CLIMATE TRANSPARENCY REPORT 2020

UBS Asset Management

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-32CBBCFD-5038-4442-9228-B1E10A9B041C/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as "private". Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the PRI website and on the Data Portal.

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

PRI Principles for Responsible Investment

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	UBS Asset Management
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US$ > 50 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2009
Region	Europe
Country	Switzerland
Disclosure of Voluntary Indicators	17% from 38 Voluntary indicators

UBS Asset Management

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation’s investment time horizon.

◉ Yes

	Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

Climate risks

The physical and transition risks of climate change contribute to a structural change affecting banks and the financial sector at large. UBS AG continues to drive the integration of climate-related risk into our standard risk management framework. This involves procedures and tools for identifying, assessing and monitoring environmental and social risks in our standard risk, compliance and operations processes. These include client onboarding, transaction due diligence, product development and investment decision processes, amongst others.

In 2019, we embedded climate risk into our risk taxonomy and operational risk appetite statement, further reduced our exposure to carbon related assets and more broadly, to climate sensitive sectors.

We have been using global scenario-based approaches since 2014 to assess our exposure to physical and transition risks associated with climate change (firm-wide). 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 short, mid-, and long-term horizons.

In our 2020 white paper for the World Economic Forum annual meeting, "Becoming climate aware: Mobilizing capital to help meet climate change goals," we have formulated a Climate Aware framework which helps investors align their portfolios towards a climate-smart future. The part of the framework "portfolio mitigation" refers to lowering investment exposures to climate risk.

At UBS-AM, we use ESG integration to embed our understanding of climate change into our investment decision. We recognise 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.

We have identified climate change transition issues in a range of sectors. We have also identified sectors where there is a particular exposure to climate change physical risks either immediately or increasing over time.

Areas we assess (at individual investment or issuer level) include:

1. Transition risks: regulation risks; market or commercial risks; technology risks
2. Physical risks: principally acute risks but also recognising the nature of chronic risks

These lead to a specific set of climate related risks and opportunities which will unfold depending, in part, on the preparedness of companies and the decisions of their management teams.

Climate opportunities

In our 2020 white paper for the World Economic Forum annual meeting, "Becoming climate aware: Mobilizing capital to help meet climate change goals", the part of the Climate Aware framework "portfolio adaptation" refers to increasing investment exposure to climate-related innovation and solutions

UBS AG mobilizes private and institutional capital for investments that facilitate climate change mitigation and adaptation. Investing for a low-carbon future hinges on the ability to invest in, and fund, new technologies and solutions. The key investing areas relate to GHG emissions reduction, energy transition, and energy efficiency. They include companies that manufacture and deploy these technologies as well as the infrastructure and services that make these achievable at scale. In 2019, our climate-related sustainable investments rose to USD 108 billion from USD 87.5 billion at the end of 2018.

○ No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

◉ Yes

	Describe the associated timescales linked to these risks and opportunities.

We have been using global scenario-based approaches since 2014 to assess our exposure to physical and transition risks associated with climate change (firm-wide). With regards to the scenario-based assessments performed since 2014 to assess UBS Group's exposure to physical and transition risks associated with climate change, we have considered short, mid- and long-term horizons.

We believe climate change will have an increasingly negative impact on the global economy. The Stern Review ("The Economics of Climate Change: The Stern Review, 2006) estimated the present value of the future social costs of climate change to be equivalent to 5-20% of global GDP. The Economist Intelligence Unit has estimated an average expected loss to the world's current stock of manageable assets of US$ 4.2 tln (2.9%) ("The Cost of Inaction", EIU, 2015).

Climate impacts on aggregate macroeconomic outcomes are difficult to measure and model (Bank of England "Staff Working Paper No. 706: Climate change and the macro-economy: a critical review" January 2018). Simultaneously, there are a wide variety of scenarios relating to the scale and pace of climate transition and physical risks.

UBS-AM recognizes that the prevailing "green growth" view holds that there are trade-offs between income growth and the environment, where appropriate policies can soften this trade-off. Optimal climate change policies prescribe a slightly lower rate of growth of consumption and GDP to deliver higher expected growth over the longer term ("Green Growth: An Assessment" Oxford Review of Economic Policy, 30(3): 407-422.Bowen and Hepburn, 2014). This helps to explain the resistance in some quarters to more accelerated climate transition policies.

