

UBS Green Funding Framework

August 01, 2022



Table of Contents

1.	Strategy and Rationale.....	3
1.1.	Group sustainability strategy.....	3
1.2.	Governance on sustainability	3
1.3.	How we operate	3
1.4.	Selected partnerships.....	4
1.5.	Sustainable product and service offerings.....	4
2.	UBS Green Funding Framework.....	5
2.1.	Use of Proceeds	5
2.2.	Process for Asset Evaluation and Selection.....	6
2.3.	Management of Proceeds.....	6
2.4.	Reporting	6
3.	External Review	7
4.	Disclaimer.....	8

1. Strategy and Rationale

The following section is under review in order to include current UBS Group Sustainability strategy information. Please refer to the 2023 UBS Sustainability Report and 2023 Green Funding Annual Investor Report for further details.

1.1. Group sustainability strategy

Our commitment to sustainability starts with our purpose. We know finance has a powerful influence on the world. That is why we want to be the financial provider of choice for clients who wish to mobilize capital towards the achievement of the UN's 17 Sustainable Development Goals and the orderly transition to a low-carbon economy. It is why we have put sustainability at the heart of our own business, too. To maximize our impact and direct capital to where it is needed most, we are focusing on three key areas to drive the sustainability transition: planet, people, partnerships.

In 2021, we unveiled our purpose statement: Reimagining the power of investing. Connecting people for a better world. Our purpose – together with our strategic framework consisting of our vision, client promise, strategic imperatives, and sustainability commitments – maps out the next steps in our firm's journey. At UBS, we reimagine the power of people and investments to create a better world for all of us – a world that's fair and sustainable. Making connections is at the heart of what we do. Connecting people with each other. Connecting people with ideas that deliver results and drive progress and innovation. Connecting people with opportunities that change people's lives and help to forge a more equal society. From our Swiss roots to our global reach, and with 160 years of history, we know the true meaning of long-term commitment. We give the insight and advice to inspire, connect and empower people – to create better outcomes for today and future generations.

Our approach to sustainability is a constant expression of our purpose. For more than two decades, our firm has been at the forefront of sustainable finance. As the world continues to develop a definition of net zero, as well as the necessary implementation toolkit to help guide a path to the Paris Agreement objectives, we have set science-based targets with intermediate milestones established to ensure progress toward our net zero goal. Our climate strategy, introduced fifteen years ago, firmly supports the orderly transition to a net zero economy and in 2021 we made the commitment to achieve net zero greenhouse gas emissions resulting from our own operations by 2025, and all aspects of our business by 2050. As part of this, we aim to:

- Address the emissions of our own operations, business activities and of our supply chain
- Mobilize capital toward investments in a low-carbon economy
- Assist our financing clients with their transition to a low-carbon economy

- Provide our investing clients with the choice they need to meet their sustainability and impact objectives, including climate where that is their priority
- As a leading universal bank in Switzerland, support the transition in our home market across all our client segments
- Share our lessons learned and best practices as the world seeks solutions to the sustainability challenges ahead of us

1.2. Governance on sustainability

The Board of Directors (BoD), notably the Corporate Culture and Responsibility Committee (the CCRC), oversees the execution of our firm's sustainability activities and ambitions including the climate strategy while our firm's climate-related risk appetite and independent controls are set by the Group Executive Board. Group Asset and Liability Committee (Group ALCO, a sub-committee of the Group Executive Board) is the main governing body both for initial approval and ongoing compliance with this framework.

1.3. How we operate

Our principles and standards clearly define how we want to do things at UBS. Managing sustainability and climate risks is a key component of UBS's corporate responsibility, and we apply a Sustainability and Climate Risk (SCR) policy framework across the bank. The framework involves procedures and tools for identifying, assessing, and monitoring sustainability and climate risks in our standard risk, compliance and operations processes. These include client onboarding, transaction due diligence, product development and investment decision processes, own operations, supply chain management and portfolio reviews. These processes are geared toward identifying clients, transactions or suppliers potentially in breach of our standards or otherwise subject to significant environmental and human rights controversies, including climate change. The foundation of the risk framework is embedded in our Code of Conduct and Ethics documents and guide the ways in which we engage with our stakeholders.

