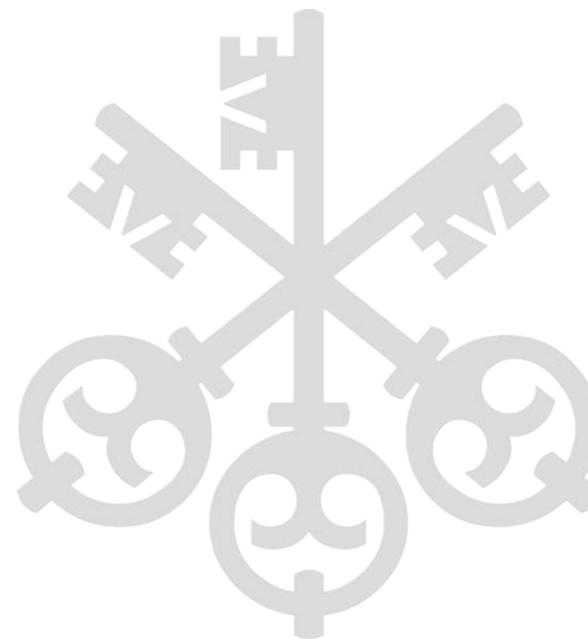


Sustainability at UBS

Integration and Reporting of SDGs



Executive Summary



SDGs and banking

Evaluating the relevance of SDGs in the broader context of the banking industry



Evaluation of Status Quo:
Active contribution is crucial, but lacking



SDGs in UBS

Identifying and analysing SDGs materially relevant to UBS



SWOT analysis reveals opportunities for UBS



7 relevant SDGs identified

2 high-impact points of focus

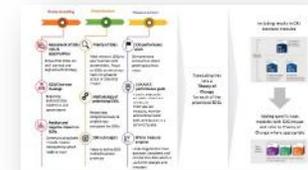


Reporting on SDGs

Providing recommendations on effective reporting of materially relevant SDGs



Comprehensive reporting system with application of Theory of Change



Future Outlook on Banking Industry



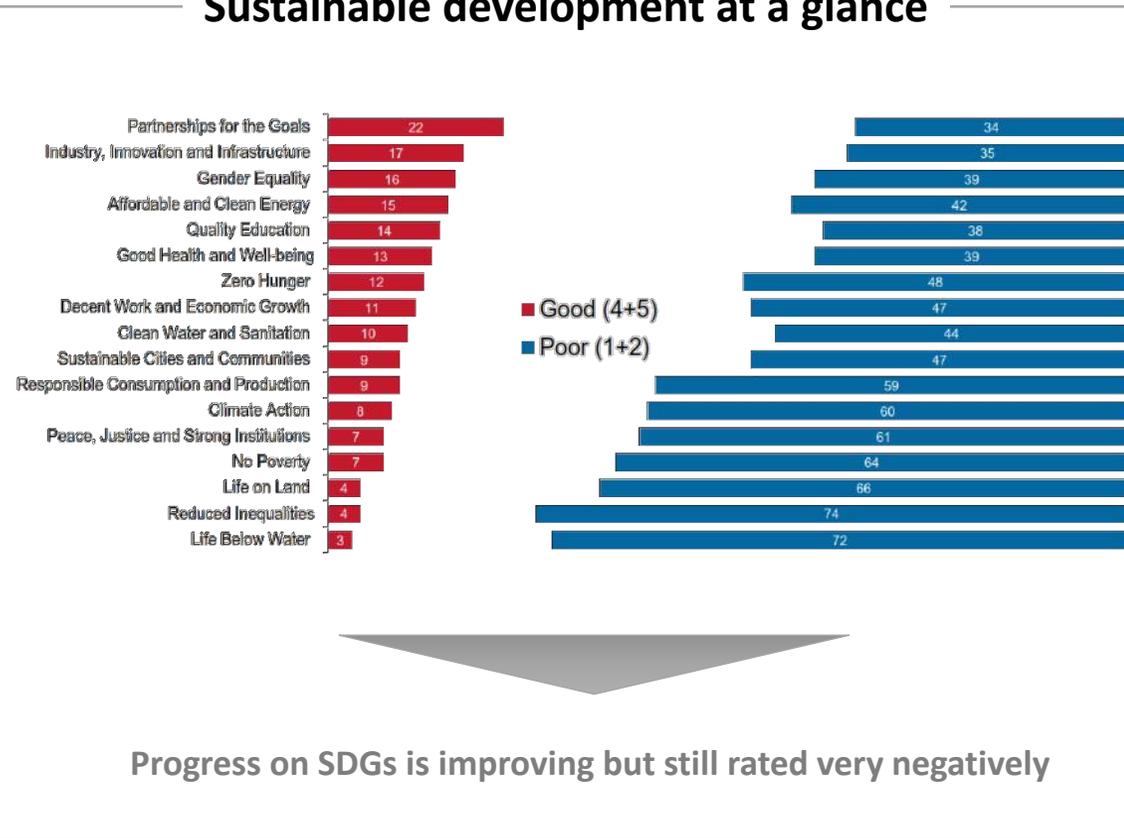
Sustainable Development Goals – Status Quo