We do not see significant costs to the global economy over the next five years as we do not view government policies as sufficiently strong to limit climate change to the ambitions of the Paris Agreement. Both the International Energy Agency's New Policies Scenario and the work of Carbon Action Tracker point to a probable outcome of 3-4 degrees by the end of the century. With the date for assessing (and accelerating) national commitments under the Paris Agreement set for 2023 there are limited channels for more ambitious policies to be introduced in the next five years. This may change with a co-ordinated response to recent work by the Intergovernmental Panel on Climate Change ("Global Warming of 1.5 Degrees Celsius", IPCC, Oct18).

The costs of climate change are limited in the short-term but can be expected to rise over the next ten years, and over the next 20 years there is likely to be a bigger effect on economic growth. Stronger climate policies are likely to lead to higher economic costs of transition. This may be limited to the extent that polices are able to induce innovation in low-carbon technologies, support new industries and further technological deployment. The physical risks of climate change are likely to be more prevalent. Based on the Intergovernmental Panel on Climate Change ("Impacts, Adaptation and Vulnerability" Assessment Report Five, IPCC 2014). There is a reasonable probability that physical risk impacts will increase over the coming decade.

○ No

SG 01.8 CC	Indicate whether the organisation publicly supports the TCFD?

◉ Yes

○ No

SG 01.9 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

◉ Yes

	Describe

Our climate strategy supports our clients and our firm preparing for success in an increasingly carbon-constrained world. We support this goal through our financial product offering and advisory and through embedding climate risk in our firm-wide risk management framework and in our own operations. Our Group-wide climate strategy focuses on four pillars:

- Protecting our own 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 by offering innovative products and services in investment, financing and research and actively engage on climate topics with companies that we invest in.
- Mobilizing 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 by reducing our GHG emissions and increasing our 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.

The climate strategy is overseen by the Board of Directors' Corporate Culture and Responsibility Committee, and reporting is aligned with UBS's public support of the recommendations of the TCFD.

UBS-AM reflects this approach by:

- Providing equity portfolio managers to examine the carbon footprint of their portfolios and comparing the relative carbon footprints of their company holdings to that of the relevant benchmark. Carbon emissions data is available to all equity portfolio managers allowing portfolio managers and analysts to download carbon and carbon intensity data on over 6,000 companies.
- Launching the Climate Aware rules-based passive strategy oriented towards companies that are better prepared for a low carbon future while reducing exposure to companies with higher carbon risk.
- Engaging with companies to discuss approaches to mitigating climate change risk, as well as actively voting on shareholder resolutions to improve transparency and disclosure around climate-related reporting. This includes participation in the global Climate Action 100+ collaboration.
- Integrating climate considerations into our real estate investments to reduce energy and water consumption and reduce and recycle waste.
- Supporting the CDP, Institutional Investors Group on Climate Change working group on climate change scenario analysis, the IIGCC Paris Aligned Investment Initiative.

○ No

SG 1.10 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

☑ Public PRI Climate Transparency Report

☑ Annual financial filings

☐ Regular client reporting

☐ Member communications

☑ Other

	specify

UBS Sustainability report available at https://www.ubs.com/global/en/ubs-society/our-documents.html

☐ We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

	Board members or trustees

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Other Chief-level staff or heads of departments

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Portfolio managers

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Investment analysts

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Dedicated responsible investment staff

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Other role, specify (1)

UBS in society Steering Committee

☑ Oversight/accountability for climate-related issues

☐ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

SG 07.6 CC	For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

As embedded in the Organization Regulations of UBS Group AG, the Board of Director's Corporate Culture and Responsibility Committee (CCRC) oversees our climate strategy. The UBS in society Steering Committee ensures firm-wide execution of the climate strategy while our firm's climate-related risk appetite is set by the Global ESR Committee. In joint meetings, the CCRC and the Board of Director's Risk Committee regularly and critically review the assessments and steps taken by these management bodies towards executing the climate strategy. It approves UBS's annual climate-related objectives and plans and decides on the progressive alignment of our climate action disclosure pathway with the TCFD's recommendations. These annual plans and objectives are managed as part of our ISO 14001-certified environmental management system (EMS) with defined management accountabilities across the firm. The EMS helps us to systematically reduce environmental risks, seize market opportunities and continuously improve our environmental and climate performance and resource efficiency.

