

SUSTAINABILITY
WATCH

Is Sustainability Reporting Becoming Any Easier Soon?

A Critical Look at the Harmonization Initiatives

Webcast, 17 June 2021



Panelists



Dr. Christian Leitz
Managing Director
Secretary, Corporate Culture
and Responsibility Committee
Head Corporate Responsibility
UBS



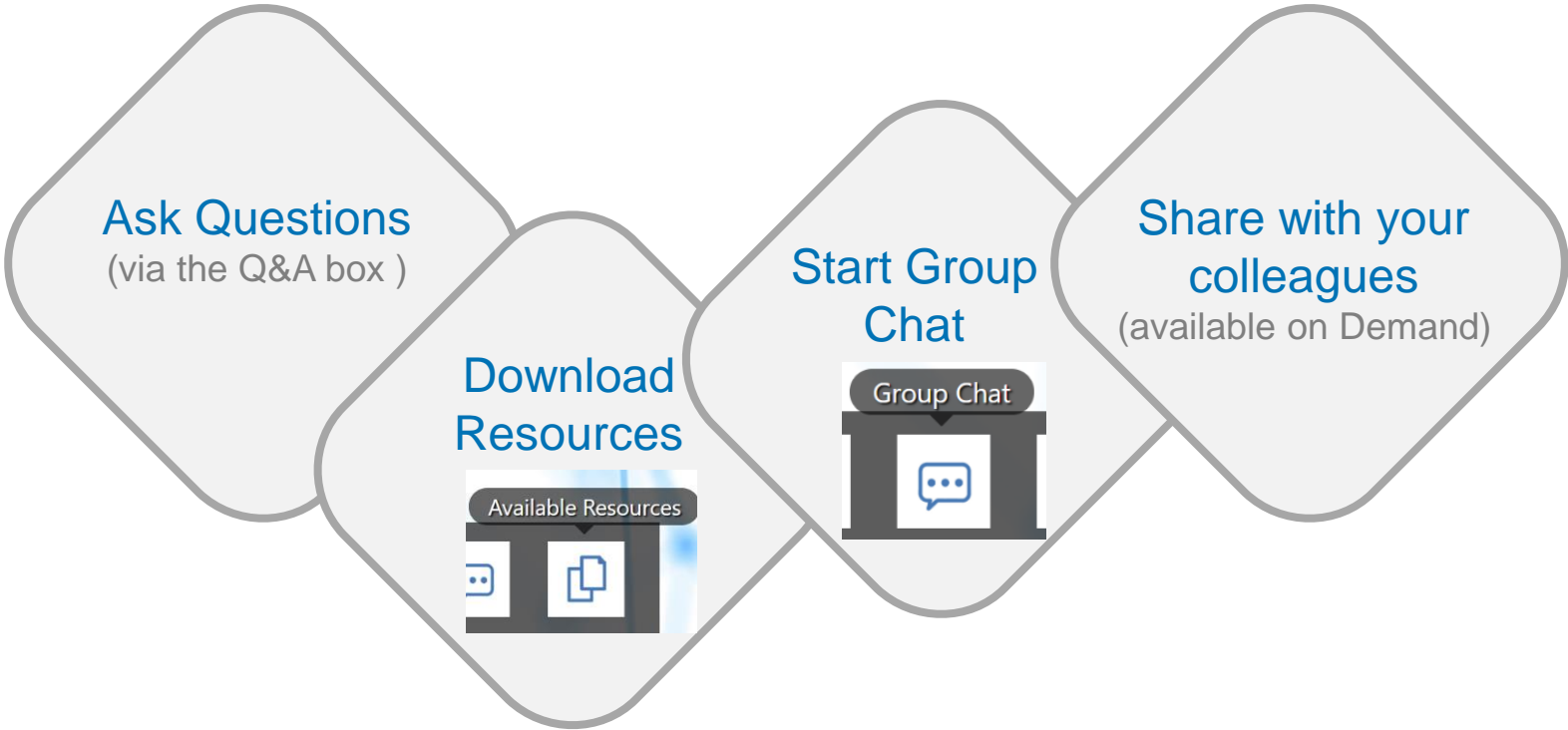
Anke Schrader
Research Director, Asia
The Conference Board



Dr. Uwe Schulte (Moderator)
Leader Global Sustainability Center
The Conference Board



