to reach the same vitally important goals. E.g. the IIF supports the recommendations of the Task Force on Climate-related Financial Disclosures.

How have you influenced, or are you attempting to influence their position?
Our Board Chair was instrumental in establishing the Sustainable Finance Working Group, as Chairman of the IIF. Our Head of Sustainability Regulatory Strategy serves as vice chair of the IIF Sustainable Finance Working Group.

Trade association
United Nations Environment Program – Finance Initiative (UNEP-FI) climate and banking working group

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association's position
Supports implementation of the recommendations of the Task Force on Climate-related Financial Disclosures, specifically the recommendation on scenario analysis. The working group foci are on refining methodologies, climate scenarios and data sources to measure climate-related financial risk in loan portfolios, under climate change physical and transition risk scenarios. Providing legal guidance for climate risk disclosure and promoting industry learning and adaptation by including a larger group of banks than in phase I (16) and communicating about the project.

How have you influenced, or are you attempting to influence their position?
UBS was a founding member bank of the initiative, as part of the original founding working group on TCFD recommendations UBS helped to shape the objectives and methodologies which are now employed across more than double the banks in a broader initiative (Phase II).

Trade association
The regional European (AFME), Asia (ASIFMA), and US (SIFMA) and their umbrella Global Financial Markets Association (GFMA) all have sustainable finance working groups of which UBS is a member

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association's position
AFME, ASIFMA, SIFMA, and GFMA all support the further development of sustainable finance in a manner that supports transition to a net zero economy, provide

transparency and protection to investors, and are transparent with broader stakeholders through appropriate disclosure.

How have you influenced, or are you attempting to influence their position?

Our Head of Sustainability Regulatory Strategy serves as one of four co-chairs of the AFME Sustainable Finance Working Group.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

- UBS' governance of sustainability ensures that relevant functions are involved and informed about UBS' climate change strategy. The Board of Directors' Corporate Culture and Responsibility Committee (CCRC), chaired by the UBS Chairman (=Board Chair), and with the Group CEO and the Head UBS in society as permanent guests, meets six times a year. The CCRC regularly considers UBS' strategy on climate change, including also external engagements & positions and relevant regulatory developments.
- The UBS in society Steering Committee, chaired by the Head UBS in society (reporting directly to the Group CEO) ensures that relevant aspects are communicated to and discussed with the CCRC and relevant functions within the firm, including Group Governmental Affairs.
- Internal communication of the climate change strategy ensures all employees are informed and educated about the firm's climate change strategy. For example, regular intranet articles inform employees about our CC strategy and the economic impact of CC on the economy and the financial sector.
- Both the Chairman and Group CEO of UBS are directly involved in initiatives that influence policy consistent with our firm's climate change strategy (including e.g. via the World Economic Forum CEO Climate Leader Alliance). In addition:
- UBS contributes to pertinent external discussions and consultation, including on climate-related matters. UBS is a member of the Sustainable Finance Working Groups at the IIF and at the Swiss Banker's Association and is represented on the TCFD. Headquartered in Switzerland, UBS representatives regularly interact with government officials, including on climate-related matters.
- UBS chairs the joint CSR working group of major Swiss trade associations economiesuisse and SwissHoldings, which consider sustainability topics, including climate change. It is also a member of economiesuisse's working group on energy, which also considers climate change, including how it pertains to policy-making in Switzerland.

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication
In mainstream reports, incorporating the TCFD recommendations

Status
Complete

Attach the document
6k-sustainability-report-2019.pdf

Page/Section reference
UBS Sustainability Report 2019 contains UBS TCFD-aligned climate strategy disclosure, starting on page 54 (page numbers as printed in the report).

Content elements
Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics

Comment
UBS Sustainability Report 2019 was part of its regulatory filings in 2019, in the US and Germany (year-end financial filings).

Publication
In voluntary communications

Status
Complete

Attach the document
climate-strategy-en-2020.pdf

Page/Section reference
All pages

Content elements
Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics

Comment
2019/2020 Climate Strategy document is TCFD-aligned climate-specific disclosure document for UBS.

Publication
In other regulatory filings

Status
Complete

Attach the document
ubs-sustainability-report-2019-web.pdf

Page/Section reference
UBS Sustainability Report 2019 contains UBS TCFD-aligned climate strategy disclosure, starting on page 54 (page numbers as printed in the report).

Content elements
Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other metrics

Comment
UBS Sustainability Report 2019 was part of its regulatory filings in 2019, in the US and Germany (year-end financial filings).

C-FS12.5

(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?

