

# The Principles for Responsible Banking Reporting and Self-Assessment

The Principles for Responsible Banking (PRB) provide a framework for a sustainable banking system with the aim of aligning the industry with the United Nations (UN) Sustainable Development Goals (SDGs) and the Paris Agreement. The PRB will embed sustainability at the strategic, portfolio and transactional levels, across all business areas. As a founding signatory of the PRB we have committed to continuously improving our firm's impact and contribution to society in accordance with the Principles.

**All references to the UBS Annual Report 2020 (referenced as AR 2020) refer to the combined UBS Group AG and UBS AG Annual Report 2020 available on [www.ubs.com/investors](http://www.ubs.com/investors). The UBS Sustainability Report 2020 (referenced as SR 2020) is available both on [www.ubs.com/investors](http://www.ubs.com/investors) and [www.ubs.com/gri](http://www.ubs.com/gri).**

**Principle 1: Alignment:** We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

<p>1.1 <i>Describe</i> (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>UBS provides financial advice and solutions to wealthy, institutional and corporate clients worldwide, as well as private clients in Switzerland. UBS's strategy is centered on our leading Global Wealth Management business and our premier universal bank in Switzerland, enhanced by Asset Management and the Investment Bank. The bank focuses on businesses that have a strong competitive position in their targeted markets, are capital efficient, and have an attractive long-term structural growth or profitability outlook.</p> <p>UBS is present in all major financial centers worldwide with offices in more than 50 regions and locations. UBS Group AG employs nearly 73,000 people around the world. Its shares are listed on the SIX Swiss Exchange and the New York Stock Exchange (NYSE).</p>	<p><b>AR 2020</b></p> <ul style="list-style-type: none"> <li>– Our strategy (16–17)</li> <li>– Our businesses (19–28)</li> <li>– Our clients and what matters most to them (35–36)</li> </ul>
<p>1.2 <i>Describe</i> how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>Our sustainability strategy is guided by the goal to be the financial provider of choice for clients who wish to mobilize capital toward the achievement of the 17 SDGs and the orderly transition to a low-carbon economy. We work toward this goal by integrating sustainability into our mainstream offerings and by advising clients on their philanthropic works. We also continue to set standards in our industry, including through the management of environmental and social risks, the management of our environmental footprint and through our sustainability disclosure.</p> <p>Our governance framework on sustainability supports the creation of long-term value. Sustainability activities, including sustainable finance, are overseen at the highest level of UBS (the Board of Directors (BoD) and Group Executive Board (GEB)) and are grounded in our Code of Conduct and Ethics.</p> <p>UBS in Society (UBSS) is a dedicated organization within UBS focused on maximizing the positive and minimizing the negative impacts UBS has on society and the environment. UBSS covers all activities and capabilities related to sustainable finance (including sustainable investing), philanthropy, environmental, climate and human rights policies governing client and supplier relationships, our environmental footprint, human resources, and community investment.</p> <p>We are committed to making UBS a force for driving positive change in society and the environment for future generations. We do so by focusing our firm on creating long-term positive impact for clients, employees, investors and society.</p> <p>Our ambition is to be:</p> <ul style="list-style-type: none"> <li>– A leader in sustainable finance across all client segments</li> <li>– A recognized innovator and thought leader in philanthropy</li> <li>– An industry leader for sustainable business practices</li> <li>– An employer of choice</li> </ul>	<p><b>AR 2020</b></p> <ul style="list-style-type: none"> <li>– Our strategy (16–17)</li> <li>– Our focus on sustainability (39–43)</li> </ul> <p><b>SR 2020</b></p> <ul style="list-style-type: none"> <li>– UBS in Society constitutional document (88–90)</li> <li>– Why we drive sustainability (10–11)</li> <li>– The changes we face (12–13)</li> <li>– What we do to act on a low-carbon future – our climate strategy (31–42)</li> </ul>

**Principle 2: Impact and Target Setting:** We will work to continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis:

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:

- a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.
- b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.
- c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.
- d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.

(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))

Show that building on this analysis, the bank has

- Identified and disclosed its areas of most significant (potential) positive and negative impact
- Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts

Assessing impacts is an integral part of how we manage sustainability. We have done and continue to do a series of impact analyses such as our annual Group-wide materiality assessment, Paris Agreement Capital Transition Assessments (PACTA), various environmental and social risk reviews, and an assessment of which SDGs are of particular pertinence to our firm (see SDGs in our focus).

In particular, due to our strategy, business model and (business) focus areas, we see the most material impacts across our value chain by helping to advance positive developments through sustainable products and services (including sustainable and impact investments and philanthropy services) as well as minimizing negative impacts through our business practices (with particular focus on the management of environmental and social risks and of climate risk).