Active commitment to SDGs is still missing

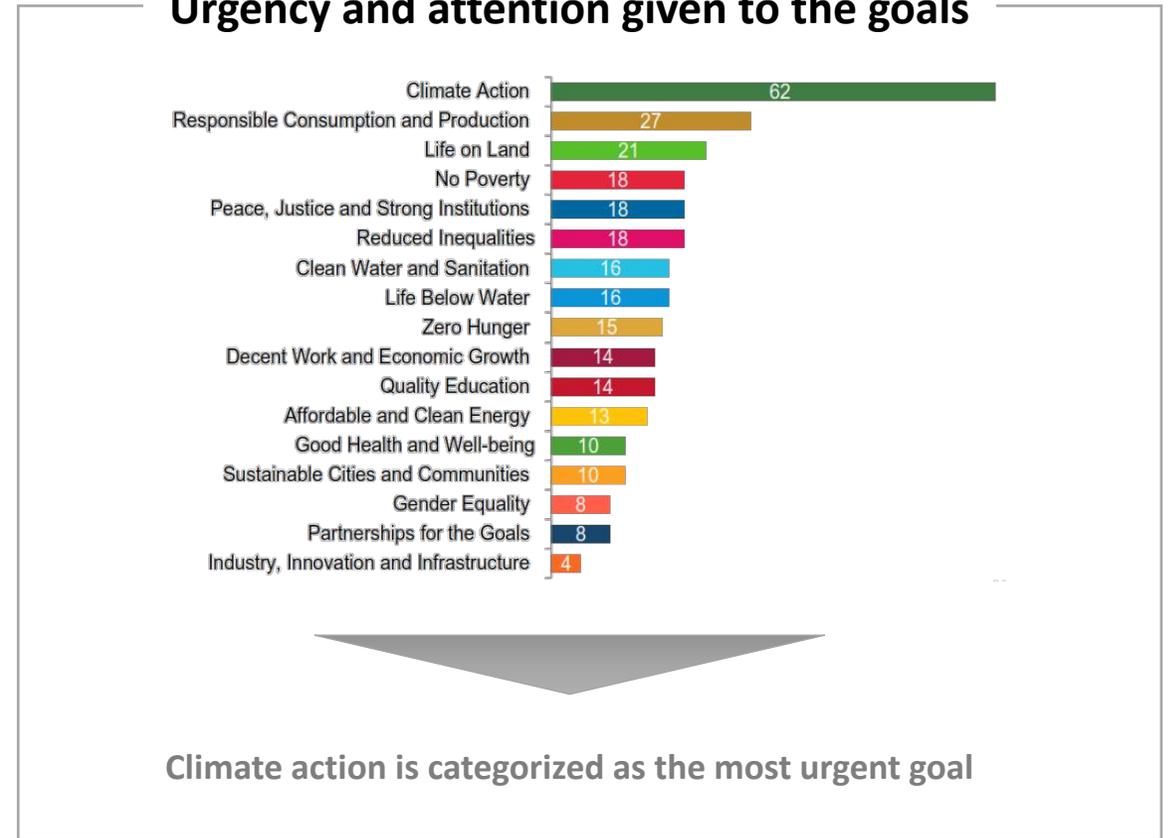
“ A goal without a plan is just a wish. ”

Antoine de Saint Exupéry

Sustainable development at a glance



Urgency and attention given to the goals



Relevance of SDGs for the banking industry

To achieve SDGs, a contribution of the financial sector is crucial

Environmental and Public Pressure

Achieving the SDGs by 2030 will require a rough estimate of **USD 5-7 trillion of annual investments** across sectors and industries



5-7 tr USD p.a.
(UNCTAD, 2014)

The public shifts the attention from only addressing sustainability “wrong-doers” to placing **responsibility** on the whole chain with the **focus on financing**



Internal Responsibility & Opportunity



Majority of experts rate the **contribution** of Investors and Financial Institutions as “**poor**” (GlobeScan-SustainAbility, 2019)

The World Bank estimated that domestic governments would provide 50-80% of the funding for the SDGs and that the **remaining funds should come from investors** (CIGI, 2018)

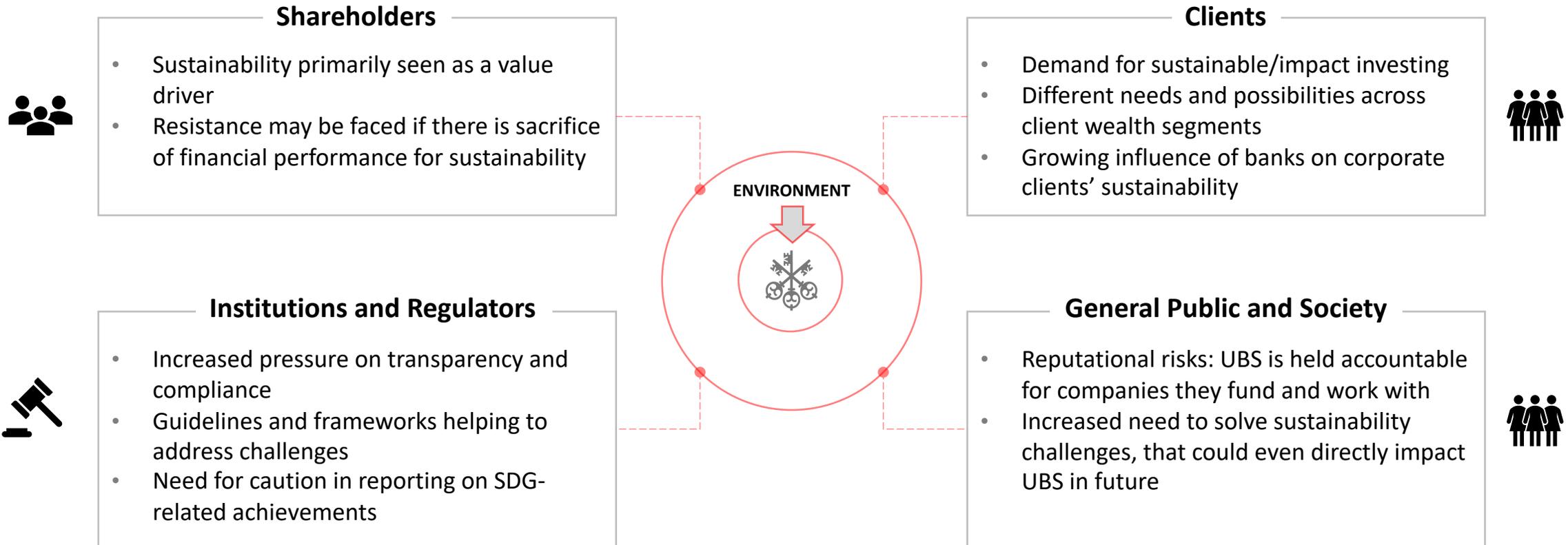


SDG-minded banks can attract **sustainably-minded investors** with transparency and accountability & **better their reputation** by being active contributors