Reporting framework	Principles for Responsible Investment (PRI) Task Force on Climate-related Financial Disclosures (TCFD) UNEP FI Principles for Responsible Banking	For extended information on our external memberships and commitmtens see UBS Sustainability Report 2019 pages 76-77 and 97.
Industry initiative	UNEP FI Principles for Responsible Banking Climate Action 100+ Institutional Investors Group on Climate Change (IIGCC) Natural Capital Finance Alliance Soft Commodities' Compact UNEP FI UNEP FI TCFD Pilot	
Commitment	Other, please specify (Our CEO is a member of the Alliance of CEO Climate Leaders, a WEF network of CEOs committed to climate action. Our Chairman is a signatory to the European Financial Services Round Table's statement in support of a strong response to climate change)	

C14. Portfolio Impact

C-FS14.1

(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)

Bank lending (Bank)	Yes	Alternative carbon footprinting and/or exposure metrics (as defined by TCFD	UBS conducts analysis and reports on exposure to carbon-related assets. As recommended by the TCFD, carbon-related assets are defined as assets tied to the energy and utilities sectors (Global Industry Classification Standard). In 2019, UBS again significantly reduced the share of our carbon-related assets to 0.8%, down from 1.6% in 2018 (and 2.8% in 2017). More broadly, our share of exposure to climate-sensitive sectors has reduced in 2019 to 15.5% from 19.6% in 2018 (% of total gross banking exposure across IB and P&C).
Investing (Asset manager)	Yes	Alternative carbon footprinting and/or exposure metrics (as defined by TCFD	At AM, we analyse our investments' impact on climate primarily through ESG integration. Across our active equity and fixed income platforms, portfolio managers and analysts use the UBS Risk Dashboard which provides quantitative and qualitative ESG information from external providers as well as internal insights. In addition, carbon emissions data is made available to all portfolio managers and analysts, enabling them to download carbon and carbon intensity data on over 6,000 companies. This provides portfolio managers with the ability to examine the carbon footprint of their portfolios and compare the relative carbon footprints of their company holdings to that of the relevant benchmark. AM has also developed a proprietary approach to assessing the sustainability performance of sovereigns, including both emerging and developed markets. The methodology integrates data from numerous sources covering ESG factors and addresses material ESG strengths and weaknesses. In the environmental dimension, the framework focuses on the positioning of each country with respect to climate change transition, such as the carbon intensity of the economy and the sustainability of energy production, as well as physical climate change risks. To supplement the practices above, AM has been researching the role of scenario analysis as a potential tool for understanding the impacts of climate change on investment portfolios. We have pursued this work collaboratively through the Institutional Investor Group on Climate Change (IIGCC). We have been encouraged through this work to identify new data sets that have recently become available on the market to account for physical climate risks at individual company level, which can be incorporated into portfolio analytics tools. In terms of implementation, AM has developed a Climate Aware strategy that enables investors to reduce a portfolio's carbon footprint, invest in new technologies, and align portfolios to a chosen climate "glidepath" or timeline to reach a specific climate scenario target. A glidepath could be a 2°C world, a 1.5°C world, or a different trajectory altogether. It was developed in conjunction with a large UK pension fund and launched in 2017. Opened to wider investments in 2018, this solution has already attracted in excess of USD 10bn in investments. It is a pragmatic, flexible, investor-led approach.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Please select	<Not Applicable>	

C-FS14.1a

(C-FS14.1a) What are your organization's Scope 3 portfolio emissions? (Category 15 "Investments" total emissions)

Category 15 (Investments)

Evaluation status
Relevant, not yet calculated

Scope 3 portfolio emissions (metric tons CO2e)
<Not Applicable>

Portfolio coverage
<Not Applicable>

Percentage calculated using data obtained from client/investees
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Please explain
UBS is seeking to further understand exposure to climate risks (both physical and transition) by leading an effort to create an inventory of climate sensitive sectors. Climate sensitive sectors defined as inventory of activities with higher vulnerability to transition and physical climate risks.

C-FS14.1b

(C-FS14.1b) What is your organization's Scope 3 portfolio impact? (Category 15 "Investments" alternative carbon footprinting and/or exposure metrics)

Metric type
Exposure to carbon-related assets

Metric unit
Other, please specify (USD bn portfolio value, proportion of total banking products exposure, gross (%))

Scope 3 portfolio metric
1.9

Portfolio coverage
More than 90% but less than or equal to 100%

Percentage calculated using data obtained from clients/investees
10

Calculation methodology
UBS conducts analysis and reports on exposure to carbon-related assets following the TCFD recommendations. UBS exposure to carbon-related assets in banking products across Investment Bank and Personal & Corporate Banking in 2019 was USD 1.9bn. As recommended by the TCFD, carbon-related assets are defined as assets tied to the energy and utilities sectors (Global Industry Classification Standard). Non-carbon-related assets, such as renewables, water utilities, and nuclear power are excluded. For grid utilities, the national grid mix is applied.

