

UBS

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Introduction

In June 2021, UBS developed the UBS Green Funding Framework (the “Framework”), under which it issued green bonds and sustainable deposits (the “Green Funding Instruments”) aimed at financing and refinancing UBS Group-wide assets that are expected to contribute to the reduction of environmental impact in the real estate sector. In February 2023, UBS engaged Sustainalytics to review the financed and refinanced assets with proceeds from the Green Funding Instruments and provide an assessment as to whether the assets met the use of proceeds criteria and the reporting commitments outlined in the Framework.¹ Sustainalytics provided a second-party opinion on the Framework in June 2021,² and in November 2021³ and August 2022⁴ respectively, Sustainalytics provided second-party opinions for the updated versions of the Framework.⁵

Evaluation Criteria

Sustainalytics evaluated the assets allocated to proceeds from the Green Funding Instruments based on whether the assets:

1. Met the use of proceeds and eligibility criteria outlined in the Framework; and
2. Reported on at least one impact indicator for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Category, Eligibility Criteria and Associated Impact Indicators

Use of Proceeds Category	Eligibility Criteria	Impact Indicators
Green Buildings	<p>New or existing commercial or residential buildings certified or to be certified by the following green building certification systems:</p> <ul style="list-style-type: none"> • Minergie, Minergie-P or Minergie-A,⁶ or any other equivalent certification system as determined by UBS 	<ul style="list-style-type: none"> • CO₂ emissions saved per square meter per annum • Energy savings per square meter per annum • Selection of project examples, where feasible

¹ UBS, “Bonds issued under the UBS Green Funding Framework” at:

<https://www.ubs.com/global/en/investor-relations/investors/bondholder-information/green-bonds/green-bonds-content.html>

² Sustainalytics, “UBS Green Funding Framework Second-Party Opinion”, (2021), at:

[https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/ubs/ubs-green-funding-framework-second-party-opinion-\(2021\)/ubs-green-funding-framework-second-party-opinion](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/ubs/ubs-green-funding-framework-second-party-opinion-(2021)/ubs-green-funding-framework-second-party-opinion)

³ Sustainalytics, “UBS Green Funding Framework Second-Party Opinion”, (2021), at:

[https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/ubs/ubs-green-funding-framework-second-party-opinion-update-\(2021\)/ubs-green-funding-framework-second-party-opinion-update](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/ubs/ubs-green-funding-framework-second-party-opinion-update-(2021)/ubs-green-funding-framework-second-party-opinion-update)

⁴ Sustainalytics, “UBS Green Funding Framework Second-Party Opinion”, (2022), at:

[https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/ubs/ubs-green-funding-framework-second-party-opinion-\(2022\)/ubs-green-funding-framework-second-party-opinion-\(2022\)](https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/ubs/ubs-green-funding-framework-second-party-opinion-(2022)/ubs-green-funding-framework-second-party-opinion-(2022))

⁵ Sustainalytics also provided a Post-Issuance Verification Letter for UBS in January 2022, in which Sustainalytics assessed the alignment of the assets funded with proceeds from the instruments issued under the UBS Green Funding Framework with the Climate Bonds Standard’s Post-Issuance Requirements.

⁶ Minergie: <https://www.minergie.ch/fr/>

Issuer's Responsibility

UBS is responsible for providing accurate information and documentation relating to the details of the funded assets, including description of assets, amounts allocated and the impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of use of proceeds from UBS's Green Funding Instrument Issuances. The work undertaken as part of this engagement included collection of documentation from UBS and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by UBS. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by UBS.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁷ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed assets do not conform with the use of proceeds criteria and reporting commitments in the Framework. UBS has disclosed to Sustainalytics that the proceeds from the Green Funding Instruments were fully allocated as at December 31, 2022.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the assets directly or indirectly ⁸ funded with proceeds from the Green Funding Instruments to determine if assets aligned with the use of proceeds criteria outlined in the Framework.	All assets reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the assets funded with proceeds from the Green Funding Instruments to determine if impact of assets was reported in line with the impact indicators outlined in the Framework. For a list of impact indicators reported, please refer to Appendix 1.	All assets reviewed reported on at least one impact indicator per use of proceeds category.	None

⁷ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

⁸ UBS communicated to Sustainalytics that the Bank's intention, as per the Framework, is to hold eligible assets (at any group entity) in an amount at least equivalent to the proceeds.

Appendix

Appendix 1: Allocation of Proceeds and Reported Impact

UBS has an eligible assets portfolio of USD 4,021 million as of 31 December 2022. The proceeds raised from the Green Funding Instruments total USD 822 million, which have been fully allocated to UBS' eligible assets portfolio on a pro-rata basis. Please find below the details of the allocation:

Table 3 Allocation of proceeds by certification levels (USD million)⁹

Use of Proceeds Category	Certification Level	Type of Property		Type of Financing	
		New Properties	Renovated Properties	Financing	Refinancing
Green Buildings	Minergie	715	28	48	695
	Minergie-P	70	1	4	67
	Minergie-A	8	0	1	7
	Total	793	29	53	769
Total amount of UBS' eligible asset portfolio (USD million)					822

Table 4 Reported impact by certification levels¹⁰

Use of Proceeds Category	Certification Level	Energy Savings per m ² /annum (kWh)	CO ₂ emissions saved per m ² /annum (kgCO ₂)
Green Buildings	Minergie	133	27
	Minergie-P	189	33
	Minergie-A	17	3
	Total	339	63

⁹ UBS has disclosed to Sustainalytics the amount allocated to each eligible category, calculated on a pro-rata basis in line with the weighted average split of the eligible asset portfolio.

¹⁰ Minergie performs the impact assessment of the eligible asset portfolio by calculating the total energy-related effect over the lifespan of the buildings. This methodology was updated to reflect loan-to-value ratios in 2021, when UBS launched the UBS Green Funding Framework. The loan-to-value ratio is used to adjust the property area (in m²) for which Minergie calculates the environmental impact of its eligible asset portfolio.

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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