Making the most of the webcast



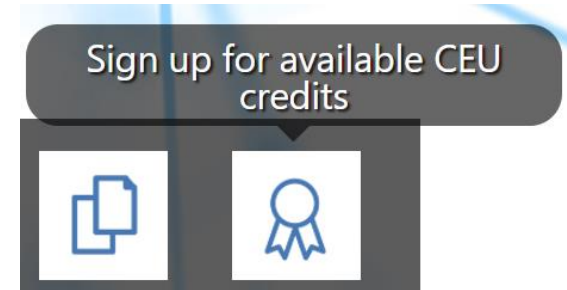
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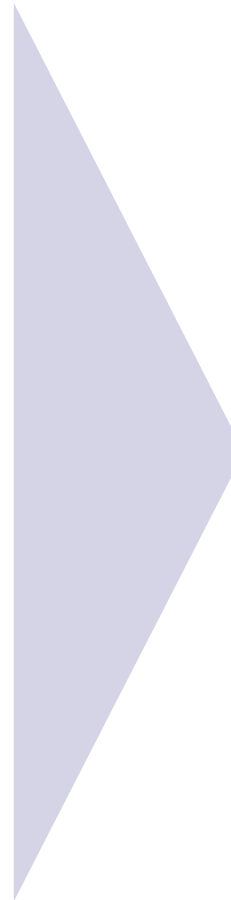
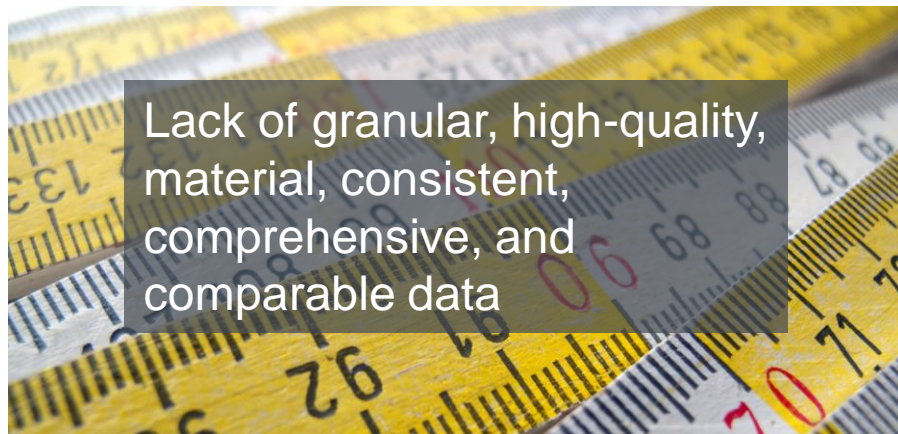
Poll 1

What are your views on a common, globally accepted sustainability reporting standard?

- a. We need it and must come together across countries and standard setters to achieve it.
- b. We need it, but I currently don't see how conflicting stakeholder interests can be overcome.
- c. We don't need it, because it would compromise materiality considerations too much.
- d. Other or don't know



Why harmonization?



Global, systemic viewpoint:

- Engaging capital markets in the transition to a sustainable, low-carbon global economy...critical for collective progress towards the SDGs.

Practical, company viewpoint:

- Enhance efficiency and effectiveness of measurement and reporting.
- Strengthen confidence in decisions taken by company leadership and investors.



Who is doing what and to what end?