In 2018 and 2019, UBS' climate strategy, in response to new banking climate regulation and emerging climate-related risk, were discussed by the Board of Director's Risk Committee. UBS climate strategy is now a regular agenda item for the joint meeting of Board of Director's Risk Committee and CCRC.

SG 07.7 CC	For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

UBS Group

The Group Chief Executive Officer (Group CEO) supervises the execution of the UBS in society strategy and annual objectives. The Group CEO also informs the Group Executive Board (GEB) and Corporate Culture and Responsibility Committee (CCRC) about UBS in society updates as appropriate.

UBS's management publicly supports international, collaborative action against climate change. Our Chairman is signatory to the European Financial Services Round Table's statement in support of a strong, ambitious response to climate change. Our Group CEO is a member of the Alliance of CEO Climate Leaders, an informal network of CEOs convened by the World Economic Forum and committed to climate action. Our Head Sustainable Equity Team within UBS-AM is a member of the TCFD.

UBS-AM

Our Sustainable and Impact Investing strategy is overseen by an Executive Management Committee comprised of senior leaders across the business. The committee addresses a range of topics including our response to climate change. Our Sustainable Investment Research Analysts work with our portfolio managers (specifically across our equity platform) to assess and manage climate-related risks. The team has developed the capability for equity portfolio managers to examine the carbon footprint of their portfolios and comparing the relative carbon footprints of their company holdings to that of the benchmark. Carbon emissions data is also made available to all equity portfolio managers through the Portfolio Optimization Platform, which allows portfolio managers and analysts to download carbon and carbon intensity data on over 6,000 companies.

Moreover, the Sustainable Investment Research analysts and investment analyst work together to engage with companies on behalf of clients to discuss approaches to mitigating climate change risk, as well as actively voting on shareholder resolutions to improve transparency and disclosure around climate-related reporting. This includes participation in the global Climate Action 100+ collaboration.

SG 07.8 CC	Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

☐ Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)

☑ Request incorporation of TCFD into regular client reporting

☐ Request that external managers complete PRI climate indicator reporting

☐ Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide

☐ Other

☐ We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

☑ Yes, in order to assess future ESG factors

	Describe

We are at an early stage of exploring how we could use scenario analysis more widely for the purposes of risk management across our products and services. In this regard, we participated in the IIGCC working group on scenario analysis and contributed to the report "Navigating Scenario Analysis", published November 2018.

☑ Yes, in order to assess future climate-related risks and opportunities

	Describe

Used scenario-based approaches to assess exposure to physical/transition risks. Performed top-down balance sheet stress testing and bottom-up analysis of sector exposures. Assessed vulnerability of loan portfolios secured by real estate in Switzerland and US to physical risk by mapping in 6,000+ postal codes against Swiss Re's CatNet tool.

☐ No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

	We do the following

☐ Allocation between asset classes

☐ Determining fixed income duration

☐ Allocation of assets between geographic markets

☐ Sector weightings

☐ Other, specify

☑ We do not consider ESG issues in strategic asset allocation

SG 13.3	Additional information. [OPTIONAL]

UBS Group manages its environmental program through an Environmental Management System (EMS), in accordance with the ISO 14001 standard. The Group manages climate change risks and opportunities via this certified EMS and monitors implementation on an ongoing basis. The EMS helps to systematically reduce environmental risks, seize climate change / environment-related market opportunities and to continuously improve UBS's climate change/environmental performance and resource efficiency. UBS Group developed its first climate change strategy in 2006 and continues update and further develop its climate disclosure annually.

SG 13 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 13.4 CC	Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

☐ Initial assessment

☐ Incorporation into investment analysis

☑ Inform active ownership

	Describe

UBS Group has identified methodological challenges ranging from the suitability of climate scenarios for banking risk modelling to data availability. To address these challenges,16 banks, including UBS, the UN Environment Programme Finance Initiative (UNEP FI), the Integrated Assessment Modelling Consortium (IAMC), and risk consultancies Oliver Wyman and Acclimatise began a collaboration of several years in 2018. The objective is to develop analytical tools that help banks define and disclose climate-related risks and opportunities as envisioned by the TCFD. Now in its second phase, the UNEP FI TCFD working group for banks has expanded the development of tools to include a range of possible scenarios, further advancement on scenario-based stress testing methodologies, and standardization between institutions on what defines climate-sensitive activities. These advancements aim for banks to identify and disclose exposure to climate-related risks and opportunities.