Please explain
The TCFD defines carbon-related assets as assets tied to the energy and utilities sectors. Exposure to carbon-related assets, a sub-set of climate sensitive sectors, is monitored and reported as recommended by the TCFD. UBS has monitored the year-on-year development of exposure to carbon-related assets since 2017. In 2019, UBS has again significantly reduced the share of carbon-related assets down to 0.8% of total banking products exposure, USD 1.9bn (from 1.6% in 2018 and 2.8% in 2017). More broadly, our share of exposure to climate-sensitive sectors has reduced in 2019 to 15.5% from 19.6% in 2018 (% of total gross banking exposure across IB and P&C). UBS uses these metrics to understand the exposure to carbon-related and climate sensitive sectors and to inform climate risk assessments.

Metric type
Weighted average carbon intensity

Metric unit
CO2e/$M revenue

Scope 3 portfolio metric
74.8

Portfolio coverage
More than 0% but less than or equal to 10%

Percentage calculated using data obtained from clients/investees
0

Calculation methodology
Weighted carbon intensity is metric provided by the TCFD. Weighted carbon intensity of the Climate Aware equities strategy reduced by 22% from 95.6 in 2018 to 74.8 in 2019 (in tons CO2e per million of USD revenue). Carbon intensity is based on scope 1 and 2 CO2 emissions of investee companies, which often rely on third-party estimates.

Please explain
Weighted carbon intensity is metric provided by the TCFD, UBS has committed to aligning its disclosure with the TCFD recommendations. Year-on-year decrease of carbon intensity is mainly driven by higher carbon targets of the investment strategy. Carbon intensity is based on scope 1 and 2 CO2 emissions of investee companies, which often rely on third-party estimates.

C-FS14.2

(C-FS14.2) Are you able to provide a breakdown of your organization's Scope 3 portfolio impact?

Row 1	Yes, by asset class Yes, by industry	The inventory of climate-sensitive sectors and more specifically, carbon-related assets can be broken down by industry. UBS discloses exposure to carbon-related assets in banking products across Investment Bank and Personal & Corporate Banking and weighted carbon intensity of the Climate Aware strategy.

C-FS14.2a

(C-FS14.2a) Break down your organization's Scope 3 portfolio impact by asset class.

Corporate/SME loans	Exposure to carbon-related assets	Other, please specify (USD bn portfolio value, proportion of total banking products exposure, gross (%))	1.9	UBS discloses exposure to carbon-related assets in banking products across Investment Bank and Personal & Corporate Banking. As recommended by the TCFD, carbon-related assets are defined as assets tied to the energy and utilities sectors (Global Industry Classification Standard). In 2019 UBS carbon related assets were USD 1.9 bn (banking products across Investment Bank and Personal & Corporate Banking.) In 2019, UBS again significantly reduced the share of our carbon-related assets to 0.8%, down from 1.6% in 2018 (and 2.8% in 2017). More broadly, our share of exposure to climate-sensitive sectors has reduced in 2019 to 15.5% from 19.6% in 2018 (% of total gross banking exposure across IB and P&C). Please see Our Climate Strategy 2019 page 8 and 9 for more details.
Listed equity	Weighted average carbon intensity	CO2e/$M revenue	74.8	Weighted carbon intensity of the Climate Aware equities strategy (in tons CO2e per million of USD revenue). Carbon intensity is based on scope 1 and 2 CO2 emissions of investee companies, which often rely on third-party estimates. Please see Our Climate Strategy 2019 page 8 and 9 for more details.

C-FS14.2b

(C-FS14.2b) Break down your organization's Scope 3 portfolio impact by industry.

Utilities	Exposure to carbon-related assets	Other, please specify ($M portfolio value, Percentage portfolio value)	1186	UBS discloses exposure to carbon-related assets in banking products across Investment Bank and Personal & Corporate Banking. As recommended by the TCFD, carbon-related assets are defined as assets tied to the energy and utilities sectors (Global Industry Classification Standard). Non-carbon-related assets, such as renewables, water utilities, and nuclear power are excluded. For grid utilities, the national grid mix is applied. UBS exposure to utilities sector: 1,186 (in USD m of total gross banking exposure across IB and P&C). Of which prod. / dist. electricity: USD 0.8 billion. Share of utilities of total exposure to all sectors 0.5%. Please see Our Climate Strategy 2019 page 8 and 9 for more details.
Energy	Exposure to carbon-related assets	$M portfolio value	1435	UBS discloses exposure to carbon-related assets in banking products across Investment Bank and Personal & Corporate Banking. As recommended by the TCFD, carbon-related assets are defined as assets tied to the energy and utilities sectors (Global Industry Classification Standard). UBS exposure to oil and gas, coal mining: USD 1,435m of total gross banking exposure across IB and P&C). Oil and gas: 1,415, coal mining: 20. Please see Our Climate Strategy 2019 page 8 and 9 for more details.