UBS recognizes that we must further understand the impacts of our clients and their activities. We have started this impact analysis and, as it evolves, this work will supplement and support our sustainability strategy and goals.

Specific to the topic of climate, we have been using scenario-based approaches since 2014 to assess our exposure to physical and transition risks stemming from climate change.

In addition to our climate work, we are currently testing the PRB Portfolio Impact Identification Tool in our Personal & Corporate Banking division in Switzerland and are co-leading the UNEP FI Asset Management/Private Banking sub-group to develop an impact analysis tool for signatories to use with investment portfolios (core to our key business activities of wealth and asset management). In 2021, we plan to build on this work which entails that we test the investment portfolio analysis methodology we are developing and explore how to consider alongside the impacts of our lending and financing portfolios.

Our effort to understand client impacts will be further enhanced by having joined the Banking for Impact Work Group where we will jointly endeavour to create an industry framework to measure and monetize our impacts.

**SR 2020**

- Why we drive sustainability (10–11)
- The changes we face (12–13)
- Our commitment to the Principles for Responsible Banking (51)
- How we gather and assess stakeholder views (56–57)
- What we do to act on a low-carbon future – our climate strategy (31–42)
- Appendix 1 – SDGs in our focus (60)

**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting.**

UBS continues to make progress in understanding the significant positive and negative impacts of our core business activities. We are advanced in analysing the impacts of our business practices, products and services. Impact analysis of our clients and externalities has begun and results will inform our sustainability strategy and goals.

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## 2.2 Target Setting

Show that the bank has set and published a minimum of two **Specific, Measurable** (can be qualitative or quantitative), **Achievable, Relevant** and **Time-bound** (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

We have set and disclosed SMART mid-term targets for the most significant impacts identified. Our sustainability ambitions and goals (goals are cumulative figures, to be achieved by the end of 2025):

**Ambition: to be a leader in sustainable finance across all client segments, with the key goal of**

– adding USD 70 billion of invested assets classified as impact investing or with sustainability focus.

**Ambition: to be a recognized innovator and thought leader in philanthropy, with the key goals of**

– raising USD 1 billion donations to UBS’s client philanthropy foundations and funds and reaching 25 million beneficiaries, and  
– helping one million beneficiaries to learn and develop skills for employment, decent jobs and entrepreneurship through our community investment activities.

**Ambition: to be an industry leader for sustainable business practices, with the key goals of**

– achieving net zero for scope 1 and 2 greenhouse gas emissions,  
– retaining favorable positions in key environmental, social, and governance (ESG) ratings,  
– implementing the Task Force on Climate-related Financial Disclosures (TCFD) recommendations (by end of 2022), and  
– implementing the Principles for Responsible Banking (PRB) (by September 2023).

**Ambition: to be an employer of choice with the key goals of**

– maintaining our recognition as one of the world’s most attractive employers in key ratings and rankings, and  
– increasing the percentage of Director level and above positions filled by women (aspiration to reach 30%).

In December 2020, UBS also became a founding signatory of the Net Zero Asset Managers initiative. As part of the initiative, asset manager signatories have committed to:

– Working in partnership with asset owner clients on decarbonization goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management,  
– Setting an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner, and  
– Reviewing their interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included.

## AR2020

– Our focus on sustainability (39–43)

## SR 2020

– Banking on sustainability (2–3)  
– Why we drive sustainability (10–11)  
– The changes we face (12–13)  
– UBS in Society constitutional document (88–90)  
– Appendix 8 – UBS sustainability objectives and achievements 2020 and sustainability objectives 2021 (114-121)

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### Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Target Setting.

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UBS has set and disclosed SMART targets relevant to our business for decades and to SDGs specifically since 2017. In 2021, we defined new goals to 2025 replacing our older set of mid-term goals achieved. As our impact areas and our understanding of them continues to evolve, we will continue to review our targets.

