



# Second-Party Opinion

## UBS Green Funding Framework

### Evaluation Summary

Sustainalytics is of the opinion that the UBS Green Funding Framework is credible and impactful and aligns with the four core components of the International Capital Market Association (ICMA) Green Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible category for the use of proceeds, Green Buildings, is aligned with those recognized by the Green Bond Principles 2021. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 11.



**PROJECT EVALUATION / SELECTION** UBS’s internal Group Risk Control department will assess and approve the asset selection under this Framework in consultation with relevant environmental experts. UBS’s environmental and social risk management processes and standards are applicable to all allocation decisions made under the Framework. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** UBS’s Group Treasury will be in charge of managing proceeds. UBS intends to hold sufficient Eligible Assets at incurrence of any Green Funding. Group Treasury will manage any amounts of Green Funding that are not yet allocated to Eligible Assets in accordance with UBS’s liquidity policy. UBS intends to monitor the allocation of proceeds to Eligible Assets across green bonds and deposits to avoid dual usage. Sustainalytics considers the management of proceeds practice in line with market practice.



**REPORTING** UBS intends to publish on its website a Green Funding Investor Report on an annual basis. Allocation reporting will include information on the amount of proceeds allocated, the share of new financing and refinancing, and unallocated proceeds. In addition, UBS is committed to reporting on relevant impact metrics. Sustainalytics views UBS’s allocation and impact reporting as aligned with market practice.

#### Alignment of Deposits with Market Expectations

The UBS Green Funding Framework also includes deposits as eligible financial products. Sustainalytics is of the opinion that the principles of impact and transparency that underly the sustainable investment industry, are applicable to deposits, and that UBS’s internal processes for deposits and the use of funds align with those principles.

<b>Evaluation date</b>	November 16, 2021
<b>Issuer Location</b>	Zurich, Switzerland

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## Introduction

UBS (“UBS”, or the “Bank”) provides financial advice and solutions to institutional and corporate clients worldwide, as well as private clients in Switzerland. UBS is the largest truly global wealth manager, and a leading personal and corporate bank in Switzerland with a large-scale and diversified global asset manager and a focused investment bank. Headquartered in Switzerland, UBS has offices in over 50 regions and locations, including all major financial centers and employs over 70,000 people around the world.

UBS has developed the UBS Green Funding Framework (the “Framework”) under which it intends to issue green bonds and take deposits to finance and/or refinance existing and/or future Group-wide assets (“Eligible Assets”) that will help in reducing environmental impact of the real estate sector in an amount equal to the net proceeds from the green bonds and deposits. The Framework defines eligibility criteria in one area:

### 1. Green Buildings

UBS engaged Sustainalytics to review the UBS Green Funding Framework, dated June 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the ICMA Green Bond Principles 2021.<sup>1</sup> This Framework was published in a separate document.<sup>2</sup> UBS’s 2021 November Framework updates and replaces its 2021 June Green Funding Framework, for which Sustainalytics provided a previous Second-Party Opinion.<sup>3</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the ICMA Green Bond Principles 2021,
- The credibility and anticipated positive impacts of the Eligible Assets; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the “Use of Proceeds” (as defined below).

For the “Use of Proceeds” assessment, Sustainalytics relied on its internal taxonomy, version 1.11 which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of UBS’s management team to understand the sustainability impact of their business processes and the intention to maintain new and existing Group-wide Eligible Assets in an amount equal to the net proceeds of the green funds and deposits, as well as management of proceeds and reporting aspects of the Framework. UBS representatives have confirmed (1) they understand it is the sole responsibility of UBS to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and UBS.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market

<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

<sup>2</sup> UBS intends to make the Framework available on its website at <https://www.ubs.com/global/en/investor-relations/investors/bondholder-information/green-bonds/green-bonds-content.html>

<sup>3</sup> Sustainalytics’ previous Second-Party Opinion is available 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)

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of new and existing Eligible Assets to be financed and/or refinanced in an amount equal to the net proceeds raised from green bonds, sustainable deposits and green funding but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of an amount equal to the net proceeds from green bonds, deposits and green funding to new and existing Group-wide eligible assets but does not guarantee the proceeds raised from green bonds, sustainable deposits and Green Funding will be allocated to eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that UBS has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the UBS Green Funding Framework

Sustainalytics is of the opinion that the UBS Green Funding Framework is credible and impactful, and aligns with the four core components of the ICMA Green Bond Principles 2021 and the deposits align with market practice. Sustainalytics highlights the following elements of UBS's Green Bond Framework:

