

Our climate change commitment

Climate change is one of the most significant challenges of our time. The world’s key environmental and social challenges – such as population growth, energy security, loss of biodiversity and access to drinking water and food – are all closely intertwined with climate change. This makes the transition to a low-carbon economy vital. We support this transition through our comprehensive climate change strategy.

We are determined to support our clients in preparing for success in an increasingly carbon-constrained world. As a leading global financial services provider, we focus our climate change strategy on risk management, investments, financing, research and our own operations. Our key commitments include:

Support renewable energy and clean tech transactions	Only support transactions of companies operating coal-fired power plants if they have a strategy to reduce coal exposure or adhere to the strict greenhouse gas emission standards recommended by leading international agencies	Not to support certain coal mining companies and to significantly limit lending and capital raisings provided to the sector	Secure 100% of our electricity from renewable sources by 2020, thereby reducing our own greenhouse gas footprint by 75% compared to 2004 levels
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We publicly support 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 CEO is a member of the CEO Climate Leaders, an alliance mobilized by the World Economic Forum.
- We have joined RE100, a global initiative to get the world’s most influential companies to use only renewable power.
- We support the CDP, as an investor member as well as a questionnaire respondent, in their aim to improve company disclosure of risks and opportunities related to climate change.

Implementation of our climate change strategy – Key examples:

Risk management: seeking to protect our clients’, and our own, assets from climate change risks, within our sphere of influence.

At portfolio level, we regularly review sensitive sectors and activities prone to bearing climate change risks. We assess client exposure and revenue in such sectors and attempt to benchmark the portfolio quality against regional and or sector 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 estimate our firm’s vulnerability to climate change risks using a scenario-based stress testing approach that considers direct impacts on UBS from severe weather events as well as from regional regulatory responses that affect the overall economy.

We participate in international efforts led by the UN Environment Programme Finance Initiative and World Resources Institute to develop greenhouse gas accounting and reporting guidance for financial intermediaries. We are active members of the technical working groups on accounting and risk management.

Investments: helping to mobilize private and institutional capital towards investments facilitating climate change mitigation and adaptation.

Our investments making a positive contribution to climate change mitigation and adaptation aspects include: Nine of our Asset Management’s real estate funds obtained the top “Green Star” award in the 2015 Global Real Estate Sustainability Benchmark. This was recognition for our efforts in defining and implementing a sustainable and responsible property investment strategy. Most of the 11 funds entered ranked within the top quartile of their respective peer set, among more than 700 real estate portfolios. Our real estate debt funds ranked 1st and 2nd in the inaugural GRESB Debt Survey.

Another example is UBS Clean Energy Infrastructure Switzerland which offers institutional investors unprecedented access to a diversified portfolio of Swiss infrastructure facilities and

companies in the field of renewable energies and energy efficiency. Capital commitments reached approximately CHF 400 million as of December 31, 2014. Overall, such climate change-related investments account for approximately 8% of our sustainable investments (at end of 2014).

Financing: supporting this transition as corporate advisor, and/or with our lending capacity.

We provide capital raising and strategic advisory services globally to companies offering products that make a positive contribution to climate change mitigation and adaptation, including those in the solar, wind, hydro, energy efficiency, waste and biofuels, and transport sectors.

In 2014, our Investment Bank supported 175 clients that contribute to climate change mitigation and adaptation, either in equity or debt capital market transactions (total deal value CHF 17 billion) or as financial advisor (total deal value CHF 14 billion).

We invest in Swiss corporations by supporting Swiss small and medium-sized enterprises (SME) in their energy-saving efforts. As promoted by the Swiss Energy Agency's SME model, clients benefit from the agency's energy check-up for SME at reduced costs and are granted UBS cash premiums for committing to an energy reduction plan within the scheme. In addition, the UBS "eco" mortgage, launched in 2015, supports corporate clients when upgrading to more environmentally-friendly commercial vehicles. Swiss private clients continue to benefit from the UBS "eco" mortgage when building energy-efficient homes. Our commitment as financial partner in the energy transition in Switzerland continues by our sponsorship of the Swiss Energy and Climate Summit.

Research: offering our clients research capacity on climate change issues.

In 2015, our Chief Investment Office Wealth Management (CIO) published a series of reports on sustainable investing

commencing in March, with an overarching publication on the topic "Adding value(s) to investing". Climate change is an enduring feature of CIO's publications, including in a report in September 2015 in direct response to the adoption by the UN General Assembly of the Sustainable Development Goals (SDG). Sustainability-themed investment ideas were also comprehensively covered in the CIO Years Ahead 2016 publication. For example, CIO outlined "clean air and carbon reduction" as a Longer Term Investment.

Investment Bank's ESG Keys publications covered climate change repeatedly in 2014 and 2015, on topics such as "ESG Keys: What Does COP 21 Mean?", "Global Warming Coming Down to Earth", "Fossil fuel disinvestment – Is it the answer?", "What if there was a global climate agreement in 2015?" and "CO₂ concentration crosses 400ppm; Exploring a two degrees scenario". The Investment Bank's 2014/15 ESG Analyzer identified climate change as among the top four structural issues currently facing firms across all sectors.

In 2014, Global Asset Management published "Real estate and sustainability: investing for returns and the future" examining how investors and businesses increasingly incorporate information on environmental issues into their investment strategies and their decisions on which buildings to occupy.

In-house operations: reducing our own greenhouse gas emissions.

We continue to reduce UBS's greenhouse gas (GHG) emissions in line with our commitment to RE100. At the end of 2014, we were at 51% below the levels of baseline year 2004. Measures taken included the replacement of a fossil heating system in a major building in Switzerland with a geothermal heat pump, reducing the building's annual GHG emissions by more than 500 metric tons. We also sold a self-operated gas power house (producing heating and air-conditioning for UBS, other office buildings and a residential area) to a local utility company to facilitate the upcoming switch to renewable energy, reducing our GHG footprint by more than 3,000 metric tons p.a.

www.ubs.com/climate

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Our climate change strategy – steps towards a low-carbon economy