Existing sustainability reporting standard setters

GRI, SASB, IIRC, CDP, CDSB

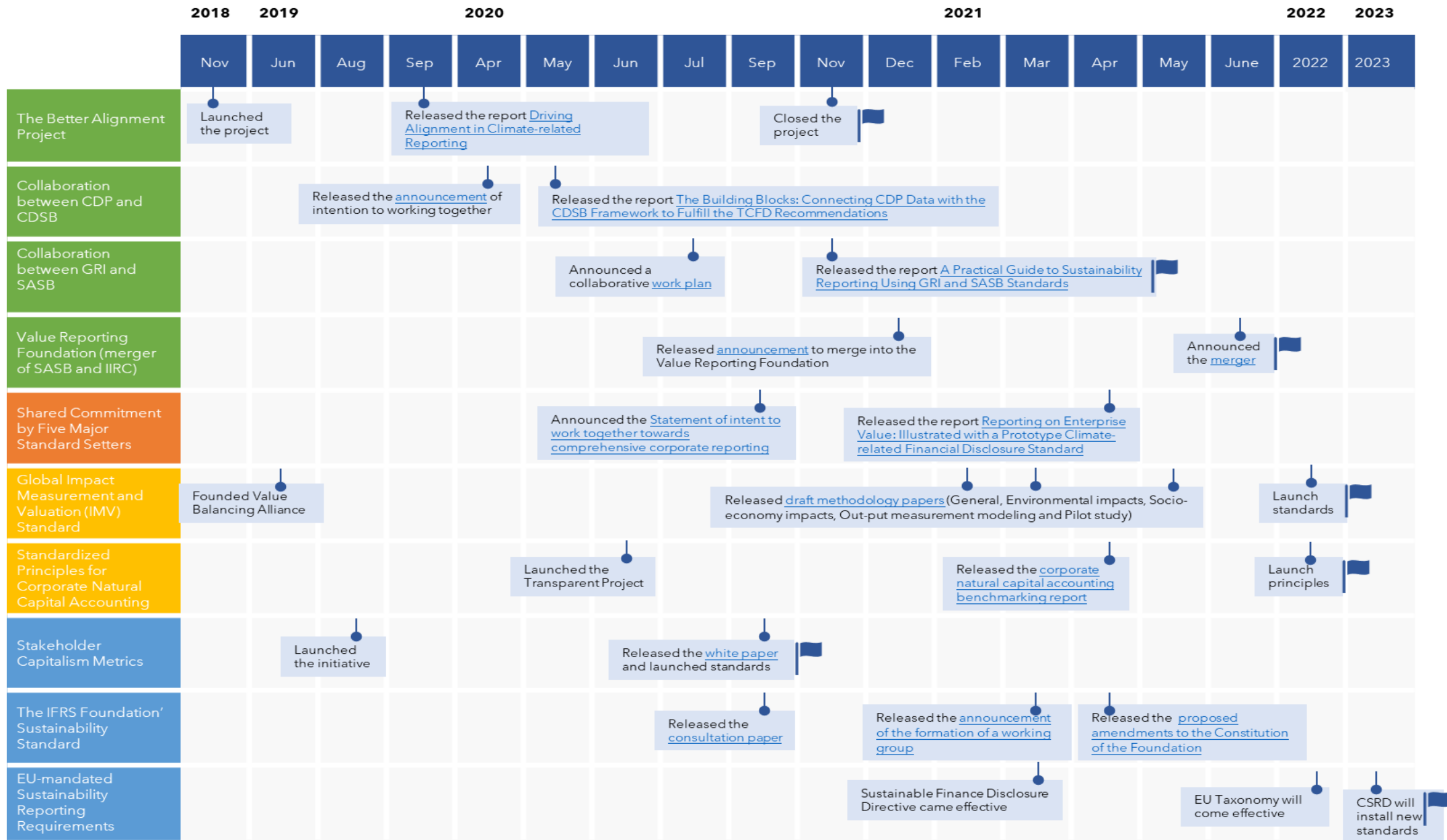
Participants new to the standard setting realm

Business coalitions, NGOs, financial reporting standard setters, regional governments

1. Sustainability reporting standard and concept alignment
2. Sustainability reporting standard development
3. Corporate reporting standard integration
4. Monetary valuation methods development and standardization

- Better Alignment Project
- GRI and SASB's Collaboration
- CDP and CDSB's Collaboration
- Shared Commitment by Five Standard Setters
- Value Reporting Foundation
- Value Balancing Alliance
- The Transparent Project
- Measuring Stakeholder Capitalism
- The IFRS Foundation' Sustainability Standard
- EU-mandated Sustainability Reporting Requirements





Poll 2

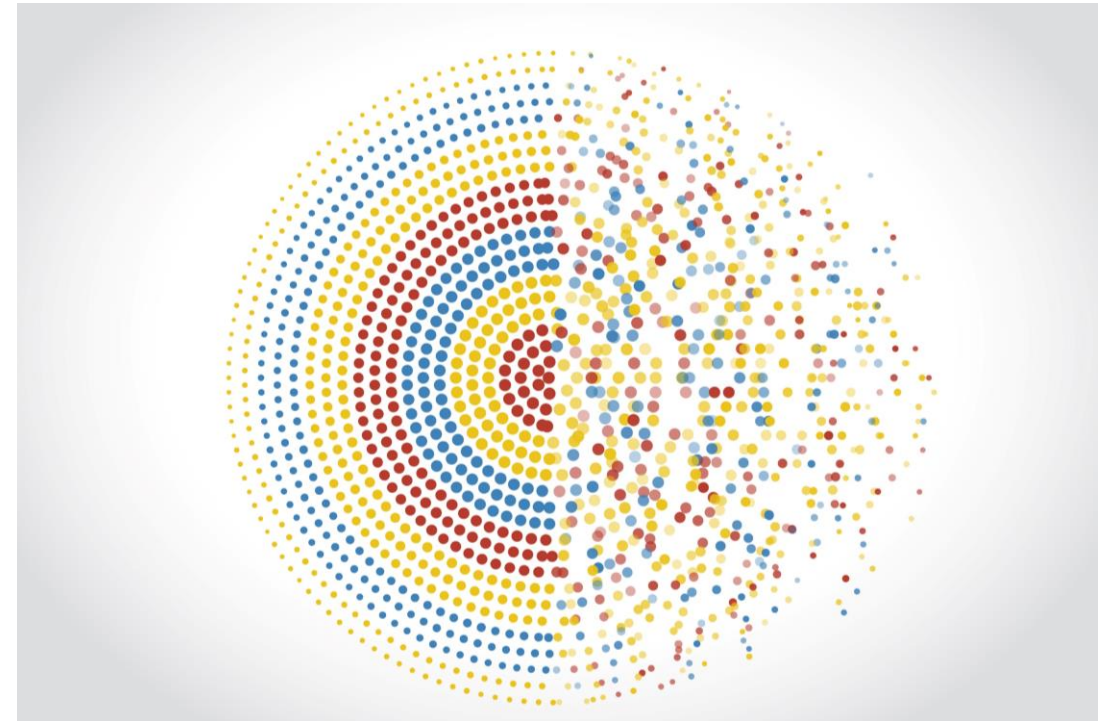
If the IFRS becomes a sustainability standard setter, how will this impact your use of other reporting frameworks?