- Use of Proceeds:
  - The eligible category, Green Buildings, is aligned with those recognized by the ICMA Green Bond Principles and comprises new or existing commercial or residential buildings that have either been certified under one of the three Minergie green building standards, Minergie, Minergie-P or Minergie-A, or other equivalent green building certification.
    - Sustainalytics notes that the criteria described above can be expected to ensure that buildings selected for financing are within the top 15% of buildings in terms of energy performance as compared to a local market baseline for Switzerland. This is in line with the criteria set forth for environmental objectives by the Climate Bonds Initiative.<sup>5</sup> Please refer to Appendix 1 for a summary of certification schemes. Sustainalytics notes that it is market expectation to specify all eligible certification schemes and encourages UBS to report on any other schemes they intend to include.
    - Sustainalytics is of the opinion that the Eligible Assets and the activities will lead to improved environmental performance of the building stock.
  - For existing assets, UBS has confirmed a look-back period of a maximum of two years from date of a green bond issuance. Sustainalytics considers this to be aligned with market practice.
- Project Evaluation and Selection:
  - Eligible Assets under the UBS Green Funding Framework will be identified, monitored and managed by the asset-owning UBS business unit. The Group Risk Control will assess and UBS's Group Asset and Liability Committee (Group ALCO) approve the process of asset selection.
  - Quarterly checks will be conducted to ensure alignment of asset eligibility and availability with the Framework. The Group ALCO holds the responsibility for ensuring the proper assignment of Eligible Assets to the Green Funding Framework.
  - UBS has in place a environmental and social risk identification and management framework along with a set of standards on potential controversial activities and areas, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers this risk assessment and mitigation process to be strong and to be aligned with market best practice. For additional detail see Section 2.
  - Based on the above process, Sustainalytics considers this process to be in line with market practice and ICMA Green Bond Principles.

<sup>5</sup> Climate Bonds Initiative, Low Carbon Buildings Approved Proxies for "top 15%", published on 13 Apr 2021 at: [https://www.climatebonds.net/files/files/2021-04-20\\_Switzerland\\_Minergie-standard\\_%28For-website%29.pdf](https://www.climatebonds.net/files/files/2021-04-20_Switzerland_Minergie-standard_%28For-website%29.pdf)

- Management of Proceeds:
  - UBS's Group Treasury will be in charge of management of proceeds including the amount of proceeds that cannot yet be allocated to Eligible Assets according to UBS's liquidity policy.
  - UBS has communicated to Sustainalytics that these investments are in cash, cash equivalents, high-quality liquid assets and/or other money market instruments.
  - UBS intends to maintain a portfolio balance of Eligible Assets that is equal to or higher than the funds raised through issuances and deposits under this Framework.
  - UBS intends to monitor and report the the allocation of proceeds to Eligible Assets across green bonds and deposits to ensure transparency and avoid double counting.
  - Based on the above management practices, Sustainalytics considers this process to be in line with the market practice and ICMA Green Bond Principles.
- Reporting:
  - UBS intends to publish a Green Funding Investor Report that will summarize the amount of proceeds allocated, the share or amount of new financing and refinancing, as well as proceeds that are not yet allocated to Eligible Assets. This report will be published on the Bank's Investor Relations webpage on an annual basis.
  - The Bank also intends on publishing an annual Impact Report for green bonds, which will include relevant environmental results of the project such as CO<sub>2</sub> emission saved per sqm per annum, energy savings per sqm per annum and selection of project examples, where feasible.
  - Based on commitment to produce an allocation and impact reporting on an annual basis, Sustainalytics considers this process to be in line with market practice and ICMA Green Bond Principles.

#### **Alignment with Green Bond Principles 2021**

Sustainalytics has determined that the UBS Green Funding Framework aligns to the four core components of the ICMA Green Bond Principles. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

#### **Alignment of Deposits with Market Expectations**

Sustainalytics is of the opinion that the Framework is credible and that the deposits will fund overall impactful environmental projects. Sustainalytics further notes the alignment of the Framework with the concepts underpinning the sustainable finance market, namely those of impact and transparency.

