

The importance of sustainability and culture to UBS

The acquisition of the Credit Suisse Group made 2023 an exceptional year in our firm's history. We completed the first-ever combination of two global systemically important financial institutions (G-SIFIs) and have embarked on a major program to integrate the two banks. Our sustainability frameworks are no exception. We have made significant progress in aligning our frameworks for the combined firm, and will continue with this alignment in 2024 and beyond. 2023 also saw significant developments in corporate disclosure requirements, particularly the European Union's Corporate Sustainability Reporting Directive (the CSRD) as well as in availability of emissions data and standards. In addition, market volatility and the conflicts in Ukraine and the Middle East presented new challenges for sustainable investing.

Integration of Credit Suisse

We have made significant progress in integrating UBS and Credit Suisse's sustainability policy frameworks and processes:

- We have implemented a revised sustainability and climate risk policy framework and associated processes to reflect the full suite of activities of the combined business and a consistent approach.
- We are minimizing our scope 1 and 2 greenhouse gas (GHG) emissions through energy efficiencies and by switching to more sustainable energy sources, across the combined firm.
- We have developed updated scope 3 emissions targets reflecting the combined profile of the combined firm and evolving regulatory and data standards. We have updated our previous emissions targets for real estate mortgage lending, as well as the fossil fuels, power generation and cement sectors, reflecting both the combined portfolios of the two firms and methodology changes. We have added targets for shipping, and iron and steel based on the materiality of these sectors in our combined financing portfolio and have dropped sectors that are not material.
- We have made progress towards the alignment of our sustainable investing products standards across the firm and will benchmark Credit Suisse's products against these standards. We expect to incorporate products that meet our standards across our platforms in 2024.
- We have integrated our performance evaluation and compensation structures, including our fair pay practice. We are also aligning social plans or severance payments at UBS and Credit Suisse in the respective country to ensure that all employees are treated equally.

We still have significant milestones to deliver in 2024 and beyond. We firmly believe, however, that our activities are already strengthening our creation of long-term value for our shareholders, clients and other stakeholders. As we progress with the integration, we aim to leverage the most effective ideas and capabilities of both organizations as we strive to build a highly dependable and trustworthy firm globally.

We strongly believe that institutions are defined by their culture and, with our "three keys to success", we have an established concept for advancing the culture across our combined organization. Our culture is decisive in achieving our ambitions, and client centricity, accountability with integrity, collaboration, and risk management are all areas where our combined strengths can make the biggest difference and as such, are a key priority.

We continued to make good progress on the execution of our groupwide sustainability and impact strategy in 2023, as outlined in this Sustainability Report. While market volatility and rising geopolitical tensions over the course of 2023 proved challenging, flows into sustainable funds and ETFs remained positive. Sustainable investing also gained ground in alternative markets, including real estate and hedge funds. Against this backdrop, we saw sustainable assets under management increase. Overall, our efforts across sustainability and culture have been reflected in solid results in key environmental, social, governance (ESG) ratings.

Trends

Policymakers and regulators increasingly require corporations to embed ESG considerations within their own operations and value chains, and to disclose them. One example of this is the CSRD, which came into effect in 2023 and will require compliant reporting within annual financial reporting for the first wave of in-scope entities for fiscal year 2024, with reporting in 2025. While we welcome this move toward greater transparency and reliability of information, we continue to seek greater alignment across existing and emerging disclosure requirements in order to enable greater comparability.

While climate continues to dominate the sustainable finance landscape, there has been a notable shift in emphasis. After two years of formulating and refining net-zero commitments across industries, the ongoing progress in methodologies, data and transition finance frameworks has allowed discussions to shift toward the quality and ambition level of net-zero targets. Transition has become more widely recognized as a requisite path. As our clients look to a shift in their business models to prepare for the future, the fast pace of technological innovation, along with high inflation and input costs, are key considerations as they develop their transition strategies.

Emerging trends which have all gained momentum in 2023 include nature, impact transparency and blended finance. The most advanced of these is nature where there has been a growing awareness of the impact of society on the world's biodiversity and natural capital. New frameworks are being rolled out to enhance transparency, including the release of the recommendations of the Taskforce on Nature-related Financial Disclosures (the TNFD). This will improve the availability of good, economy-wide nature and biodiversity data, contributing toward greater transparency and providing an important tool for investors and companies alike.

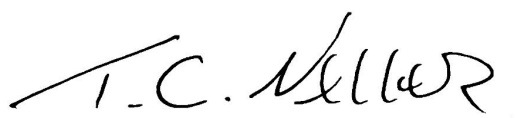
Turning to impact, the increasing disclosure requirements and growing demand for transparency from clients are encouraging the development of new measurement methodologies. In the last year, we have also seen governments and development finance institutions launch blended finance initiatives, using capital from public or philanthropic sources to increase private sector investment in sustainable development. In the past decade, such initiatives have mobilized over USD 200 billion in capital toward sustainable development in developing countries and we see significant opportunity for this to grow further.

Our commitment

By 2050, our ambition is to achieve net-zero greenhouse gas emissions across our scope 1 and 2, and specified scope 3 activities. We recognize there is more to do and aim to phase in additional scope 3 activities over time. It is, however, important to note that the decarbonization of the global economy, emissions reductions by clients, and the realization of our own targets and ambitions all depend on a variety of factors, some of which are beyond our direct influence.

The decarbonization of the global economy will require governments, regulators, all industries and consumers to move in the same direction. Clear guidance by governments through thoughtful regulations, policies and incentives, including mechanisms to factor in the price of carbon, as well as the development and scaling of key technologies and broader changes in the behavior of our society, will be critical.

Our ambition to be a global leader in sustainability remains unchanged. We are committed to supporting our clients in the transition to a low-carbon world, leading by example in our own operations, and sharing our lessons learned along the way with the rest of the world. We hope you will join us on the journey.



Colm Kelleher
Chairman of the Board of Directors



Sergio P. Ermotti
Group Chief Executive Officer

UBS was among the 43 companies that first signed the UN Global Compact in 2000 and is also a member of the UN Global Compact Network Switzerland, meaning we are committed to its principles on human rights, labor standards, the environment and anti-corruption. As reflected in detail in this report, we have a comprehensive set of goals and activities in place pertaining to the principles of the UN Global Compact.