- a. Will adopt new IFRS standard but keep using current standard(s)
- b. Will adopt new IFRS standard and consider dropping other standard(s)
- c. Will only adopt new standard if its mandatory (e.g., by regulator or stock exchange)
- d. Don't know



Where are we at, and where might we be headed

- Going through a phase that further “muddies the waters”
- Not much yet in terms of harmonization or consolidation, apart from inner-EU developments
- IFRS and EU standards are major gamechangers and could ultimately upend and replace other standards.
- Big push to develop standardized methodologies to calculate and present relevant data



Poll 3

What materiality analysis methodology are you considering applying for reporting year 2021?

- a. GRI based materiality
- b. VRF (IIRC and/or SASB) based materiality
- c. Double materiality
- c. A mixture of the above
- d. Other
- e. We do not plan to do a materiality analysis





Sustainability reporting

Dr Christian Leitz, Head Corporate Responsibility

17 June 2021



Introduction

Transparency – No.1 most recurrent regulatory development

2020 in numbers

Number of regulatory developments in 2020

550+



Since 2015, the number of regulatory developments increased by



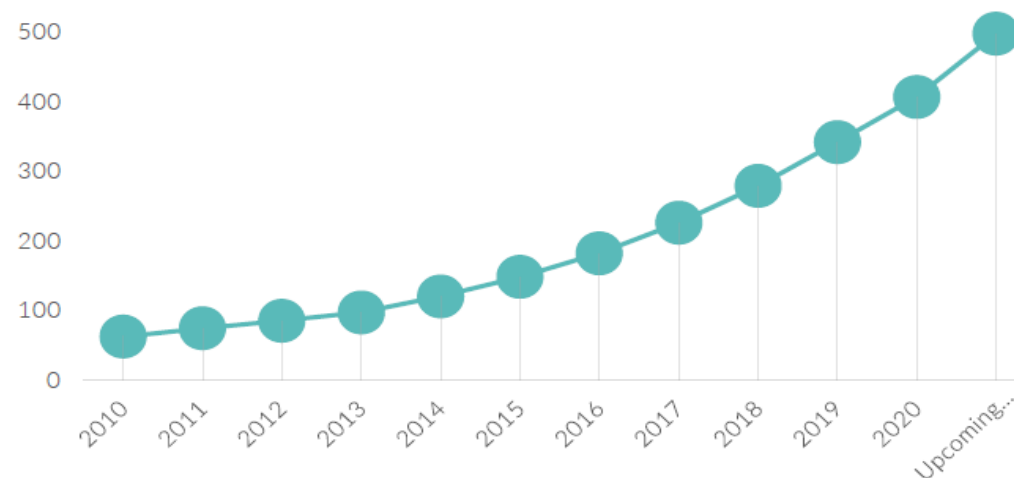
210%

Consultations processes held in 2020



75+

The growth in regulatory initiatives in the last 10 years has been exponential



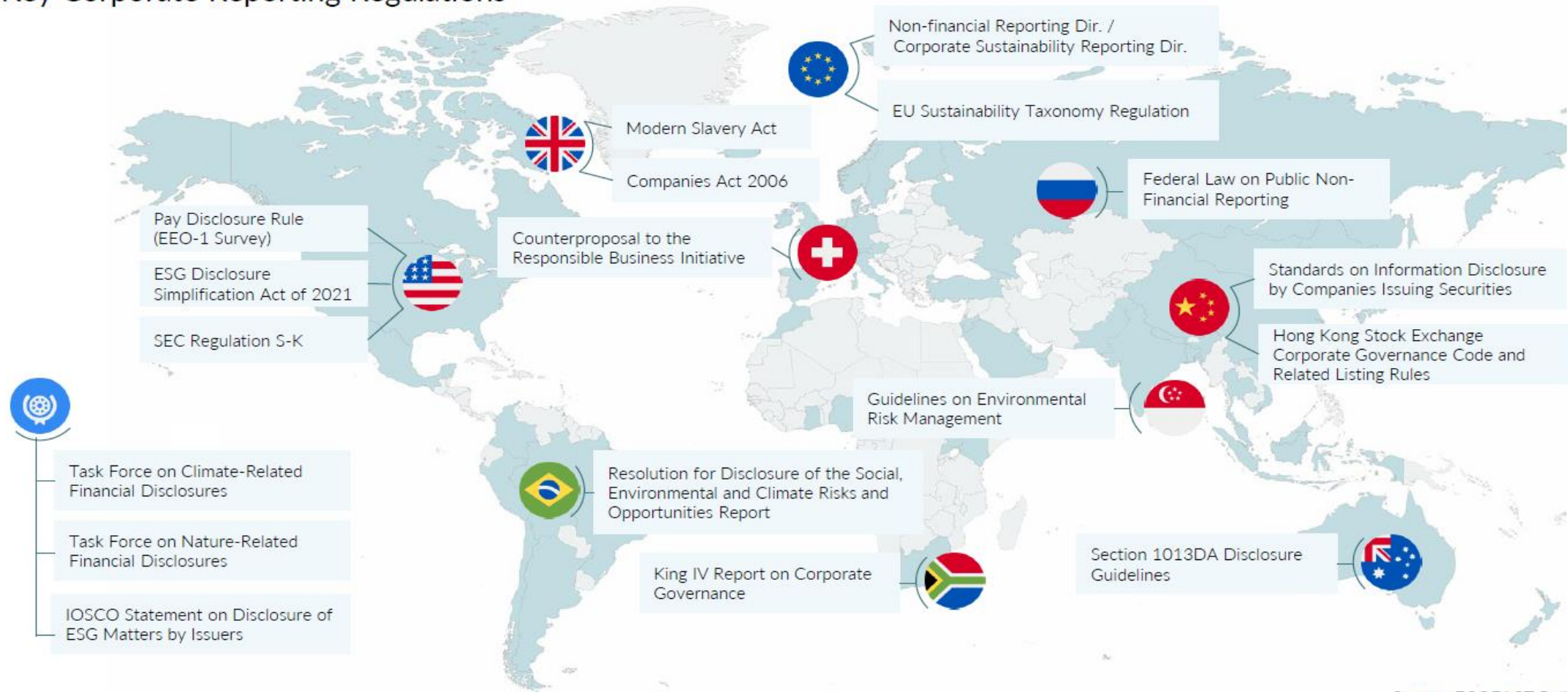
In 2020 the top 5 most recurrent topics of regulatory developments were:

- 1 Transparency
- 2 Environmental risks
- 3 ESG integration
- 4 Responsible investment
- 5 Climate change



Key corporate reporting regulations globally


Key Corporate Reporting Regulations