- Impact
  - The Framework will advance the sustainability objectives of UBS by investing in certified green building projects. Sustainalytics considers the criteria to be associated with positive environmental impact; please refer to the Use of Proceeds criteria above for further information.
- Transparency

Transparency is recognized as a key principle with regards to sustainable finance, as it provides assurance that investments are delivering the intended positive impact. Sustainalytics highlights the following elements of the Framework that facilitate transparency to clients:

- Disclosures regarding management of proceeds
  - UBS will track Eligible Assets on a portfolio basis using an internal system. UBS will track and review the Eligible Asset pool for ongoing eligibility on a quarterly basis.
  - UBS will monitor the Eligible Asset pool to ensure it is at least equal to the net proceeds of outstanding deposits balance. In case that total amount of deposits paid to UBS's Sustainable Savings Account exceeds eligible assets, UBS's Group Treasury will manage the unallocated amount in accordance with UBS's liquidity policy.
  - UBS will monitor and report usage of Eligible Assets across green bonds and deposits to ensure transparency and avoid allocating Eligible Assets to more than one Green Liability.
  - No requirement on date of origination will be applied to eligible assets financed by deposits raised under the Framework.

- Reporting
  - UBS intends to publish on its website a Green Funding Investor Report on an annual basis, which will include information on allocation of sustainable deposits.
  - The allocation reporting will include information on the total amount of proceeds allocated, the share of new financing and refinancing, and proceeds that are not yet allocated to Eligible Assets.
  - Reporting may cover the geographic distribution of Eligible Assets, as well as the share or amount of proceeds allocated per certification or property type (i.e. new or renovated).
  - In case that UBS's Sustainable Savings Account exceeds eligible assets, UBS has communicated to Sustainalytics that, it will report the surplus amount and its temporary usage in the impact reporting.

## Section 2: Sustainability Strategy and Performance of UBS

### Contribution of framework to UBS's sustainability performance and strategy

Sustainalytics is of the opinion that UBS demonstrates a commitment to sustainability through providing sustainable financial services and helping the economy transition to a low carbon status. UBS's climate strategy has four areas of emphasis: 1) protecting the Bank's assets by limiting carbon-related risk, 2) supporting clients in managing climate-related risks and opportunities, 3) facilitating private and institutional capital to support climate change mitigation and adaptation, 4) reducing climate impact from own operation. UBS's sustainability strategy is aligned with the Bank's commitment to the Sustainable Development Goals and Paris Agreement as well as the Principles for Responsible Banking, to which UBS is a signatory. Some of UBS's sustainability goals and performances are as below:<sup>6</sup>

- UBS has established its sustainability ambitions and goals with clear targets. The Bank is aiming to raise additional USD 70 billion of impact investment or investment where sustainability is an explicit part of the investment guidelines by 2025. Examples of such sustainable investments are private equity funds that focus on environmental and social inclusive growth, including renewable energy, waste management, and financial inclusion.
- the Bank is targeting to achieve net-zero scope 1 and 2 greenhouse gas emission by 2025.
- UBS has reduced its carbon related assets exposure to 1.9% of its banking balance sheet (equivalent to USD 5.4 billion) and manages USD 141 billion in S&I invested assets<sup>7</sup> at the end of 2020. In 2020, assets managed under the Climate Aware strategy increased to USD 15.3 billion, which is five times compared to 2019. The Bank has also directed USD 6.9 billion in client assets to SDG-related impact investments over the last five years.
- The Bank sources 100% of its electricity consumption from renewable sources and has reduced its scope 1 and 2 emissions by 79% compared with 2004 levels. In addition, paper and water consumption are reduced by 35% per FTE and 27% in total. in 2020 compared with 2016.
- UBS has adopted both local and internationally recognized green-building standards, i.e., LEED, to manage its real estate's environmental aspects, including green leasing. In 2020, UBS has obtained green building certification, such as the Minergie-P-Eco and LEED, for two properties in Switzerland and Singapore.
- UBS has set a goal of raising USD 1 billion in donations to reach 26 million beneficiaries through community investments and client philanthropy by 2025.

<sup>6</sup> UBS, Sustainability Report, 2020, available at: [https://www.ubs.com/global/en/investor-relations/\\_jcr\\_content/mainpar/toplevelgrid\\_9700678/col2/teaser\\_1436353222/linklist/link\\_1276871012\\_0612142036.file/bGluy9wYXR0PS9jb250ZW50L2RhbS91YnMvZ2xvYmFsL3Vicy1zb2NpZXR5LzlwMjAvdWJzLXN1c3RhaW5hYmlsaXR5LXJlcG9ydC0yMDIwLnBkZg==/ubs-sustainability-report-2020.pdf](https://www.ubs.com/global/en/investor-relations/_jcr_content/mainpar/toplevelgrid_9700678/col2/teaser_1436353222/linklist/link_1276871012_0612142036.file/bGluy9wYXR0PS9jb250ZW50L2RhbS91YnMvZ2xvYmFsL3Vicy1zb2NpZXR5LzlwMjAvdWJzLXN1c3RhaW5hYmlsaXR5LXJlcG9ydC0yMDIwLnBkZg==/ubs-sustainability-report-2020.pdf)

<sup>7</sup> This refers to sustainability focus and impact investing. Sustainability focus refers to strategies where sustainability is an explicit part of the investment guidelines, universe, selection, and/or investment process. Impact investing refers to strategies where the intention is to generate measurable environmental and social impact alongside financial return.