As a firm we are committed to reducing our environmental footprint and make an effort to go beyond our duty to protect the environment. Our environmental management system is designed to meet ISO 14001 standards. In 1999, we were the first bank to obtain this ISO certification for our worldwide environmental management system, which covers the entire scope of UBS products, services and in-house operations that may cause an environmental impact. We have also further developed our Environmental and Energy Management

System in our European locations to be compliant with ISO 50001. Our environmental indicators (energy, water, paper, waste, recycling and travel) and related greenhouse gas (GHG) emissions data are externally verified on the basis of the ISO 14064 standard. These comprehensive audits confirm not only that appropriate policies and processes are in place to manage environmental issues, but also that they are applied on a day-to-day basis.

Key policies and guidelines are continuously updated and can be found [here](#).

1.4. Selected partnerships

UBS takes an active role in industry engagements and such partnerships underline our commitment to play a leading role in the transformation to a more sustainable world.

We were among the first companies to endorse the UN Global Compact upon its launch in 2000 and we are committed to its principles on human rights, labor standards, the environment and anti-corruption. UBS is also an original signatory of the CDP. In 2009, UBS Asset Management (AM) signed the Principles for Responsible Investment (PRI), a set of voluntary principles promoting a more sustainable global financial system by incorporating environmental, social and governance (ESG) practices into investment decisions. In 2019, UBS became a founding signatory of the UN Principles for Responsible Banking (PRB). The PRB constitute a comprehensive framework for the integration of sustainability across banks. They define accountabilities and require each bank to set, publish and work toward ambitious targets aligned with the Paris Agreement. UBS is furthermore committed to the Task Force on Climate-related Financial Disclosures (TCFD) and is working on implementing its recommendations on climate-related financial disclosures. In 2020, UBS Asset Management (AM) became a founding member of the Net Zero Asset Managers initiative, a group of

30 asset managers overseeing a combined USD 9 trillion of assets committed to support efforts to limit global warming by running carbon-neutral investment portfolios by 2050 or sooner. UBS is furthermore a founding member of the Net-Zero Banking Alliance, a UN convened initiative established in 2021 bringing together a consortium of banks committed to aligning their lending and investment portfolios with net-zero emissions by 2050.

The full list of external commitments and memberships can be found in the UBS Sustainability Report 2021.

1.5. Sustainable product and service offerings

UBS provides a range of advisory services and financial products that support our clients' needs to transition towards a low carbon economy including sustainable financial solutions (e.g., Green bonds, sustainability-linked finance, Green loans etc.). In addition, we offer products such as ESG-tilted benchmark equity indices and carbon emissions futures.

In sustainable and impact investing, we constantly challenge ourselves and our peers to raise the bar. In our Global Wealth Management (GWM) division sustainable investments have been the preferred solution for private clients investing globally for the past two years. At the same time, AM continues the expansion of world-class capabilities in areas such as climate-aware solutions through product and service innovation, dedicated research, integration of ESG factors into the investment processes, leveraging proprietary analytics, and active corporate engagement.

UBS offers leading independent equity research on ESG topics. Our dedicated ESG team, established since 2004, developed our well-established ESG framework in response to the changing market and contextual conditions, engaging on important and ascendant topics and showcasing our thought leadership in the field.

2. UBS Green Funding Framework

Sustainability is integrated into the way UBS conducts business and with our wide range of sustainable product offerings, we aim to help our clients and investors to meet their sustainability ambitions. Raising Green funding is a natural next step for UBS to connect our sustainability objectives with access to the financial markets.