The pandemic has exposed a new social contract

Investors and consumers believe that the pandemic has landed our society at a critical crossroads


Corporate "reset" gaining traction


 **90%** say now is the time for large companies to hit "reset", focus on doing right by their workers, customers, communities and the environment.¹

 **87%** say companies exist to create value for multiple interests in society, not just profit.²

 **60%** of Americans will buy or boycott based on a brand's response to inequality protests.³


Clear rise in ESG⁴ investing


 Assets under management in ESG reached **USD 1.2 trn** with net inflows of **USD 80.5 bn** in Q3 of 2020.⁵


 Sustainability is resilient. Morningstar research shows that **42%** of sustainable/ESG equity funds ranked in the top quartile in 2020.⁶

 **'Green recovery'**: Governments around the world have stepped up support for green projects with **~USD 583bn** in fiscal support for such efforts announced so far.⁷

More government, regulatory and voluntary action

 **European Sustainable Finance Action Plan** - Comprehensive regulatory program for sustainable finance and plans for implementation in 2021

 **Global SI Regs** - Numerous regulations to prevent green washing and increase threshold requirements. US will become more active in 2021

 **Industry Collaboration**
Principles for Responsible Banking (PRB), Net Zero Banking Alliance, Net Zero Asset Managers

Notes:

- 1 Just Capital: 'SURVEY: What Americans Want from Corporate America During the Response, Reopening and Reset Phases of the Coronavirus Crisis'
- 2 Reset: Business and Society in the New Social Landscape, 2018; They Have More Work to Do.'