Most recently, in April 2021, UBS committed to tougher environmental standards and to developing a detailed road map for achieving net zero greenhouse gas emissions across all its operations by 2050.

Sustainalytics is of the opinion that the UBS Green Funding Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental priorities.

#### **Well-positioned to address common environmental and social risks associated with the projects**

While Sustainalytics recognizes that an amount equal to the net proceeds from Green Funding issued under the Framework will be maintained in new and existing Group-wide Eligible Assets that are expected to have positive environmental impact, Sustainalytics is aware that such Eligible Assets could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety at green building development sites, stakeholder engagement, land use, emissions, effluents, and waste generated in construction.

Sustainalytics is of the opinion that UBS is able to manage and/or mitigate potential risks through implementation of the following:<sup>8</sup>

- Environmental and social risks (ESR) are managed by the Group Executive Board. The Group Executive Board also defines UBS's ESR framework which identifies and manages environmental and social impacts and risks. This ESR framework includes key stakeholder groups including employees, clients and vendors and associated environmental or social risks that assets or clients are exposed to. The Group Chief Risk Officer holds the responsibility of developing and implementing principles and independent control of ESR framework.
- The Bank has a set of "UBS ESR Standards" which includes a description of potential controversial activities related to environmental and social risk and defines the areas that the Bank will not engage or only engage with stringent controls. The Bank's standard risk and compliance processes include client onboarding, ongoing Know You Client reviews, transaction due diligence, supply chain management and portfolio reviews.
- UBS is certified with ISO 50001 the energy management system standard, ISO 14064 the quantification and reporting of greenhouse gases emissions standard, as well as ISO 14001, the environmental management system standard. The Bank is also a UN Global Compact signatory since 2000 and a member of the Climate Action 100+ since 2017.
- The Group's Code of Conduct and Ethics Policy<sup>9</sup> outlines UBS's commitment to monitoring, managing and reducing any negative impact the Bank has on the environment and human rights, including managing social and environmental risks that clients and assets are exposed to.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that UBS has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

<sup>8</sup> UBS, Sustainability Report, 2020, available at: [https://www.ubs.com/global/en/investor-relations/\\_jcr\\_content/mainpar/toplevelgrid\\_9700678/col2/teaser\\_1436353222/linklist/link\\_1276871012.0612142036.file/bGluary9wYXRoPS9jb250ZW50L2RhbS91YnMvZ2xvYmFsL3Vicy1zb2NpZXR5LzlwMjAvdWJzLXN1c3RhaW5hYmlsaXR5LXJlcG9ydC0yMDIwLnBkZg==/ubs-sustainability-report-2020.pdf](https://www.ubs.com/global/en/investor-relations/_jcr_content/mainpar/toplevelgrid_9700678/col2/teaser_1436353222/linklist/link_1276871012.0612142036.file/bGluary9wYXRoPS9jb250ZW50L2RhbS91YnMvZ2xvYmFsL3Vicy1zb2NpZXR5LzlwMjAvdWJzLXN1c3RhaW5hYmlsaXR5LXJlcG9ydC0yMDIwLnBkZg==/ubs-sustainability-report-2020.pdf)

<sup>9</sup> UBS, "Code of Conduct and Ethics of UBS", (2020), at: [Code of Conduct and Ethics of UBS | UBS Global](#)

### Section 3: Impact of Use of Proceeds

The “Use of Proceeds” category is aligned with those recognized by the ICMA Green Bond Principles. Sustainalytics has focused on the impact of these investments in the local context.

#### Importance of low carbon buildings Switzerland

The EU building sector accounts for 40% of total energy consumption and 36% of CO<sub>2</sub> emissions in the EU.<sup>10</sup> Approximately 35% of the EU building stock is over 50 years old and approximately 75% is considered energy inefficient.<sup>11</sup> In order for the EU to meet its net zero greenhouse gas (GHG) emissions target by 2050,<sup>12</sup> more investment into renovation and energy efficiency improvements within the building sector is required.