C-FS14.3

(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?

Bank lending (Bank)	Yes	Our climate strategy supports our clients and our firm preparing for success in an increasingly carbon-constrained world. We support this goal through our innovative financial product offering and advisory, as well as through embedding climate risk in our firm-wide risk management framework and in our own operations. Our climate strategy focuses on four pillars: – Protecting our own assets: We seek to protect our assets 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 reduced carbon-related assets on our balance sheet to 0.8% or USD 1.9 billion as of 31 December 2019, down from 1.6% at the end of 2018 and 2.8% at the end of 2017. – Protecting our clients' assets: 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; AM has implemented an engagement program with 50 companies from oil and gas and utilities sectors and we voted on 44 climate-related shareholder resolutions during 2019. – Mobilizing private and institutional capital: 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 2019, our climate-related sustainable investments rose to USD 108 billion from USD 87.5 billion at the end of 2018, 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 87.2 billion, from USD 56.5 billion in 2018. – Reducing our direct climate impact: We continue to reduce our greenhouse gas (GHG) emissions and increase the firm's share in renewable energy. We have committed to using 100% renewable electricity by mid-2020. This will reduce our firm's GHG footprint by 75% compared with 2004 levels. At the end of 2019, we had reduced our GHG emissions by 71% compared to baseline year 2004.
Investing (Asset manager)	Yes	UBS Asset Management creates and markets funds that actively reduce exposure to, rather than excluding, companies with higher carbon risk, in order to pursue strategic engagement with these companies. The strategy involves not only a reduction of the CO2 footprint of the portfolio but also an innovative approach to aligning the portfolio with the 2 degree carbon reduction scenario in the future. Engagement is key in this strategy. AM engages with companies in which it invests on behalf of clients to discuss approaches to mitigating climate-related risk, and votes on shareholder resolutions to improve transparency and disclosure around climate-related reporting. AM has implemented an engagement program with 50 oil and gas companies as well as utilities companies under-weighted in the fund.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	Not applicable	

C-FS14.3a

(C-FS14.3a) Do you assess if your clients/investees' business strategies are aligned to a well below 2-degree world?

Bank lending (Bank)	Yes, for all	We evaluate client strategies on a forward looking basis, to understand if they meet the pledged ambitions of their host countries, as expressed in the Nationally Determined Contributions (NDCs). As a concrete example, we do not provide project-level finance for new coal-fired power plants globally and only support 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. UBS is 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. The methodology provides an assessment of a bank's credit- financed activities in relation to the global shift to a low-carbon economy. 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, as of 2019 (see "PACTA methodology for power generation" in our climate strategy).
Investing (Asset manager)	Yes, for some	Yes, as described above, AM has developed a Climate Aware strategy that enables investors to reduce a portfolio's carbon footprint, invest in new technologies, and align portfolios to a chosen climate "glidepath" or timeline to reach a specific climate scenario target. A glidepath could be a 2°C world, a 1.5°C world, or a different trajectory altogether. AM offers several investment solutions within the Climate Aware framework, including equity and fixed income options. In addition, UBS has other funds also support the climate investment opportunities. For example, Clean Energy Infrastructure Switzerland (CEIS) has already launched two tranches. CEIS 2 closed in September 2019. It followed the successful launch of CEIS 1. This Investment solution focuses on companies in the infrastructure sector in Switzerland.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>

C-FS14.3b

(C-FS14.3b) Do you encourage your clients/investees to set a science-based target?

Bank lending (Bank)	Yes, for some	While sector-specific guidance provided by the Science-based Target Initiative is still largely under development, we evaluate client strategies on a forward looking basis, to understand if they meet the pledged ambitions of their host countries, as expressed in the Nationally Determined Contributions (NDCs). As a concrete example, we do not provide project-level finance for new coal-fired power plants globally and only support 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.
Investing (Asset manager)	Yes, for some	UBS has engaged with selected clients who have thereafter aligned their investment strategies with science-based targets.
Investing (Asset owner)	<Not Applicable>	<Not Applicable>
Insurance underwriting (Insurance company)	<Not Applicable>	<Not Applicable>
Other products and services, please specify	<Not Applicable>	<Not Applicable>

C15. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

Row 1	UBS Group AG Chair, Axel A. Weber Chairman of the Board of Directors / Chairperson of the Corporate Culture and Responsibility Committee	Board chair