- 3 Edelman Trust Barometer Special Report: Brand Trust in 2020
- 4 ESG stands for Environmental, Social and Governance
- 5 Morningstar Report October 2020
- 6 Morningstar Research January 2021
- 7 UBS House View Weekly

Sustainability disclosures

Recent announcements

Three focus areas to maximize our impact

Planet:

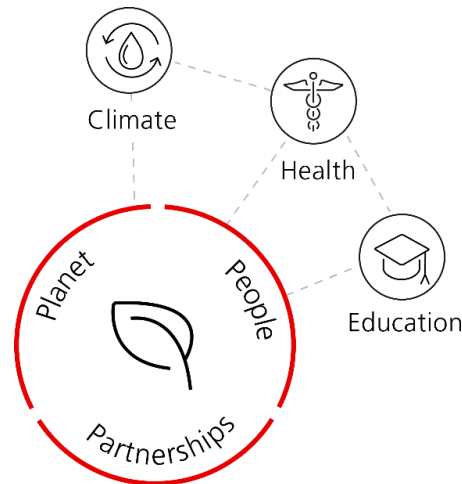
Climate remains at the forefront

People:

Address wealth inequality through client and corporate philanthropy and employee engagement focusing on health and education

Partnerships:

Work with other thought leaders to achieve impact on a truly global scale



New governance to drive execution

- › GEB-level leadership to lead firm wide sustainability and impact efforts
- › Sustainability targets set for all GEB members

Net Zero for the 21st century¹

- › Founding member of the UN-convened Net Zero Banking Alliance
- › Committed to net zero GHG emissions resulting from all aspects (scope 1, 2, 3) of our business by 2050
- › Science-based intermediate targets to be defined for 2025, 2030 and 2035
- › Further decreasing our operational footprint: net zero in our own operations (scope 1, 2) already by 2025, and commitment to offset our historical emissions since the year 2000
- › Framework to support our financing and investing clients in their transition
- › Further tightening financing standards

UBS's sustainability disclosure



The Sustainability Report provides disclosures on environmental, social and governance factors for the UBS Group and incorporates information of the UBS Annual Report

We use the **Global Reporting Initiative (GRI)** as the basis for our sustainability reporting and apply a careful process weighing up the materiality and relevance of the information reported and the expectations of all our stakeholders.

The report includes our group's disclosures of nonfinancial information required by Germany's implementation law of **EU directive 2014/95** (CSR-Richtlinie- Umsetzungsgesetz / CSRRUG) (nichtfinanzieller Konzernbericht).

We regularly report on the implementation of our climate strategy and follow the recommendations provided by the Financial Stability Board's **Task Force on Climate-related Financial Disclosures (TCFD)**.

Reporting under the **Sustainability Accounting Standards Board (SASB)** standards. We have focused on the three sector standards most relevant to our firm: Asset Management & Custody Activities, Investment Banking & Brokerage and Commercial Banks.

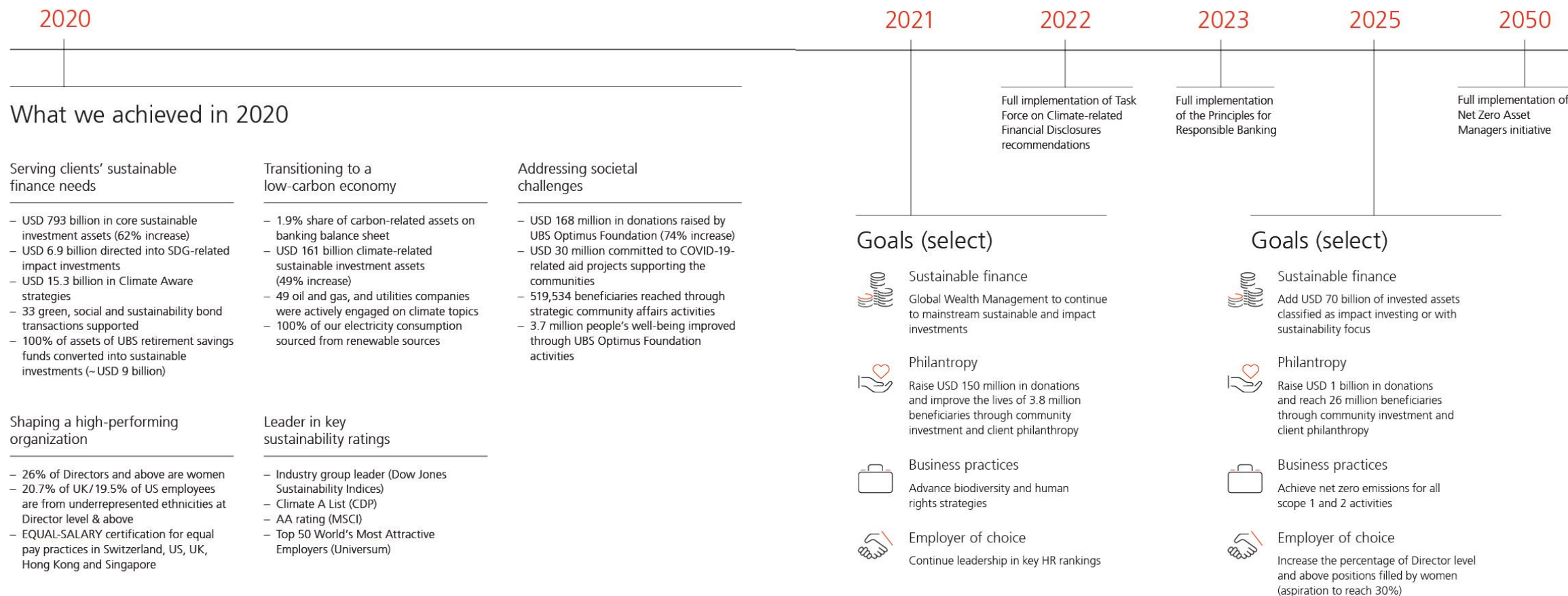
With the 2020 reporting, we have now also undertaken a first public reporting on our progress in implementing the **Principles for Responsible Banking (PRB)**.