In addition to the UNEP FI TCFD working group, UBS is one of the pilot banks testing the Paris Agreement Capital Transition Assessment (PACTA). Both pilots promote industry learning and provide guidance for disclosing climate-related risks and opportunities in line with TCFD recommendations.

UBS-AM is at an early stage of exploring how to use scenario analysis for the purposes of risk management across our products and services. We participated in the IIGCC working group on scenario analysis and contributed to the report "Navigating Scenario Analysis", published November 2018.

We have 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 3bn in investments. It is a pragmatic, flexible, investor-led approach. Minimizing allocations to companies most negatively affected by climate change should help to mitigate the downside risk, while increasing exposure to companies with climate-smart business models and offerings may maximize the upside opportunity.

Building on the principles underpinning this strategy we have developed a broader Climate Aware framework which contains three key elements:

3. Portfolio mitigation: Lowering investment exposure to carbon risks;
4. Portfolio adaptation: Increasing investment exposure to climate-related innovation and solutions; and
5. Portfolio transition: Aligning portfolios to an investor's chosen climate glidepath.

A program of active engagement underpins the "portfolio transition" component of the framework. It looks to provide deeper insights to the actions and progress which companies are making toward a climate-smart future. Those insights mean that investors can directly link the adjustments they make to investments in their portfolios to "real world" actions that investee companies are taking to address climate change.

Portfolio transition also includes scenario analysis as a means to understanding the overall direction of investment approach or individual strategies. It is an area where we are continuing to explore how scenario analysis can best support the investment activities of UBS-AM.

☑ Other

	specify

Potential use as a risk management tool.

	Describe

As described above, UBS is working internally and through industry cooperation to further develop methodology, data availability and scenario applicability related to climate risks and opportunities.

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.

Product development and investment decision processes: 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.

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.

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.

We have initiated a project to look at how scenario analysis and stress testing can best support our the risk management activities within UBS-AM.

SG 13.5 CC	Indicate who uses this analysis.

☐ Board members, trustees, C-level roles, Investment Committee

☐ Portfolio managers

☑ Dedicated responsible investment staff

☐ External managers

☐ Investment consultants/actuaries

☑ Other

	specify

The information is used by our Sustainable and Impact Investing team as well as by the portfolio management team executing our Climate Aware Equity strategy.

SG 13.6 CC	Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

○ Yes

◉ No

	Please explain the rationale

UBS-AM is at an early stage of exploring how to use scenario analysis for the purposes of risk management across our products and services. We participated in the IIGCC working group on scenario analysis and contributed to the report "Navigating Scenario Analysis", published November 2018.

SG 13.7 CC	Indicate whether a range of climate scenarios is used.

☑ Analysis based on a 2°C or lower scenario

☐ Analysis based on an abrupt transition, consistent with the Inevitable Policy Response

☐ Analysis based on a 4°C or higher scenario

☐ No, a range is not used

SG 13.8 CC	Indicate the climate scenarios your organisation uses.

Provider	Scenario used
IEA	☑ Beyond 2 Degrees Scenario (B2DS)
IEA	☑ Energy Technology Perspectives (ETP) 2 Degrees scenario
IEA	☑ Sustainable Development Scenario (SDS)
IEA	☑ New Policy Scenario (NPS)
IEA	☑ Current Policy Scenario (CPS)
IRENA	☐ RE Map
Greenpeace	☐ Advanced Energy [R]evolution
Institute for Sustainable Development	☐ Deep Decarbonisation Pathway Project (DDPP)
Bloomberg	☐ BNEF reference scenario
IPCC	☑ Representative Concentration Pathway (RCP) 8.5
IPCC	☑ RPC 6
IPCC	☑ RPC 4.5
IPCC	☑ RPC 2.6
Other	☐ Other (1)
Other	☐ Other (2)
Other	☐ Other (3)

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1

SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

☑ Changing demographics

☑ Climate change

☑ Resource scarcity

☑ Technological developments

☑ Other, specify(1)

other description (1)

Growing populations, ageing populations, and urbanization.

