

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 Markets 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 investments in the eligible category are expected to reduce the carbon footprint of the commercial and residential building stock in Switzerland 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 in line with the eligibility criteria 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 UBS Green Funding Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS UBS's Group Treasury will be responsible for managing and tracking the proceeds, with the executing unit using a portfolio approach through a dedicated booking structure. UBS intends to allocate an amount equivalent to the net proceeds to eligible assets at issuance. UBS's Group Treasury will temporarily hold proceeds that are not allocated to eligible assets in cash, cash equivalents, high-quality liquid assets and other money market instruments. UBS intends to track and review the eligible assets included in the portfolio for ongoing eligibility and availability on a quarterly basis. This process is 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 the balance of 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 underlie 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.

Evaluation date August 18, 2022

Issuer Location Zurich, Switzerland

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For inquiries, contact the Sustainable Finance Solutions project team:

Shreeya Garg (Amsterdam)

Project Manager
shreeya.garg@morningstar.com
(+31) 20 205 0067

Amrita Kaur (Mumbai)

Project Support

Sumaiya Waheed (Mumbai)

Project Support

Kibii Sisulu (London)

Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

Introduction

UBS (“UBS”, or the “Bank”) provides financial advice and solutions to institutional and corporate clients, including large corporations, institutional investors and governments. With total invested assets worth USD 4.6 trillion as of December 2021, UBS is one of the largest global wealth management banks.¹ Headquartered in Zurich, Switzerland, UBS has offices in over 50 regions and markets, and employs over approximately 71,000 people as of December 2021.

UBS has developed the UBS Green Funding Framework (the “Framework”) under which it intends to issue funding instruments, such as bonds, derivatives, structured notes, deposits or other similar debt financial instruments² and allocate an amount equivalent to the net proceeds to finance and refinance existing and future UBS Group-wide assets (“Eligible Assets”) that are expected to help in reducing the environmental impact of the real estate sector. The Framework defines eligibility criteria in one green category:

1. Green Buildings

UBS engaged Sustainalytics to review the UBS Green Funding Framework, dated August 2022, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the ICMA Green Bond Principles 2021 (GBP).³ This Framework was published in a separate document.⁴ UBS’s August 2022 Framework updates and replaces its November 2021 Green Funding Framework, for which Sustainalytics provided a previous Second-Party Opinion.⁵

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ 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, as administered by ICMA;
- 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 that: (1) they understand it is the sole responsibility of UBS to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information; and (3) 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.

¹ UBS, “UBS Group AG – Annual Report 2021”, (2022), at: <https://www.ubs.com/global/en/investor-relations/financial-information/annual-reporting.html#fullreports>

² Sustainalytics has reviewed the Framework in the context of issuing direct fixed income financing to invest in project categories highlighted below. The considerations for other transactions noted in the Framework, particularly derivatives, may be different and the Bank will provide more details on the same in the offer documents of such issuances.

³ The Green Bond Principles are administered by the International Capital Market Association and are at:

https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf

⁴ 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>

⁵ Sustainalytics’ previous Second-Party Opinion is at: [ubs-green-funding-framework-second-party-opinion-update.pdf](#) (mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com)

⁶ 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 least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

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 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. Upon twenty-four (24) months following the evaluation date stated herein, UBS is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the green bonds, sustainable deposits and Green Funding proceeds towards 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 GBP 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 GBP and Sustainalytics expects the projects financed to deliver positive environmental impact by reducing the carbon footprint of the real estate industry.
 - For existing assets, UBS has established a look-back period of two years from the date of the green funding issuance. Sustainalytics considers this to be aligned with market practice.
 - Under the Green Buildings category, UBS may finance or refinance new or existing commercial or residential buildings in Switzerland that have been certified or will be certified under one of the three Minergie green building standards: Minergie, Minergie-P or Minergie-A, or other equivalent green building certifications.
 - 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.⁷
 - Sustainalytics further 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.
- Project Evaluation and Selection:
 - UBS's asset-owning business units will identify, monitor and manage Eligible Assets in alignment with the eligibility criteria under the Framework. The methodology used by the business units will be assessed by the Group Risk Control.
 - 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.

⁷ 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

- UBS has in place a Sustainability and Climate Risk policy framework (SCR) along with a set of standards defined by the UBS Code of Conduct and Ethics for the mitigation of environmental and social risks, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers this risk assessment and mitigation process to be adequate and to be aligned with market best practice. For additional details, see Section 2.
- Based on the defined role and responsibility for project evaluation and selection, and the presence of risk management processes, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - UBS's Group Treasury will be responsible for the management of proceeds through a dedicated booking structure. 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.
 - The Bank intends to allocate an amount equivalent to the net proceeds to eligible assets at issuance. UBS's Group Treasury will temporarily hold proceeds that are not allocated to eligible assets in cash, cash equivalents, high-quality liquid assets and other money market instruments according to UBS's liquidity policy.
 - UBS intends to monitor and report the allocation of proceeds to Eligible Assets across green bonds and deposits to ensure transparency and avoid double counting.
 - Based on the use of a dedicated tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- 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, the balance of unallocated proceeds, and the geographical distribution, where relevant, and certification levels of assets. The Bank will publish the report on its website annually.
 - The Bank also intends on publishing an annual Impact Report for green bonds, which will include relevant environmental results of the project, such as CO₂ emission saved per sqm per annum, energy savings per sqm per annum and selection of project examples, where feasible.
 - Based on the commitment to both, allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the UBS Green Funding Framework aligns with the four core components of the ICMA Green Bond Principles. For detailed information please refer to Appendix 1: 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 support the advancement of the Bank's sustainability objectives 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 and 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 the total amount of deposits paid to UBS's Sustainable Savings Account exceeds the balance of 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.
- 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 the 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 supporting the transition to a low-carbon economy. UBS's climate strategy has four areas of emphasis: (i) protecting the Bank's assets by limiting carbon-related risk, (ii) supporting clients in managing climate-related risks and opportunities, (iii) facilitating private and institutional capital to support climate change mitigation and adaptation, (iv) reducing climate impact from its own operations. 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:⁸