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<p>2.3 Plans for Target Implementation and Monitoring <i>Show that your bank has defined actions and milestones to meet the set targets.</i></p> <p><i>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</i></p>	<p>Our goals to 2025 are supported by short-term targets (see objectives 2021 referenced on the right).</p> <p>Our commitments are implemented through a firm-wide management system steered by defined measurable objectives. Their achievement is reviewed on a semi-annual basis by the Head of UBS in Society (UBSS), and on an annual basis by the Group Executive Board and by the Corporate Culture and Responsibility Committee (CCRC) of the BoD of UBS Group AG.</p> <p>Progress made in implementing UBSS's strategy, commitment, and objectives is reported as part of UBS's annual reporting. This reporting is reviewed and assured externally against the requirements of the Global Reporting Initiative's (GRI) standards. We also regularly report on the implementation of our climate strategy, follow the recommendations provided by the Financial Stability Board's TCFD, and externally verify our greenhouse gas reporting according to ISO 14064.</p> <p>UBS is certified according to ISO 14001 and ISO 50001 international environmental and energy management standards. These certificates attest that UBS's environmental management system is an appropriate tool for evaluating compliance with the relevant environmental regulations, achieving self-defined environmental objectives, and maintaining continual improvement of environmental performance.</p>	<p><b>SR 2020</b></p> <ul style="list-style-type: none"> <li>– Banking on sustainability (2–3)</li> <li>– UBS in Society constitutional document (88–90)</li> <li>– Appendix 8 – UBS sustainability objectives and achievements 2020 and sustainability objectives 2021 (114-121)</li> </ul>
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**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.**

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UBS has defined actions and milestones to meet our published targets. Structures and robust processes are in place to make sure that progress will be monitored. These processes are externally audited twice annually (GRI and ISO 14001).

<p>2.4 Progress on Implementing Targets <u>For each target separately:</u></p> <p><i>Show that your bank has implemented the actions it had previously defined to meet the set target.</i></p> <p><i><b>Or explain</b> why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.</i></p> <p><i>Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</i></p>	<p>We transparently report progress against our existing targets (as set in 2019 and previous years). In 2020, we made very good progress in delivering against the Group's ambitions as evidenced in the referenced SR 2020 sections. Highlights include the surpassing of key goals such as doubling the penetration of core sustainable investments assets (penetration more than tripled) and directing at least USD 5 billion of client assets into SDG-related impact investments (more than USD 6.9 billion reached).</p> <p>We highlight our key achievements on past goals and roadmap for future goals at the very beginning of the SR 2020, with detailed information provided throughout the Report.</p>	<p><b>SR 2020</b></p> <ul style="list-style-type: none"> <li>– Banking on sustainability (2–3)</li> <li>– How we measure our progress (50–51)</li> <li>– Appendix 8 – UBS sustainability objectives and achievements 2020 and sustainability objectives 2021 (114-121)</li> </ul>
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**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets**

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UBS has implemented the actions defined in 2020 and continues to transparently report progress against existing targets.

**Principle 3: Clients and Customers** We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 *Provide an overview* of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.

Clients expect to be provided with products and services that are suitable for them. This is particularly the case in those business divisions where we serve personal clients as opposed to institutions. In nearly all of the countries where we do business, this expectation has been turned into a legal or regulatory requirement for banks acting as financial advisors. To meet both client expectations and regulatory requirements, we have established comprehensive rules for assessing the suitability of products and services.

Managing environmental and social risks is a key component of our corporate responsibility. We apply an environmental and social risk policy framework to all of our activities. This helps us identify and manage potential adverse impacts to the environment and to human rights, as well as the associated risks affecting our clients and UBS. As part of this process, we engage with clients and suppliers to better understand their processes and policies and to explore how any environmental and social risks may be mitigated.

**SR 2020**

- How we ensure suitability (99)
- Environmental and social risk policy framework (91–97)

3.2 *Describe* how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.

As a major financial institution, we are conscious that the activities and decisions of our clients can have substantial impacts on society. This is the reason we strive to incorporate ESG impacts into the products and services we provide to clients. We partner with them to help mobilize capital toward achieving the SDGs and the orderly transition to a low-carbon economy (the Paris Agreement).

In September 2020, we became the first major global financial institution to make sustainable investments the preferred solution for private clients investing globally.

**AR 2020**

- Our focus on sustainability (39–43)

**SR 2020**

- What we do for our clients (18–24)

**Principle 4: Stakeholders** We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 *Describe* which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.

We engage with stakeholders across all groups (including in particular clients, investors, employees, regulators and governments, civil society) on a regular basis and on a wide range of topics. This engagement yields important information about their goals, expectations and concerns. It makes a critical contribution to our understanding and management of issues that have a potential impact (whether positive or negative) on our firm and on our stakeholders.