This Sustainability Report has been **reviewed by Ernst & Young Ltd (EY)** against the GRI Standards (limited assurance).

www.ubs.com/annualreport

www.ubs.com/sustainability-report

Achievements, progress and goals



Transparency on our climate strategy – climate-related metrics (TCFD)

Climate-related metrics 2020

	For the year ended			% change from 31.12.19
	31.12.20	31.12.19	31.12.18	
Risk management				
Identified significant climate-related financial risk on balance sheet	None	None	None	
Carbon-related assets (USD billion) ¹	5.4	6.1	7.5	(10)
<i>Proportion of total banking products exposure, gross (%)</i>	1.9	2.3	2.8	
Total exposure to climate-sensitive sectors (USD billion) ^{1,2}	38.7	35.2	36.1	10
<i>Proportion of total banking products exposure, gross (%)</i>	13.7	13.3	13.5	
Weighted carbon intensity of Climate Aware strategies (in tonnes CO ₂ e per USD million of revenue)	68.2	74.5	89.6	(9)
<i>Compared to weighted carbon intensity of composite benchmark (%)</i>	(51.0)	(54.0)	(54.0)	
Number of climate-related shareholder resolutions voted upon	50	44	43	14
<i>Proportion of supported climate-related shareholder resolutions (%)</i>	88.0	81.8	88.0	
Opportunities				
Climate-related sustainable investments (USD billion)	160.8	108.0	87.5	49
<i>Proportion of UBS clients' total invested assets (%)</i>	3.8	3.0	2.8	
Total deal value in equity or debt capital market services related to climate change mitigation and adaptation (CCMA) (USD billion)	69.8	52.7	31.6	32
Total deal value of financial advisory services related to CCMA (USD billion)	29.1	34.5	24.9	(16)
Number of strategic transactions in support of Switzerland's Energy Strategy 2050	11	12	8	(8)
Own operations				
GHG footprint (kilotonnes CO ₂ e)	75	104	132	(28)
<i>Percentage change from baseline 2004 (target: –75% by 2020) (%)</i>	(79.0)	(71.2)	(63.4)	



Refer to the Sustainability Report 2020 for further information; **1** Methodology revised to analyze underlying commodities in our commodity trade finance business; prior periods were restated;

2 Climate-sensitive sectors defined as business activities that are rated as having high, moderately high, moderate, or moderately low vulnerability to transition risks. For more details, refer to the "Scenario analysis" section and the footnotes to the "UBS corporate lending to climate-sensitive sectors 2020" table in the Sustainability Report 2020; prior periods were restated

External awards and recognition

Member of
**Dow Jones
Sustainability Indices**

Powered by the S&P Global CSA

Industry leader
Index member of DJSI
World and DJSI Europe



CLIMATE



Sustainability Award
Gold Class 2021
S&P Global



A+ score in the Strategy
and Governance module



Market leading position in
2020 GRESB assessments



Index member



Corporate responsibility
prime status



Ranked first globally by our peers
for ESG and Impact Investing



CEA The Corporate
Engagement
Awards 2020
WINNER



The Prince's
Responsible
Business Network
Race at Work Charter signatory

Thank you!