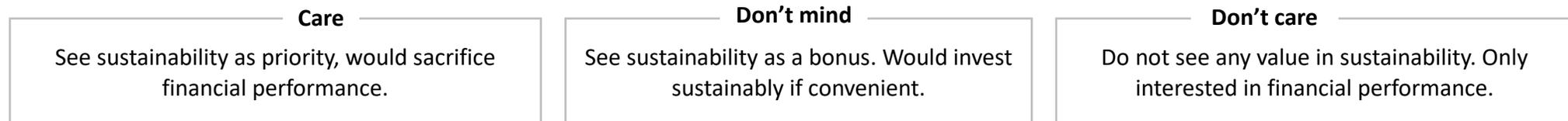
“They need us, and we can help with our clients”

Outside-in approach - Stakeholder Analysis

UBS faces pressures from a variety of different stakeholders

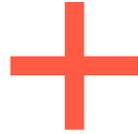


However, there are different attitudes among clients, employees and shareholders



Sustainability at UBS – SWOT analysis

UBS needs to leverage its resources and capabilities to pursue valuable opportunities



Strengths

- **Largest Global Wealth Management division**
- Access to **ultra-high-net-worth individuals**
- **International** exposure
- Large sustainable/impact investing **product offering**
- **Optimus Foundation**



Weaknesses

- Topic of sustainability still at **early stage** in banking
- Still some **resistance** from stakeholders
- **Conflicts of interest**
- Lack of strong **structures** and **guidelines** dealing with **SDGs** and **reporting**



Opportunities

- **Increasing demand** for sustainable and impact investment products
- Sustainability as source of **competitive advantage**
- Sustainable investing allowing **high financial performance**
- **Reputational benefits**



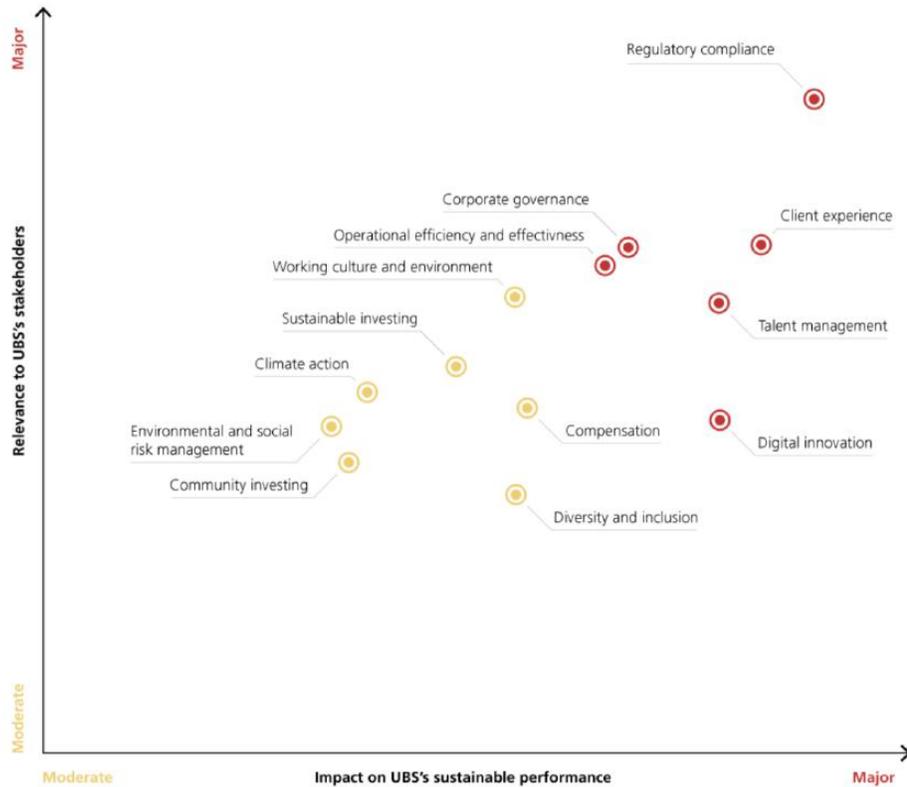
Threats

- Failure to address challenges will affect **company and industry performance**
- Increased **pressures** from **regulators** and general **public**
- **Green-washing** could lead to negative consequences (importance of **accurate reporting**)

Materially relevant SDGs

UBS materiality assessment translates into 7 relevant SDGs

UBS 2018 materiality matrix



● The materiality of the topic tends to be moderate
 ● The materiality of the topic is deemed to be major

From the GRI Report 2018 and the Stakeholder Survey 2018

Climate-related SDGs

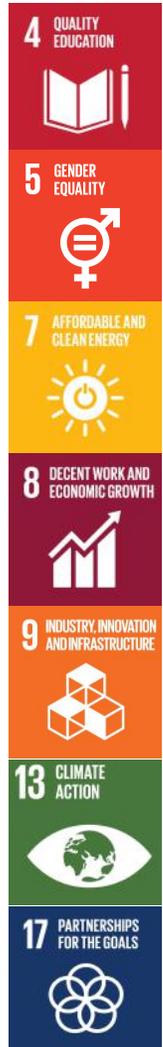


Additional SDGs material to UBS



In-depth analysis of relevant SDGs

UBS can address many sub-targets and make use of KPIs



Relevant sub-targets

<p>4.1, 4.3 - Access to education – grant loans – financial literacy programs</p>
<p>4.4. - Opportunity to learn new skills</p>
<p>5.1, 5.5 - Equality for women</p> <ul style="list-style-type: none"> • End discrimination • Participation in leadership
<p>7.2 - Increase renewable energy</p>
<p>8.10 - Access to banking, insurance and financial services</p>
<p>9.3 - Access of small-scale enterprises to sustainable financial services</p>
<p>13.3, 13.a Awareness on climate change mitigation</p>
<p>13.2 - Climate change measures in national policies, strategies and planning</p>
<p>17.16, 17.19 Partnerships for sustainable development and coherent reporting agreements</p>