Under the UBS Green Funding Framework, a variety of funding products can be used, including bonds, derivatives, deposits or similar financial products. UBS AG and its subsidiaries intend to maintain assets that meet the environmental criteria as defined herein in an amount equal to the aggregate net proceeds of the issue of these products ("Green Funding"). The UBS Green Funding Framework is aligned with international market practice and intended to meet the four core pillars set out in the Green Bond Principles, the recognized voluntary process guidelines of the International Capital Market Association (ICMA) for Green bond issuances:

- Use of Proceeds
- Process for Asset Evaluation and Selection
- Management of Proceeds
- Reporting

2.1. Use of Proceeds

UBS AG and its subsidiaries intend to allocate an amount equal to the aggregate net proceeds of outstanding Green Funding to the financing/refinancing of new or existing Eligible Assets (as defined below).

UBS has defined the following as eligible assets ("Eligible Assets") for Green Funding:

Green Bond Principles	Eligible Asset categories	Targeted SDGs
Green buildings	New or existing commercial or residential buildings certified, or to be certified, by the following green building certification systems <ul style="list-style-type: none"> ✓ Minergie, Minergie-P or Minergie-A;¹ or ✓ Any other equivalent certification system as determined by UBS 	

For existing assets, UBS will apply a look-back period of a maximum of two years from the date of the respective Green Funding issuance. UBS may apply additional ESG screening filters in order to qualify mortgages provided to commercial buildings as Eligible Assets under the UBS Green Funding Framework.

¹ Minergie® is a Swiss registered quality label for the planning of new and refurbished low energy consumption buildings. The trademark is supported by the Swiss Confederation, Swiss Cantons and the Principality of Liechtenstein. Three different levels of certifications are available for new buildings and refurbishments: Minergie, Minergie-P and Minergie-A. To view the detailed requirements for certification, please visit www.minergie.ch.

2.2. Process for Asset Evaluation and Selection

All assets covered by the UBS Green Funding Framework are expected to meet the principles and standards defined by the UBS Code of Conduct and Ethics and UBS Sustainability and Climate Risk Policy Framework. UBS's sustainability-related policies and guidelines can be found at ubs.com/gri.

For the purpose of raising Green Funding, the asset-owning UBS business unit is responsible for data accuracy and maintaining the relevant processes for identifying, monitoring and keeping records of Eligible Assets and providing the methodology for identification of the assets to be reviewed by the Group Risk Control.

UBS will perform quarterly checks to ensure continued asset eligibility is in line with the Green Funding Framework. Group ALCO approves any Green funding limits and ensures Eligible Assets are only assigned to one Green Funding instrument.

UBS may from time to time update, amend or replace the Green Funding Framework including items such as Eligible Asset categories. Any such updates must be approved by Group Risk Control and the Group ALCO. In such an event, UBS will seek a new Second Party Opinion.

2.3. Management of Proceeds

The proceeds raised under this Green Funding Framework will be booked by the executing unit in a dedicated booking structure to ensure the monitoring of the source of funds, in such a manner to ensure tracking and effective oversight of Green Funding. Eligible Assets may be originated and held by UBS AG or any of its subsidiaries. UBS AG and its subsidiaries intend to maintain a pool of Eligible Assets at least equal to the net proceeds of outstanding Green Funding. Eligible Assets included in the pool will be tracked and reviewed for ongoing eligibility and availability on a quarterly basis. Usage of Eligible Assets will be monitored and reported across Green bonds and deposits to ensure transparency and that Eligible Assets are not allocated to more than one Green liability.

If Group-wide Eligible Assets allocated to outstanding Green Funding for purposes of this Framework are held at a subsidiary, UBS intends to allocate new or existing funding by UBS to that subsidiary as funding for the financing and refinancing of such Group-wide Eligible Assets.

UBS intends to hold sufficient Eligible Assets at incurrence of any Green Funding. In the case of relevant Eligible Assets exiting the pool of Eligible Assets due to divestments, maturities or other reasons, UBS will seek to replace such assets with other Eligible Assets. However, there can be no assurance that the Eligible Assets held at UBS will equal or exceed the amount of Green Funding.

Group Treasury will manage any amounts of Green Funding that are not yet allocated to Eligible Assets in accordance with UBS's liquidity policy (in cash, cash equivalents, high-quality liquid assets and/or other money market instruments).