☐ Other, specify(2)

☐ None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

☐ Established a climate change sensitive or climate change integrated asset allocation strategy

☑ Targeted low carbon or climate resilient investments

Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM		108	000	000	000
Currency	USD				
Assets in USD		108	000	000	000

Specify the framework or taxonomy used.

Detailed in the UBS Sustainability Report 2019, page 4 (https://www.ubs.com/global/en/ubs-society/our-documents/_jcr_content/mainpar/toplevelgrid/col1/tabteaser/innergrid_1976054452/xcol1/teaser/linklist/link.0618203565.file/bGluay9wYXRoPS9jb250ZW50L2RhbS9hc3NldHMvY2MvaW52ZXN0b3ItcmVsYXRpb25zzL2FubnVhbC1yZXBvcnQvMjAxOS91YnMtc3VzdGFpbmFiaWxpdHktcmVwb3J0LTIwMTktd2ViLnBkZg==/ubs-sustainability-report-2019-web.pdf)

☐ Phase out your investments in your fossil fuel holdings

☑ Reduced portfolio exposure to emissions intensive or fossil fuel holdings

☑ Used emissions data or analysis to inform investment decision making

☑ Sought climate change integration by companies

☐ Sought climate supportive policy from governments

☐ Other, specify

☐ None of the above

SG 14.3	Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

☑ Scenario analysis

☐ Disclosures on emissions risks to clients/trustees/management/beneficiaries

☑ Climate-related targets

☐ Encouraging internal and/or external portfolio managers to monitor emissions risks

☐ Emissions-risk monitoring and reporting are formalised into contracts when appointing managers

☐ Weighted average carbon intensity

☑ Carbon footprint (scope 1 and 2)

☑ Portfolio carbon footprint

☑ Total carbon emissions

☑ Carbon intensity

☐ Exposure to carbon-related assets

☐ Other emissions metrics

☐ Other, specify

☐ None of the above

SG 14 CC	Voluntary	Public		General

SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Climate-related targets	☐ All assets ☐ Majority of assets ☑ Minority of assets	Achieve range of climate related goals for our Climate Aware Rules-Based Equity strategy.	Various	Proprietary glide path probability methodology which employs a variety of inputs. Outputs are compared to a specified benchmark for funds implementing this strategy.
Carbon footprint (scope 1 and 2)	☐ All assets ☐ Majority of assets ☑ Minority of assets	Increased transparency available within custom client reporting for our equity strategies.	tons of CO2e	(i) Carbon Emissions Scope 1 All direct GHG emissions from sources owned or controlled by the portfolio companies for which an investor is responsible. The GHG emissions are allocated to the investor based on an ownership share perspective. (ii) Carbon Emissions Scope 2 Indirect GHG emissions from consumption of purchased utilities (including T&D losses) by portfolio companies for which an investor is responsible. The GHG emissions are allocated to the investor based on an ownership share perspective.
Portfolio carbon footprint	☐ All assets ☐ Majority of assets ☑ Minority of assets	Increased transparency available within custom client reporting for our equity strategies.	tons of CO2e per invested million	Carbon Emissions Scope 1 and 2 normalized by the Portfolio Market Value expressed in millions. As a normalized metric, the Carbon Footprint can be used to accurately compare portfolios of any size.
Total carbon emissions	☐ All assets ☐ Majority of assets ☐ Minority of assets	n.a.	n.a.	n.a.
Carbon intensity	☐ All assets ☐ Majority of assets ☑ Minority of assets	Increased transparency available within custom client reporting	tons of CO2e per invested million	(i) Carbon Intensity Carbon emissions per million sales generated by portfolio companies, allocated to the investor based on an ownership share perspective. This metric adjusts for company size and is an accurate measurement of portfolio's carbon efficiency. (ii) Weighted Average Intensity Weighted average of the Carbon Intensity of each portfolio company. This metric measures a portfolio's exposure to carbon intensive companies and can serve as a proxy for a portfolio's exposure to climate change-related risks.

SG 14.7 CC	Describe in further detail the key targets.