Identified KPIs

<p>Volume (total amount) of loans to finance education</p>
<p>Number of participants in educational programs that we create</p>
<p>Share of women in senior roles and on company Boards</p>
<p>Amount raised for transition to low-carbon economy (US\$1 trillion needed according to International Energy Agency each year to 2050)</p>
<ul style="list-style-type: none"> • Share of population using UBS financial services vs. all • Microfinancing given to small enterprises which are not yet able to access credit from the formal banking system
<p>Number of sustainable finance products offered (long-term finance for public-private partnerships in transportation, renewable energy and communications infrastructure for the development of resilient cities & trade)</p>
<ul style="list-style-type: none"> • Investment in climate risk mitigation • Climate risk KPIs as default across all investments • Carbon footprint of investment portfolios & divestments
<p>Lack of meaningful KPIs as qualitative factors are more relevant</p>

Addressing SDGs effectively

UBS can create most impact by leveraging its GWM business unit and Optimus Foundation



Largest Global Wealth Management (GWM) in the world

- With **scale** comes **opportunity**
- With **capital** comes great **impact**
- Less risk-averse → impact investment

Impact Investment opens the door to all
Educate about and **promote products** that
also tackle a threat to the banking industry



- Impact investment **Expertise**
- Impact Investment **Reputation**
- **Revenues**
- **Tackling a threat**



Philanthropy: Optimus Foundation

Investing in most vulnerable children under 8 yr. → **education, health and safety**

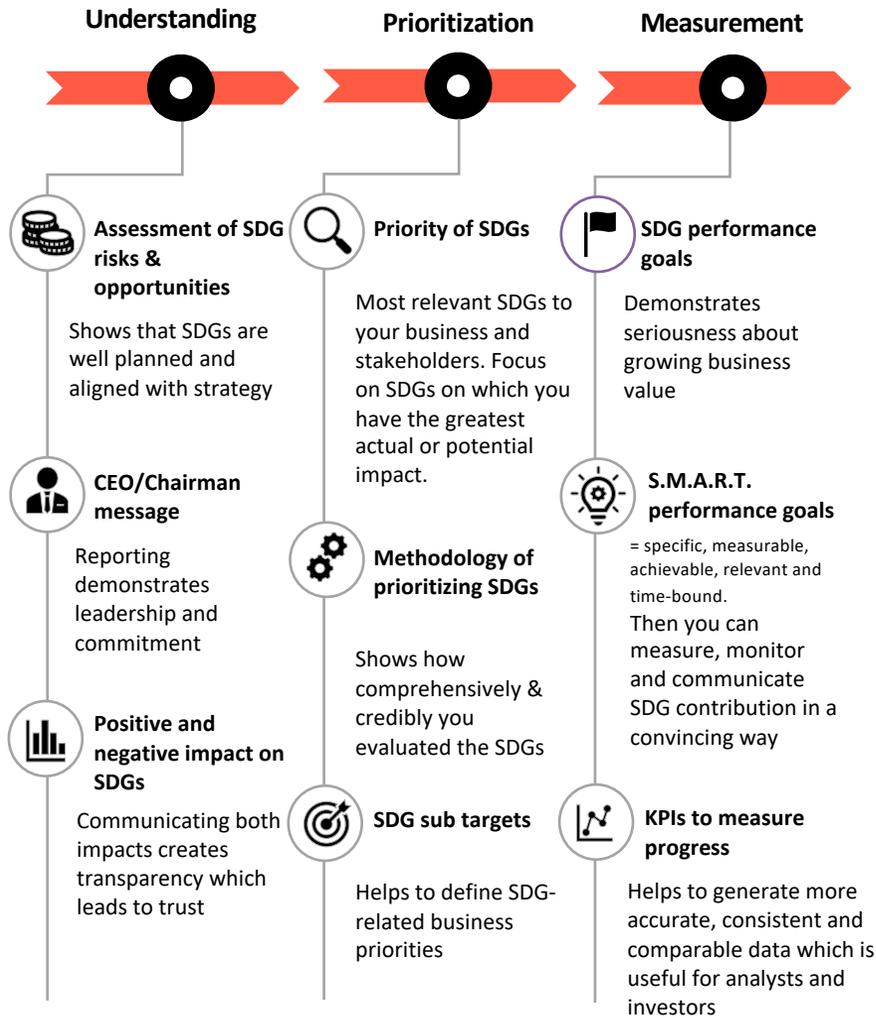
- Intention: children will one day
- Shape **strong** and **stable** societies
 - Grow their country **out of poverty**
 - Foster **economic growth**