UBS intends to increase its Eligible Assets portfolio.

2.4. Reporting

UBS will provide a Green Funding Investor Report on an annual basis, which will be published on the Investor Relations webpage. This report will include information on the proceeds of Green Funding, the Eligible Assets allocated to in accordance with the Green Funding Framework and estimated environmental impact.

Allocation reporting will include:

1. Total amount of proceeds allocated to Eligible Assets
2. Share of Eligible Assets that are newly financed assets to refinanced assets
3. Unallocated proceeds
4. Geographical distribution of Eligible Assets by country where relevant
5. A breakdown of percentage share or amount allocated to Eligible Assets:
 - Per certification system and certificate level
 - To new properties and renovated properties (if available)

Impact reporting may include:

1. CO2 emission saved per sqm per annum
2. Energy savings per sqm per annum
3. Selection of project examples, where feasible

The methodology for retrieving the calculated impact will be disclosed high-level in the Green Funding Investor Report.

3. External Review

To secure alignment with national and international guidelines, UBS has obtained an external review from an independent third party. The documents will be available on UBS's Investor Relations webpage.

UBS may seek a Climate Bonds Initiative (CBI) certification (programmatic or standalone) for its Green Bond issuances. In this event the bank will conduct periodic assurance of such certification to reaffirm conformance of the relevant bonds with the criteria of the Climate Bonds Standard at least on an annual basis. The post-issuance certification will also be made available on UBS's Investor Relations webpage.

If a CBI certification has not been sought, an alternative independent assurance provider will annually assure UBS's selection process for the financing/refinancing of Eligible Assets and that such process and allocations are in accordance with UBS's Green Funding Framework. The opinion of the assurance provider will be made available in the Green Funding Investor Report.

4. Disclaimer

The Green Funding Framework (the "Framework") is intended for marketing and information purposes only. Under this Framework there may be offerings available for professional and sophisticated clients exclusively. Before investing in a financial instrument, please read the latest relevant prospectus and any related documentation carefully and thoroughly. The information, details and opinions contained in this document are provided by UBS Group without any guarantee or warranty and are for the recipient's personal use and information purposes only. No representation is made regarding the suitability of any relevant financial instrument for any of the sustainability or environmental, social and governance ("ESG") criteria required or considered by the client or prospective client. Any sustainability, ESG and/or other criteria of the relevant financial instrument may not be suitable for the client's or prospective client's general or intended purposes. UBS Group has set out its intended strategy and actions regarding sustainability and ESG objectives in the Framework, in particular in respect of the use of proceeds, asset evaluation and selection, management of proceeds and investor reporting. The client or prospective client is aware and accepts that UBS Group does not provide any representation, guarantee or warranty that the objectives according to the Framework will be or can be achieved. UBS Group or any of its members will not give rise to any claim of a client or prospective client invested in the relevant financial instrument if it is not possible or it fails to adhere to the Framework, whether by failing to identify or fund Eligible Assets or otherwise. The information contained herein may be subject to updating, revision, verification and amendment and such information may change materially.

Members of the UBS Group may have a position in and may make a purchase and / or sale of any of the securities or other financial instruments issued with a reference to the Framework. Units of financial instruments mentioned herein have not been registered or approved in any jurisdiction, may not be eligible for sale in all jurisdictions or to certain categories of clients or prospective clients and may not be offered, sold or delivered in the United States. The information mentioned herein is not intended to be construed as a solicitation or an offer to buy or sell any securities or financial instruments neither shall it constitute investment or legal advice. This Framework contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of UBS Group's or any of its member's business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. For a discussion of the risks and uncertainties that may affect UBS's future results please refer to the "Risk Factors" and other sections of UBS's most recent Annual Report on Form 20-F, quarterly reports and other information furnished to or filed with the US Securities and Exchange Commission on Form 6-K. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise. This document may not be reproduced, redistributed or republished for any purpose without the written permission of UBS AG. Source for all information (if not indicated otherwise): UBS Group.