In Switzerland, the building sector account for 40% of total energy consumed and 25% of all CO<sub>2</sub> emissions.<sup>13</sup> The Swiss Government has set climate targets to reduce its net carbon emissions to zero by 2050.<sup>13</sup> Currently only 1% of Swiss houses are renovated,<sup>14</sup> and this rate will need to be doubled to achieve the goals set out by the government. Swiss buildings have traditionally relied on oil for heating and buildings are scarcely insulated, contributing to heat loss.<sup>15</sup> The Swiss Government introduced the Building Programme to reduce energy consumption in the building industry through subsidizing the cost of energy-saving renovations of buildings, which is partially financed by revenue from the CO<sub>2</sub> levy on fuels.<sup>16</sup> Through the Building Programme the Swiss Government aims to reduce energy consumption considerably within the Swiss building industry yet more efforts are required to speed up the rate of renovation to improve energy efficiency and for Switzerland to meet its climate targets.

Based on the above, Sustainalytics is of the opinion that UBS investments into certified green buildings will contribute to national climate targets within Switzerland.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The funding raised under the UBS Green Funding Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 Ensure inclusive and sustainable urbanization, planning and management.

### Conclusion

UBS has developed the UBS Green Funding Framework under which it will issue funding instruments such as bonds, derivatives, deposits or similar financial products and UBS and its subsidiaries intend to finance and/or refinance new and existing Eligible Assets in an amount equal to the net proceeds. Sustainalytics considers that the new and existing Group-wide projects maintained in relation to the proceeds from the funding instruments mentioned above are expected to provide positive environmental and social impact.

The UBS Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the new and existing Group-wide projects / Eligible Assets. Furthermore, Sustainalytics believes that UBS Green Funding Framework is aligned with the overall sustainability strategy of the company and that the “Use of Proceeds” categories will contribute to the advancement of the UN Sustainable Development Goals 11. Additionally, Sustainalytics is of

<sup>10</sup> European Commission, “Energy performance of buildings directive”, at: <https://ec.europa.eu/energy/en/topics/energyefficiency/energy-performance-of-buildings>

<sup>11</sup> *ibid*

<sup>12</sup> European Commission, “2050 long-term strategy”, at: [https://ec.europa.eu/clima/policies/strategies/2050\\_en](https://ec.europa.eu/clima/policies/strategies/2050_en)

<sup>13</sup> Swiss Government, “Federal Council aims for a climate-neutral Switzerland by 2050”, (2019), at:

[https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-](https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-82140.html#:~:text=Bern%2C%2028.01.,zero%20greenhouse%20emissions%20by%202050.&text=In%202019%2C%20the%20Federal%20Council,naturally%20or%20by%20technical%20means)

82140.html#:~:text=Bern%2C%2028.01.,zero%20greenhouse%20emissions%20by%202050.&text=In%202019%2C%20the%20Federal%20Council,naturally%20or%20by%20technical%20means.

<sup>14</sup> Swiss National Science Foundation, “Building renovation needs to be speeded up – synthesis on the main topic of Buildings and Settlements”, (2019), at: [Building renovation needs to be speeded up – synthesis on the main topic of "Buildings and Settlements" \(nfp70.ch\)](https://www.nfp70.ch/)

<sup>15</sup> SWI Swiss Info, “Why most Swiss building are environmentally inefficient”, (2020), at: [Why most Swiss buildings are environmentally inefficient - SWI swissinfo.ch](https://www.swissinfo.ch/eng/why-most-swiss-buildings-are-environmentally-inefficient)

<sup>16</sup> Swiss Federal Office of Energy, “Measures for increasing energy efficiency”, (2020), at: [Measures for increasing energy efficiency \(admin.ch\)](https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-82140.html#:~:text=Bern%2C%2028.01.,zero%20greenhouse%20emissions%20by%202050.&text=In%202019%2C%20the%20Federal%20Council,naturally%20or%20by%20technical%20means)




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the opinion that UBS has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that UBS is well-positioned to issue green funding and deposits, and that UBS Green Funding Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021) and market practice for sustainable deposits.