- **Reputation**
- Potential share of **future economic growth**

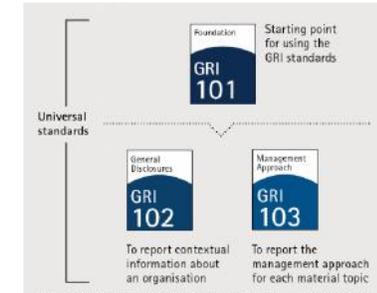
Reporting on SDGs

Approaching SDGs should be logical and involve application of Theory of Change




Translating this into a Theory of Change for each of the prioritized SDGs

Including results in GRI standard modules



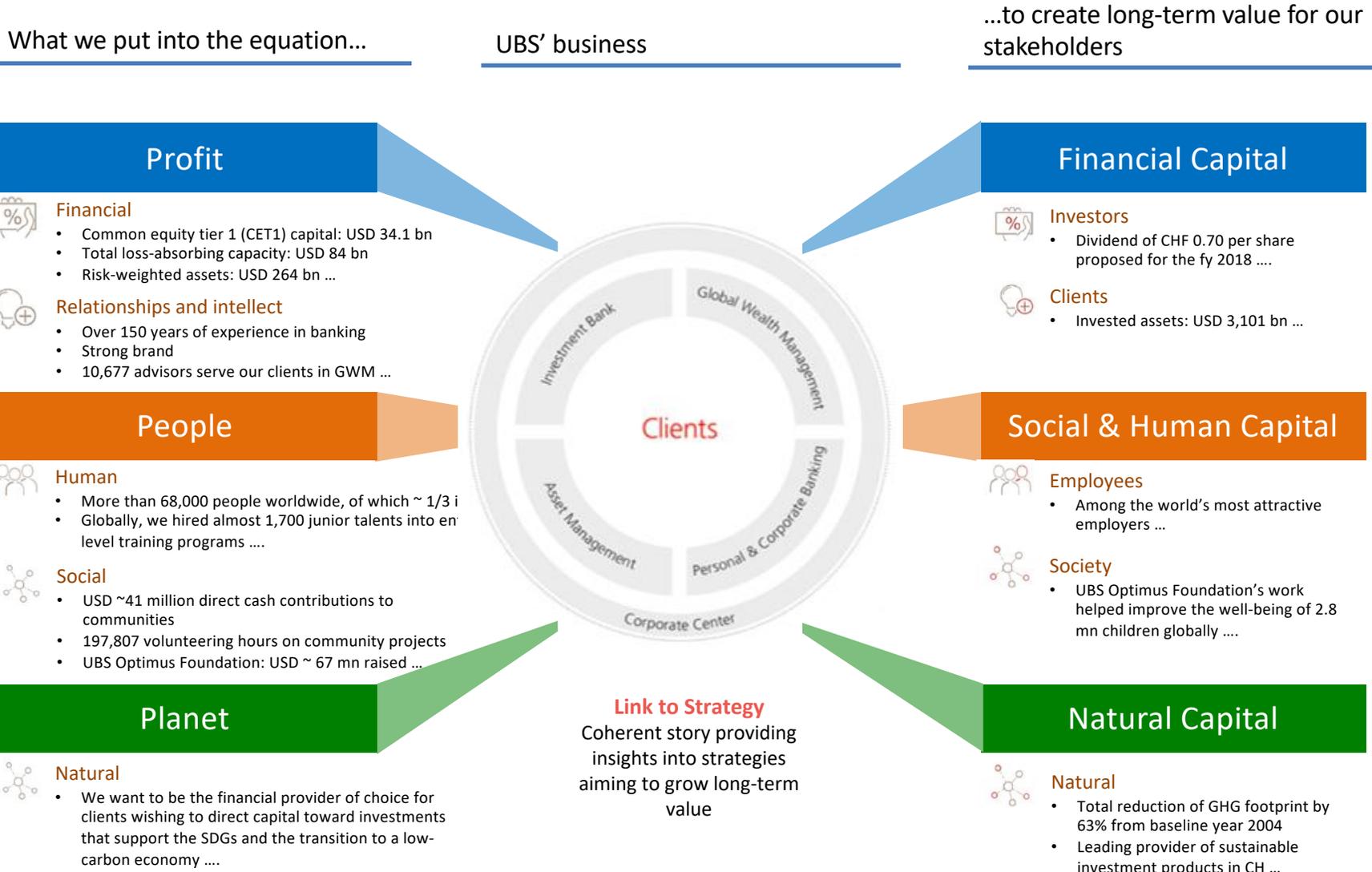
Adding specific topic modules with SDG impact and refer to Theory of Change where appropriate



Source: Adapted from KPMG (2018). *How to Report on the SDGs. What good looks like and why it matters.*

Reporting on SDGs

Reframing of UBS GRI Report based on Triple Bottom Line



Reporting on SDGs

UBS GRI Report Overview should have strong linkage to SDGs

What We Do in Alignment with the UN SDGs

Goal	Relevance ¹⁾	Potential Contribution	Our Status	Future Plan
 SDGs #13		<ul style="list-style-type: none"> + Reduce CO₂ emissions generated from the extraction of resources and product manufacturing - Exert a direct or indirect impact on climate change and air pollution 	<ul style="list-style-type: none"> • Reduce GHG emissions in the workplace and increase the use of renewable energy • Implement pilot climate change adaptation projects with the Graduate School of Environmental Studies, Seoul National University 	<ul style="list-style-type: none"> • Reduce GHG emissions by 70% in the workplace by 2020 (against the 2008 base year) • Reach 2.5 million tons in accumulated reduction of GHG emissions in the product use phase by 2020
<p>Theory of Change for SDGs #13</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>1 Input</p> <p>Creating green bonds</p> </div> <div style="text-align: center;"> <p>2 Activity</p> <p>Selling & educating about green bonds</p> </div> <div style="text-align: center;"> <p>3 Output</p> <p>Volume of the green bonds</p> </div> <div style="text-align: center;"> <p>4 Outcome</p> <p>Better air, healthy planet, low-carbon economy</p> </div> <div style="text-align: center;"> <p>5 Impact</p> <p>CO₂ mitigation and combat climate change</p> </div> </div>				
 SDGs #5		<ul style="list-style-type: none"> + Strengthen female leadership in the workplace and support female-led businesses 	<ul style="list-style-type: none"> • Operate the STEM training program for female students and the female electronics maintenance technician training program • Operate work programs that ensure maternity protection 	<ul style="list-style-type: none"> • Expand support for digital education for women • Strengthen gender equality as part of our corporate culture
 SDGs #6		<ul style="list-style-type: none"> + Ensure the sustainable use and management of water resources - Exert an indirect impact on the shortage of water resources in local communities 	<ul style="list-style-type: none"> • Manage water resource risks in the workplace and monitor the quality of effluent 	<ul style="list-style-type: none"> • Reach 50 tons/KRW 100 million in intensity-based use of water resources by 2020
 SDGs #7		<ul style="list-style-type: none"> + Develop highly energy-efficient products by using IoT technology (e.g. smart home) 	<ul style="list-style-type: none"> • Research technology that reduces energy use and adopt such technology for products • Implement energy use reduction projects at overseas subsidiaries 	<ul style="list-style-type: none"> • Increase the use of renewable energy
 SDGs #8		<ul style="list-style-type: none"> + Ensure a safe work environment and assist in the 	<ul style="list-style-type: none"> • Offer innovation support programs for domestic/overseas 	<ul style="list-style-type: none"> • Strengthen the inspection of labor and human rights, health & safety, environmental protec-

Future Outlook and Banking 2030

SDGs will play a crucial role in the Future Banking Industry

Automation and Industry 4.0

Banks will have fewer employees and therefore employer related SDGs will not remain among top-priority SDGs.