Targettype	Baseline year	Target year	Description	Attachments
☐ Absolute target ☐ Intensity target				
☐ Absolute target ☐ Intensity target				
☐ Absolute target ☐ Intensity target				
☐ Absolute target ☐ Intensity target				
☐ Absolute target ☐ Intensity target				

SG 14.8 CC	Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

◉ Processes for climate-related risks are integrated into overall risk management

	Please describe

UBS Group manages its environmental and social, as well as climate risks, through an Environmental Management System (EMS), in accordance with the ISO 14001 standard. The EMS helps us to systematically reduce environmental risks, seize climate change / environment-related market opportunities and to continuously improve UBS's climate change / environmental performance and resource efficiencies and is established according to the ISO14001 standard and organized in the UBS ISO14001 manual. This certificate attests that UBS's management system is an appropriate tool for evaluating compliance with the relevant environmental regulations, achieving self-defined environmental objectives, and maintaining continued improvement of environmental performance.

The EMS, structured in an annual cycle consisting of planning, implementation, controlling and review including corrective actions, applies world-wide to all transactions, services and activities involving CC/environmental issues entered into by or on behalf of UBS, with quarterly monitoring and reporting to the Global ESR Committee. Banking activities and in-house operations must be conducted in compliance with this policy. All types of material risks and opportunities are in-scope (including regulatory, customer behavior changes, reputational and weather-related).

We prioritize risks and opportunities by focusing on the impact of climate change and on our exposure to the risk, considering factors such as the product, service, client base, etc. The process to prioritize environmental/CC risks and opportunities is defined within our environmental management system, as well. Each business division assesses and rates the potential for risks/ opportunities arising in the products and services offered according to a step-by-step procedure of evaluation and ranking, review and approval, and documentation. Items rated as having a substantive impact are further referred for management and mitigation.

For example, in order to manage our own, and our clients', risk derived from transition risks associated with climate change and better understand UBS exposure to transition risks within specific product lines (asset-level) and at the company-level as a whole, we have performed both top-down balance sheet stress testing, as well as targeted, bottom-up analysis of specific sector exposures. In doing so, we identified challenges ranging from the suitability of climate scenarios for banking risk modelling to data availability. To address these challenges, we have committed to work towards alignment and knowledge-sharing within the industry.

UBS also manages physical climate risks within its in-house operations. Here, UBS responds to these risks by ensuring that our infrastructure is not only efficient but also highly resilient in order to cope with current and future demands likely to be placed upon it. UBS plans for potential disruptions to its business, from adverse weather events, with its Business Continuity Management (BCM) unit.

○ Processes for climate-related risks are not integrated into overall risk management

SG 14.9 CC	Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

◉ Yes

	Please describe

UBS-AM has been actively engaging with 50 companies that pose 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 the 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 companies and the gaps we need to address. We scored companies on eight factors: responsiveness, governance, risk management, strategy, performance, targets, lobbying and disclosure. We have aligned a number of these engagements with the Climate Action 100+ collaborative engagement, and we are currently directly involved in 29 coalitions of investors and lead seven of the company dialogues across regions.

○ No, we do not undertake active ownership activities.

○ No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1

SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

◉ Yes

SG 15.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.

	%

10

SG 15.3	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.

	Area

☑ Energy efficiency / Clean technology

	Asset class invested

☑ Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area

5

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Infrastructure

☐ Hedge funds

☐ Fund of hedge funds

☐ Other (1)

	Brief description and measures of investment

With respect to our Global Sustainable Impact Equity strategy, we aim to invest in companies that provide solutions to significant global challenges, honing in on climate change, air pollution, clean water and water scarcity, treatment of disease, alleviation of poverty and food security through the impact of their products and services.

In addition, our Long Term Themes Equity strategy seizes thematic opportunities by investing in companies whose products and services are solutions to megatrend challenges, defined as population growth, ageing and urbanization.

☑ Renewable energy

	Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☑ Infrastructure

	Percentage of AUM (+/-5%) per asset class invested in the area

15

☐ Hedge funds

☐ Fund of hedge funds

☐ Other (1)

	Brief description and measures of investment

With regards to portfolio companies, specific ESG considerations include the following:

Environmental management systems and compliance - A company which demonstrates superior commitment, capacity and track record to its peers in the management of environmental risks presents a lower risk for investors. Robust systems, practices and controls reduce the regularity and consequences of operational incidents that impact the environment and reduce the costs of managing and resolving incidences.

Environmental efficiency (waste, water, energy) - Reducing waste and minimizing the use of finite natural resources, particularly clean water and energy, will support continued growth, support the prosperity of future generations and reduce current and future costs of resources used by the company.