Please find more details in our reports:

- Sustainability Report

www.ubs.com/sustainability-report

- Annual Report

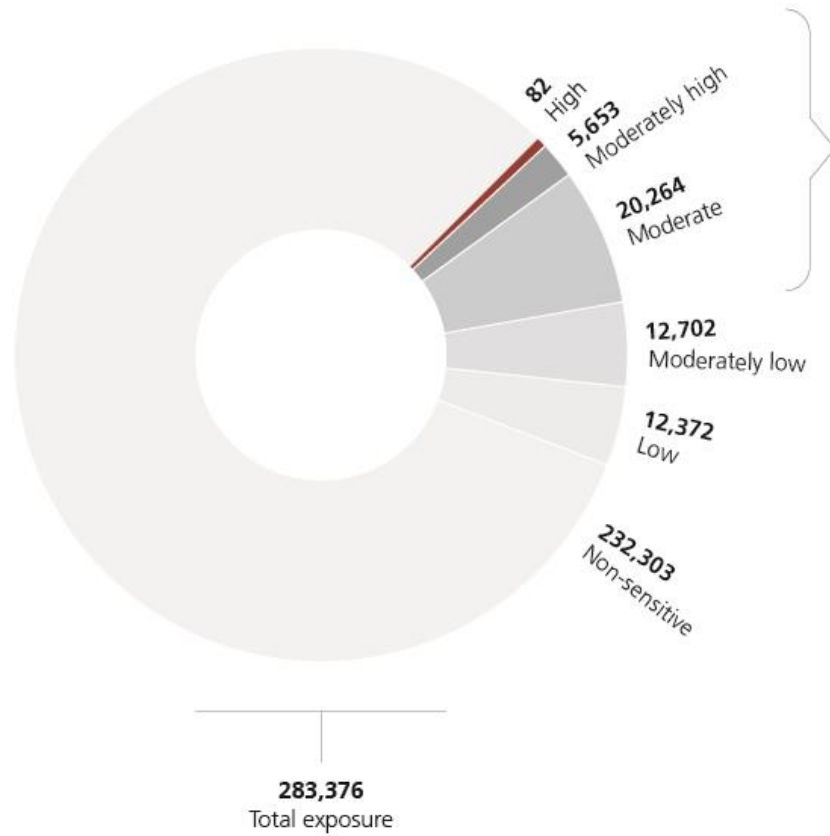
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- Additional information

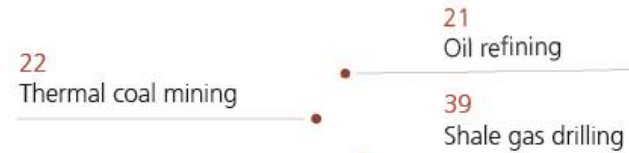
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Climate risk heatmap

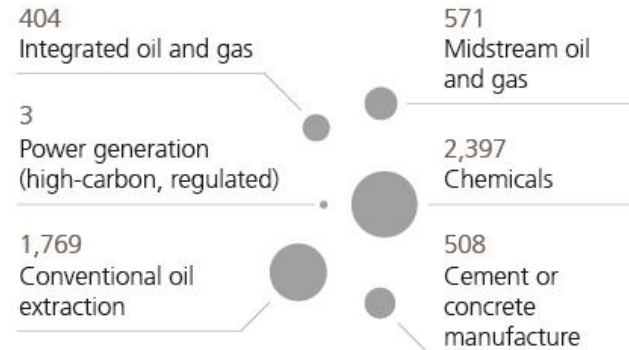
Heatmap of climate-sensitive sector exposure



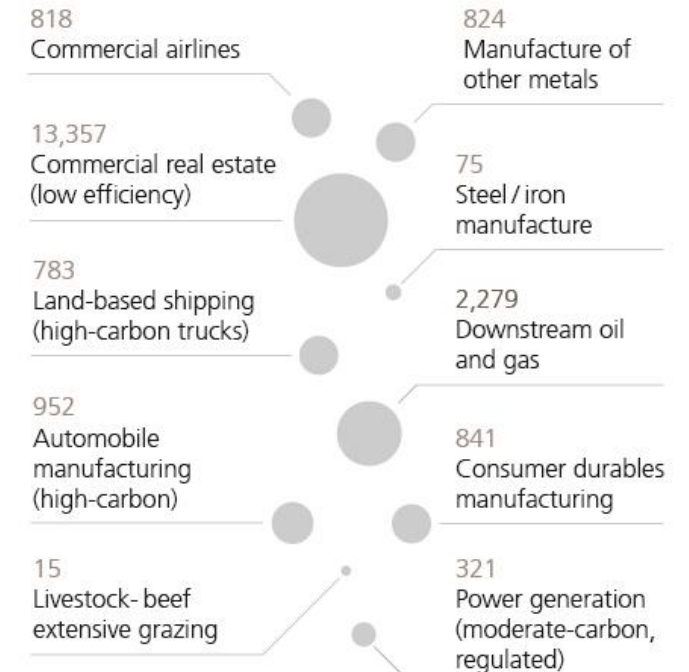
High



Moderately high



Moderate



Discussion