Employer related



Technology will enhance **financial inclusion** in emerging markets and SDGs such as #1 and #10 will increase on importance

Emerging market related



Sustainable finance

Transition to **low carbon economy**: from finance as a goal (profit max) to finance as a **means** to support transition.

- Incl. natural capital and social & human capital in the LTVC equation.
- Annual Report = Sustainability Report
- Scope 3 materiality assessments

In case of a “**climate change at 3°C**” scenario, there will be significant effects on the stock market and demand for impact investments will skyrocket

All SDGs



Regulations (especially for SDG 13)

- EU high-level expert group
- TCFD (task force on climate-related financial disclosure)

Increased transparency: people have the right to know who is financing companies that commit human and environmental rights abuses.

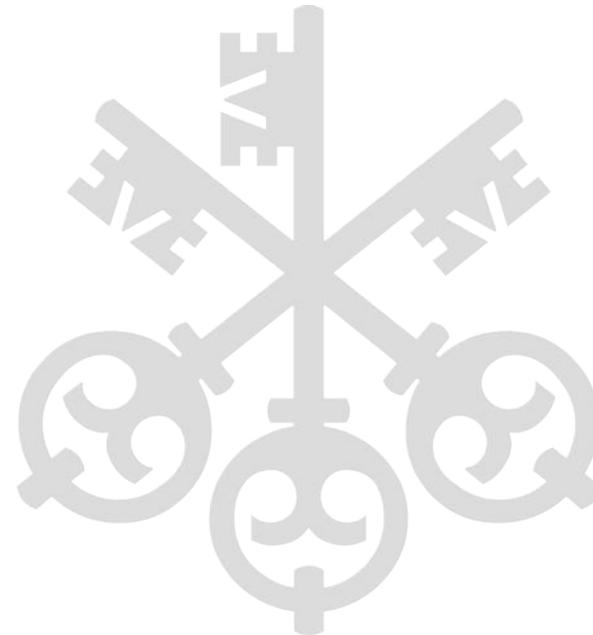
Fiduciary duties: Holding investor bank/fund responsible for consequences of their investment and remove safety net for banks.

Climate related



Q&A session

Thank you for your attention!



Appendix

Sustainable Development Goals

SUSTAINABLE DEVELOPMENT GOALS



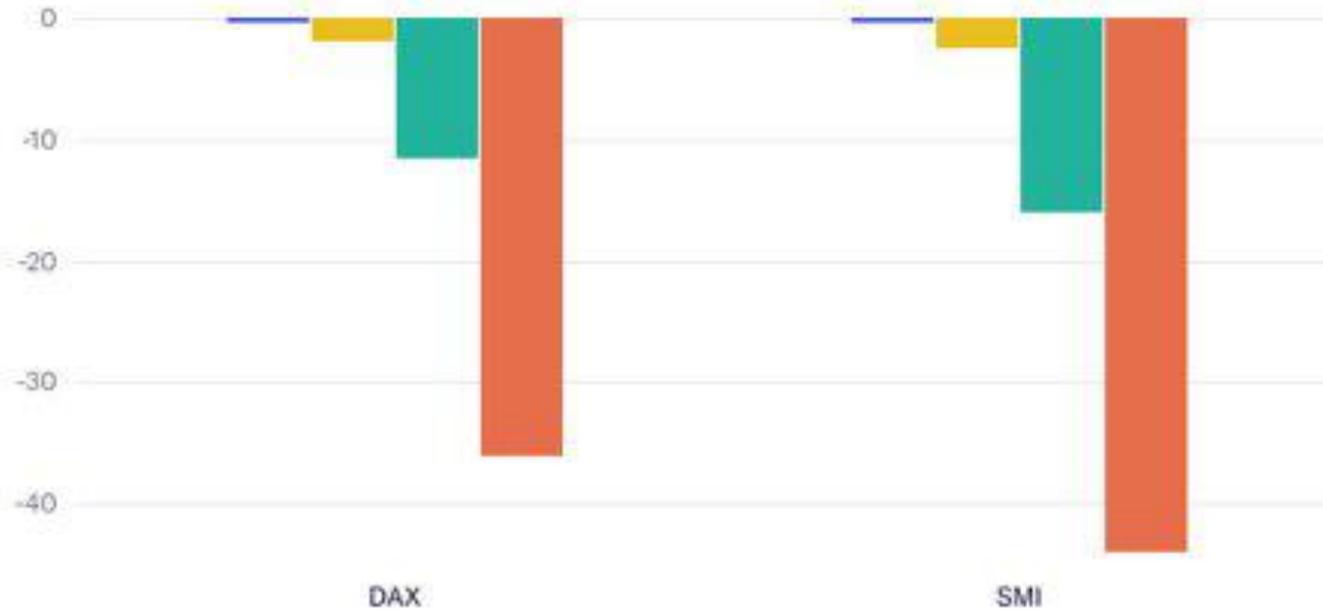
Appendix

Effect of climate change on Swiss and German stock exchange

Die physischen Risiken nehmen mit der Erderwärmung exponentiell zu

Risikograd, in %

● 1-Grad-Szenario ● 2-Grad-Szenario ● 3-Grad-Szenario ● 4-Grad-Szenario



Der Risikograd misst die negativen Folgen für den ökonomischen Output der Unternehmen (0: keine Auswirkung, -100%: extreme Auswirkung) – Quelle: South Pole – Grafik: msf