## Appendices

### Appendix 1: Overview and Assessment of Green Building Certification Schemes

	<b>Minergie</b>
<b>Background</b>	Minergie is a Swiss building standard for new and modernized buildings. The brand is shared by industry, the cantons and the federal government and is protected against misuse.
<b>Certification levels</b>	Minergie Minergie-P Minergie-A
<b>Areas of Assessment: Environmental Performance of the Building</b>	<ul style="list-style-type: none"> <li>• Energy source</li> <li>• Energy demand</li> <li>• Energy monitoring</li> <li>• Heating/Cooling</li> <li>• Airtightness</li> <li>• E-Mobility</li> </ul>
<b>Requirements</b>	<p>The applicant submits the application to the responsible Minergie certification body, in paper form and via the Minergie Online Platform (MOP)</p> <p>The Minergie certification body reviews the application and can ask questions or additional claims. Once all requirements have been met, the provisional certificate will be issued. It serves for planning security and can be used for advertising purposes: The project may now be called a Minergie building. When the building is being created. If desired, the Minergie relevant aspects can be checked by MQS Bau.</p> <p>Once the building has been properly commissioned, the applicants will submit the documents for the construction confirmation. They therefore report to the certification body the completion of the construction measures as well as their planning-compliant realization. The experts assume responsibility.</p> <p>The certification body checks the submitted documents and carries out random checks on every fifth project, possibly even during the construction phase. Subsequently, the definitive certificate is handed out. A definitive certificate with label number guarantees a Minergie house. A subsequent optimization of the building services with MQS operation complements the Minergie quality control in an ideal way.</p>
<b>Performance display</b>	  

## Appendix 2: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	UBS
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	UBS Green Funding Framework
Review provider's name:	Sustainalytics
Completion date of this form:	November 16 2021
Publication date of review publication:	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds Green Buildings is aligned with those recognized by the ICMA Green Bond Principles 2021. Sustainalytics considers that the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 11.

**Use of proceeds categories as per GBP:**

- |   |  |
|---|--|
| <input type="checkbox"/> Renewable energy   | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control   | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation   |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                 | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other <i>(please specify)</i> :   |

If applicable please specify the environmental taxonomy, if other than GBP:

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

Overall comment on section (if applicable):

UBS internal Group Risk Control department will assess and approve the process for asset selection under this Framework. Projects will be identified and monitored by the respective asset owning business unit. Sustainalytics considers the project selection process in line with market practice.

**Evaluation and selection**

- |  |  |
|--|--|
| <input type="checkbox"/> Credentials on the issuer's environmental sustainability objectives                       | <input type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                  | <input type="checkbox"/> Other <i>(please specify)</i> :   |

**Information on Responsibilities and Accountability**

- |   |   |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify)</i> :  |   |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

UBS's Group Treasury will be in charge of managing proceeds. Unallocated proceeds will be managed in accordance with UBS's liquidity policy. UBS intends to fully allocate Eligible Assets on the day of financing. Sustainalytics considers the management of proceeds practice in line with market practice.

#### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for proceeds that are not yet allocated to Eligible Assets
- Other *(please specify)*:  
 UBS intends to fully allocate the proceeds on the day of financing, proceeds that are not yet allocated to Eligible Assets will be in cash, equivalents, high-quality liquid assets and other money market instruments.

#### Additional disclosure:

- |  |   |
|--|---|
| <input type="checkbox"/> Allocations to future investments only                  | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                  | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> :                                |

### 4. REPORTING

Overall comment on section *(if applicable)*:

UBS intends to report on allocation of proceeds on its website on an annual basis until full allocation. In addition, UBS is committed to reporting on relevant impact metrics. Sustainalytics views UBS's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> :         |

#### Information reported:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Allocated amounts    | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other <i>(please specify)</i> : |  |

**Frequency:**

- Annual  Semi-annual  
 Other (please specify):

**Impact reporting:**

- Project-by-project  On a project portfolio basis  
 Linkage to individual bond(s)  Other (please specify):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings  Energy Savings  
 Decrease in water use  Other ESG indicators (please specify):

**Frequency**

- Annual  Semi-annual  
 Other (please specify):

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report  
 Information published in ad hoc documents  Other (please specify):  
Information will be published on the corporate Investor Relations webpage.  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)  Certification  
 Verification / Audit  Rating  
 Other (please specify):

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

## Disclaimer

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## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).

**5th Green Bond Pioneer Awards**  
Climate Bonds Initiative

Largest Verifier for Certified  
Climate Bonds of 2019  
awarded to Sustainalytics

Climate Bonds  
AWARDS+2020 More information [conference.climatebonds.net/awards](http://conference.climatebonds.net/awards)



**GlobalCapital**  
**SRI Awards**

**Named**  
2015: Best SRI or Green Bond Research or Rating Firm  
2017, 2018, 2019: Most Impressive Second Opinion Provider