**AR 2020**

- How we create value for our stakeholders (34–48)

**SR 2020**

- How we gather and assess stakeholder views (56–57)
- Stakeholder engagement (122–123)

**Principle 5: Governance & Culture** We will implement our commitment to these Principles through effective governance and a culture of responsible banking

<p>5.1 <i>Describe</i> the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</p>	<p>Our governance framework on sustainability supports the creation of long-term value. Sustainability activities, including sustainable finance, are overseen at the highest level of UBS (the BoD and GEB) and are grounded in our Code of Conduct and Ethics (the Code).</p> <p>It is our goal to be the financial provider of choice for clients wishing to mobilize capital toward the SDGs and the orderly transition to a low-carbon economy. The UBSS constitutional document defines the principles and responsibilities for promoting this commitment systematically across all relevant businesses and for implementing the ethical standards defined in the Code of Conduct and Ethics that govern UBS's interaction with society and the environment.</p> <p>Our environmental and social risk policy framework governs client and supplier relationships and applies firm-wide to all activities, meets the highest industry standards as recognized by environmental, social, governance (ESG) ratings, and is integrated in management practices and control principles and overseen at the most senior level of UBS.</p>	<p><b>AR 2020</b></p> <ul style="list-style-type: none"> <li>– Our focus on sustainability (39–43)</li> </ul> <p><b>SR 2020</b></p> <ul style="list-style-type: none"> <li>– How we monitor our actions (52)</li> <li>– Appendix 6 – Governance and policies (82–99)</li> </ul>
<p>5.2 <i>Describe</i> the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>We actively engage in education and awareness raising for employees, staff, clients and our local communities on corporate responsibility and sustainability topics and issues. Through employee onboarding, education and broader awareness-raising activities, we ensure that our employees understand their responsibilities in complying with UBS policies and the importance of our societal commitments. Better understanding of our firm's sustainability goals and actions is promoted through a wide range of training and awareness-raising activities, as well as in our performance management process.</p> <p>ESG objectives are considered in the compensation determination process in objective setting, performance award pool funding, performance assessment and compensation decisions.</p>	<p><b>AR 2020</b></p> <ul style="list-style-type: none"> <li>– Environmental, Social and Governance at UBS (230–231)</li> </ul> <p><b>SR 2020</b></p> <ul style="list-style-type: none"> <li>– Sustainability-related training and raising awareness (83)</li> <li>– UBS in Society management indicators (126)</li> </ul>
<p>5.3 Governance Structure for Implementation of the Principles</p> <p><i>Show</i> that your bank has a governance structure in place for the implementation of the PRB, including:</p> <ul style="list-style-type: none"> <li>a) target-setting and actions to achieve targets set</li> <li>b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</li> </ul>	<p>Our firm's sustainability activities are overseen at the highest levels. The CCRC of the BoD of UBS Group AG approves and monitors UBSS's overall strategy and annual objectives and oversees the program's annual management review. The Group CEO supervises the execution of the UBSS strategy and annual objectives. The Group CEO also informs the GEB and CCRC of UBSS updates as appropriate.</p>	<p><b>AR 2020</b></p> <ul style="list-style-type: none"> <li>– Our focus on sustainability (39–43)</li> </ul> <p><b>SR 2020</b></p> <ul style="list-style-type: none"> <li>– How we monitor our actions (52)</li> <li>– UBS in Society constitutional document (88–90)</li> </ul>

**Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.**

UBS has a solid governance structure in place for the implementation of the PRB. It is overseen at the highest levels of our firm. In the spirit of continuous improvement we will ensure that, as we are implementing the PRB, we regularly review whether any enhancements to our oversight process are required.

**Principle 6: Transparency & Accountability** We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Progress on Implementing the Principles for Responsible Banking

*Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).*

*Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.*

*Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.*

In 2020, we made very good progress in delivering against previously set ambitions and goals as well as good progress in our implementation of the PRB, specifically in building out our impact analyses methodologies where needed. We also endeavoured to take our work in impact measurement further by joining the Banking for Impact Working Group at the end of the year.

To further advance our ambitious climate strategy, we became a Founding signatory of the Net Zero Asset Manager initiative. We further refined our TCFD-reporting and made further progress in climate risk management.

We strive to report openly and transparently about our firm's sustainability strategy and activities, consistently applying our firm's information policy and disclosure principles. The core medium for our sustainability disclosure is the SR 2020, supplemented by other relevant information, which can be found in the AR 2020 and on [www.ubs.com/gri](http://www.ubs.com/gri). Dedicated texts in the SR 2020 reflect our focus on the PRB as well as on the impact topic more broadly.

**SR 2020**

- Banking on sustainability (2–3)
- How we monitor our actions (52)
- The changes we face (12–13)
- What we do for our clients (18–24)
- What we do to act on a low-carbon future – our climate strategy (31–42)

**Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking**

We have comprehensively addressed our PRB implementation status, covering our progress against the six Principles. In the spirit of continuous improvement, we are committed to advancing on the current implementation status. This includes collaboration within our industry and UNEP FI to jointly work on bettering practices pertaining to the Principles.