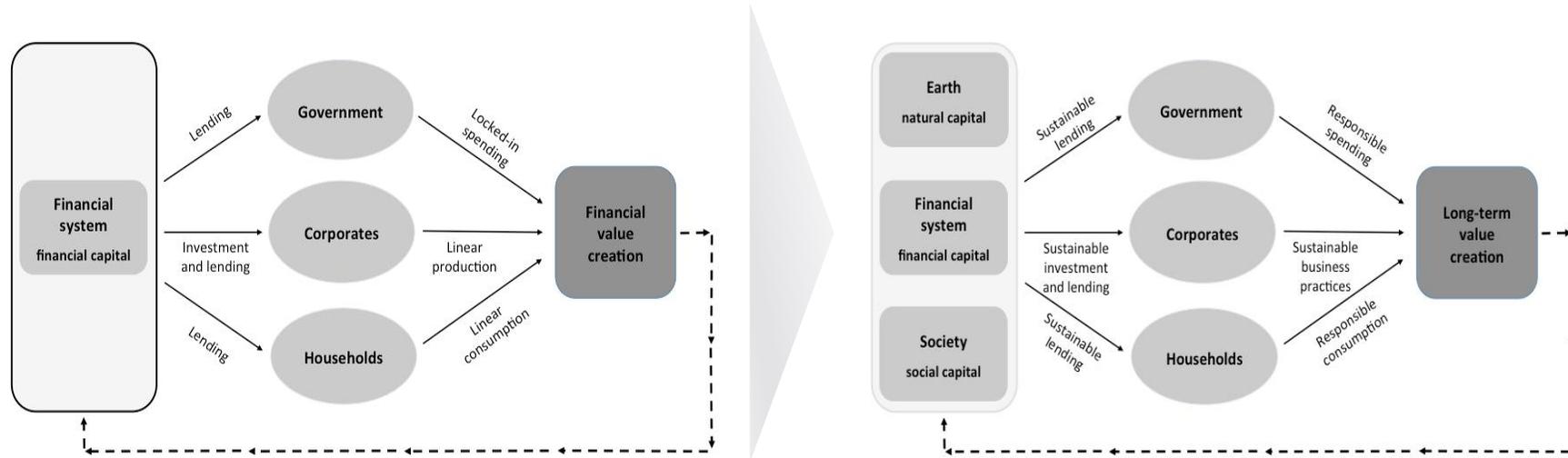
Appendix

Linking SDGs and capital

SDG	Brief description	Social & human capitals	Natural capital
1	No poverty	X	
2	Zero hunger	X	
3	Good health and well-being	X	
4	Quality education	X	
5	Gender equality	X	
6	Clean water and sanitation		X
7	Affordable and clean energy		X
8	Decent work and economic growth	X	
9	Infrastructure, industry and innovation	X	
10	Reduced inequalities	X	
11	Sustainable cities and communities	X	
12	Responsible consumption and production	X	X
13	Climate action		X
14	Life below water		X
15	Life on land		X
16	Peace, justice and strong institutions	X	
17	Partnerships for the goals	X	

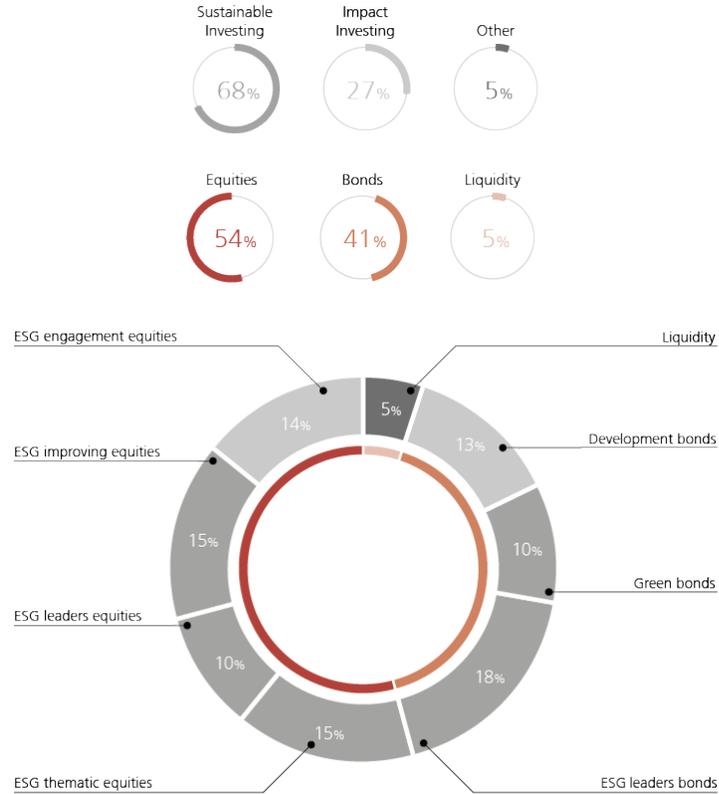
Appendix

From old model... to long-term value creation



Appendix

100% sustainable portfolio from UBS has quadrupled since its launch in 2018 (USD 5bn AuM)



Appendix

Sub-targets (1)



4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes

4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university

4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship



5.1 End all forms of discrimination against all women and girls everywhere

5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life



7.2 By 2030, increase substantially the share of renewable energy in the global energy mix



8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

Appendix

Sub-targets (2)



9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets



13.2 Integrate climate change measures into national policies, strategies and planning

13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

13.a Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change to a goal of mobilizing jointly \$100 billion annually by 2020 from all sources to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and fully operationalize the Green Climate Fund through its capitalization as soon as possible