☑ Green buildings

	Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☑ Property

	Percentage of AUM (+/-5%) per asset class invested in the area

83

☐ Infrastructure

☐ Hedge funds

☐ Fund of hedge funds

☐ Other (1)

	Brief description and measures of investment

Our quantitative and qualitative goals benefit our investors, our tenants and UBS and its shareholders. Our goals are a 20% reduction of greenhouse gas emissions by 2020 and a 10% reduction of the energy consumption of our properties by 2020. In conjunction with this strategy we are increasing our share of renewable energy in the energy mix of our suppliers and implementing various property-specific improvements. Our quantitative goals include reducing residual waste, increasing the recycling rate by 50% and reducing the water consumption of our properties by monitoring consumption and developing specific water saving measures in different properties.

We measure the sustainability performance of our properties and funds with external (GRESB Performance Indicator) benchmarks and certifications (BREEAM, LEED, Energy Star, DGMB, Minergie). Based on these results we are able to define specific measures for each property. A holistic approach on sustainability also includes strategic and qualitative objectives. We improve the sustainability performance of our business by implementing action plans and best practice measures.

In 2019, REPM submitted 20 funds to the GRESB Real Estate and Infrastructure Assessments, comprising all of our flagship vehicles and representing circa 95% of our direct pooled real estate and infrastructure vehicles globally.

☐ Sustainable forestry

☐ Sustainable agriculture

☐ Microfinance

☐ SME financing

☐ Social enterprise / community investing

☑ Affordable housing

	Asset class invested

☐ Listed equity

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☑ Property

	Percentage of AUM (+/-5%) per asset class invested in the area

26

☐ Infrastructure

☐ Hedge funds

☐ Fund of hedge funds

☐ Other (1)

	Brief description and measures of investment

While this is not tracked for all funds globally due to strategy differences, the fund with the highest investment in multi-family does track the investments that are subject to rent control, affordability requirements and rent stabilization.

The corresponding percent (by value) of that fund's multi-family investments is approximately 26%.

☐ Education

☑ Global health

	Asset class invested

☑ Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area

5

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Infrastructure

☐ Hedge funds

☐ Fund of hedge funds

☐ Other (1)

Brief description and measures of investment

With respect to our Global Sustainable Impact Equity strategy, we aim to invest in companies that provide solutions to significant global challenges, honing in on climate change, air pollution, clean water and water scarcity, treatment of disease, alleviation of poverty and food security through the impact of their products and services.

In addition, our Long Term Themes Equity strategy seizes thematic opportunities by investing in companies whose products and services are solutions to megatrend challenges, defined as population growth, ageing and urbanization.

☑ Water

Asset class invested

☑ Listed equity

Percentage of AUM (+/-5%) per asset class invested in the area

3

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☑ Infrastructure

Percentage of AUM (+/-5%) per asset class invested in the area

4

☐ Hedge funds

☐ Fund of hedge funds

☐ Other (1)

Brief description and measures of investment

With respect to our Global Sustainable Impact Equity Strategy, we aim to invest in companies that provide solutions to significant global challenges, honing in on climate change, air pollution, clean water and water scarcity, treatment of disease, alleviation of poverty and food security through the impact of their products and services.

Our Infrastructure Funds hold investments in a water utility firm. Since acquisition, we have implemented several long term incentive plans focusing on areas of operation and asset improvement and customer service.

☑ Other area, specify

Climate Change

Asset class invested

☑ Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area

3

☐ Fixed income - SSA

☐ Fixed income - Corporate (financial)

☐ Fixed income - Corporate (non-financial)

☐ Fixed income - Securitised

☐ Private equity

☐ Property

☐ Infrastructure

☐ Hedge funds

☐ Fund of hedge funds

☐ Other (1)

	Brief description and measures of investment

Our Climate Aware Rules-Based Equity investment strategy specifically focuses on climate-related risks and opportunities. We identify and underweight companies exposed to climate risks through large GHG emissions, high GHG intensity, negative emissions reduction trends, as well as power generators dependent on coal, and extractive industries companies with large fossil fuel reserves. We also identify and overweight companies exposed to climate risks especially through their generation of renewable energy or support of renewable energy generation. The strategy's investments are selected using a transparent, rules-based and optimised portfolio construction methodology. This includes proprietary calculation of a Glide Path Probability which assesses how individual companies compare to peers in their convergence on a two degree scenario.

○ No