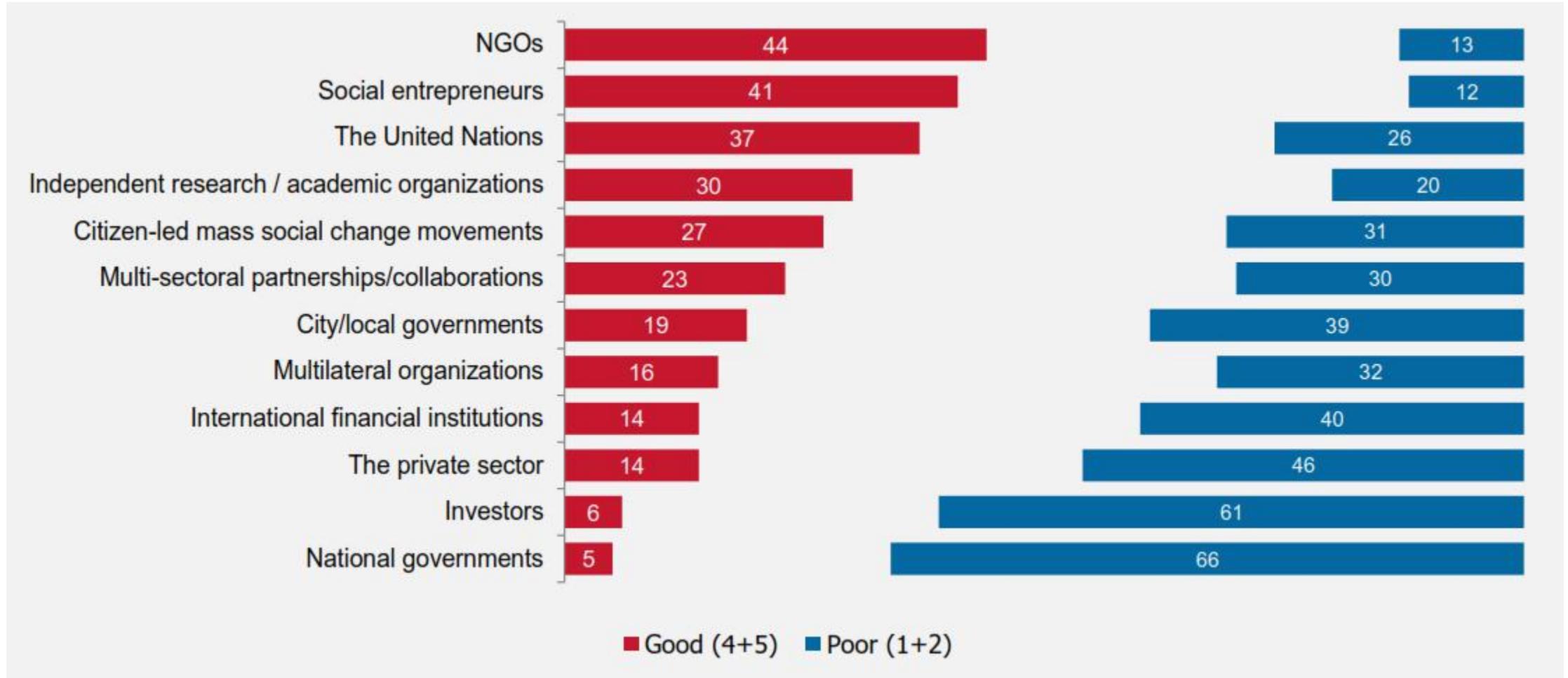


17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries

17.19 By 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement gross domestic product, and support statistical capacity-building in developing countries

Appendix

How would you rate the performance of each of the following types of organizations in terms of its contribution to progress on the Sustainable Development Goals (SDGs)?

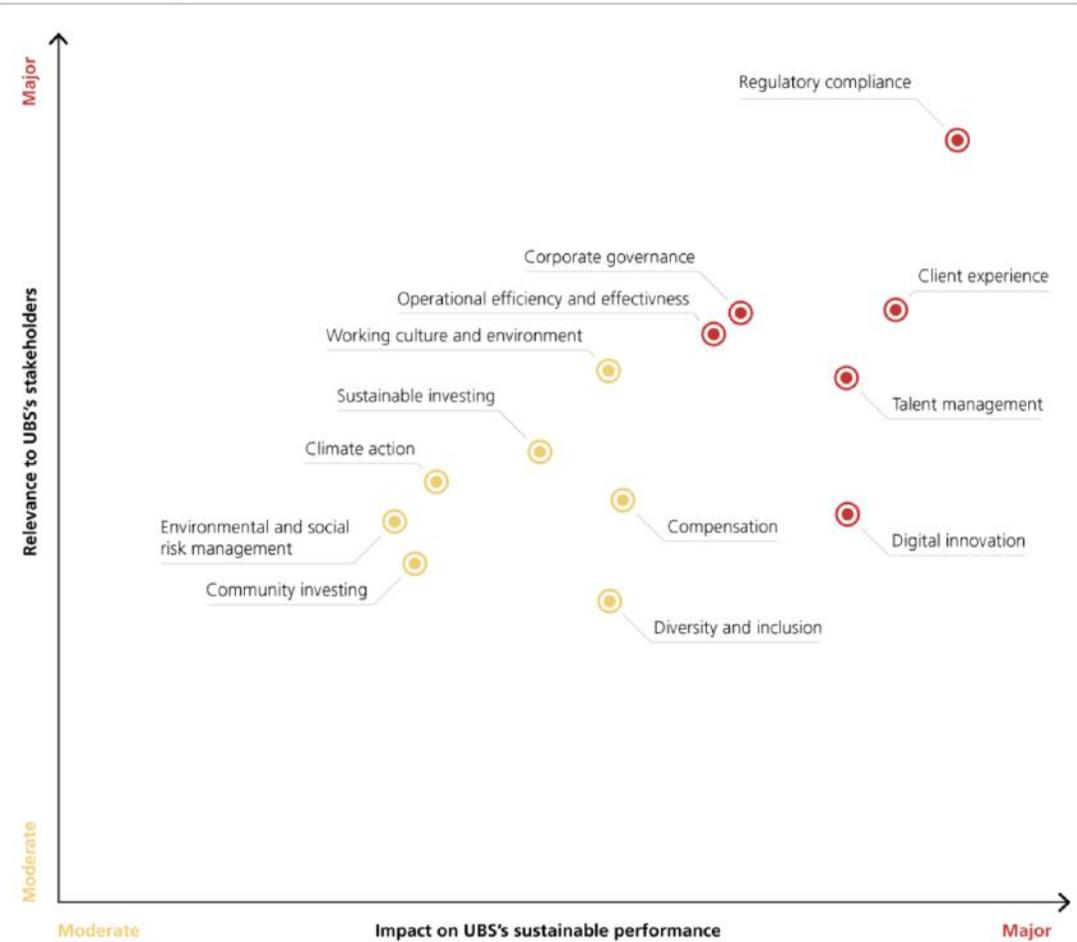


Appendix

Appendix: Translating materially relevant SDG's from the UBS GRI assessment



UBS 2018 materiality matrix



● The materiality of the topic tends to be moderate

● The materiality of the topic is deemed to be major