- UBS has established its sustainability ambitions and goals with clear targets. The Bank aims to raise an additional USD 149 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 committed to achieving net-zero scope 1 and 2 greenhouse gas (GHG) emissions by 2025 and also net-zero across all aspects by 2050. In 2021, the Bank reduced its net scope 1 and 2 emissions by 75% and energy consumption by 5% compared to 2020 levels.⁹ Since 2020, the Bank sources 100% of its electricity consumed from renewable sources.
- UBS reduced its lending exposure to carbon-related assets to 9.9% (equivalent to USD 45.6 billion) of its total customer lending exposure as of December 2021, relative to 10.4% at the end of 2020.
- The Bank managed USD 251 billion in sustainability-focused and impact-investing assets¹⁰ at the end of 2021. Assets managed under the Climate Aware Strategy also increased from USD 15.3 billion in 2020 to USD 23.4 billion in 2021. The Bank directed USD 11.6 billion in client assets to SDG-related impact investments in 2021, surpassing its commitment of USD 5 billion.
- UBS has adopted both local and internationally recognized green-building standards, i.e., LEED and Minergie, to manage its real estate's environmental aspects, including green leasing. As of 2021, UBS had achieved LEED platinum certification for 18 buildings and LEED gold ratings for 34 buildings worldwide.

⁸ UBS, "Sustainability Report 2021", (2022), at: https://www.ubs.com/global/en/sustainability-impact/2022/banking-on-sustainability/_jcr_content/mainpar/spotlight_1510445789.0276387511.file/PS9jb250ZW50L2RhbS9hc3NldHMvY2Mvc3VzdGFpbmFiaWxpdHktYW5kLWltcGFjdC9kb2MvMjAyMi8yMDIxLXVicy1zdXN0YWluYWJpbGl0eS1yZXBvcnQucGRm/2021-ubs-sustainability-report.pdf

⁹ UBS, "Sustainability Report 2021", (2022), at: https://www.ubs.com/global/en/sustainability-impact/2022/banking-on-sustainability/_jcr_content/mainpar/spotlight_1510445789.0276387511.file/PS9jb250ZW50L2RhbS9hc3NldHMvY2Mvc3VzdGFpbmFiaWxpdHktYW5kLWltcGFjdC9kb2MvMjAyMi8yMDIxLXVicy1zdXN0YWluYWJpbGl0eS1yZXBvcnQucGRm/2021-ubs-sustainability-report.pdf

¹⁰ 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.

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

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. However, Sustainalytics is aware that such financing 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 or mitigate potential risks through implementation of the following:

- UBS's Group Executive Board is responsible for managing the Bank's environmental sustainability and climate risks, while the Corporate Culture and Responsibility Committee oversees its sustainability activities and ambitions. The Group Executive Board also defines UBS's SCR framework, which identifies and manages environmental and climate risks. The SCR framework is applicable to key stakeholder groups, including employees, clients and vendors, and associated environmental or climate 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 the SCR framework.¹¹
- UBS has implemented a set of "UBS SCR Standards", which defines criteria for activities and services that the Bank may engage in. The SCR Standards outline that UBS will not engage, or only engage with stringent controls, in activities with a high negative environmental or social impact. The Bank's standard risk and compliance processes include client onboarding, ongoing Know-your-client reviews, transaction due diligence, supply chain management and portfolio reviews.¹²
- UBS is certified under: (i) ISO 50001: the energy management system standard that focuses on improvement in energy performance;¹³ (ii) ISO 14064: the quantification and reporting of GHG emissions standard that includes requirements on the development, reporting and verification of an organization's GHG inventory;¹⁴ and (iii) ISO 14001: the environmental management system standard that seeks to minimize the negative environmental impact of business activities.^{15,16}
- The Bank has also been a signatory to the UN Global Compact since 2000 and a member of the Climate Action 100+ since 2017. UBS is committed to the UN Principles for Responsible Banking and to implementing the TCFD's recommendations on climate-related financial disclosures. The Bank aims to limit global warming by investing in carbon-neutral portfolios by 2050, in alignment with the Net Zero Asset Managers initiative.¹⁷
- UBS's Human Rights Statement outlines its 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.¹⁸

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.

¹¹ UBS, "Sustainability Report 2021", (2022), at: https://www.ubs.com/global/en/sustainability-impact/2022/banking-on-sustainability/_jcr_content/mainpar/spotlight_1510445789.0276387511.file/PS9jb250ZW50L2RhbS9hc3NldHMvY2Mvc3VzdGFpbmFiaWxpdHktYW5kLWltcGFjdC9kb2MvMjAyMi8yMDIxLXVicy1zdXN0YWluYWJpbGloeS1yZXBvcnQucGRm/2021-ubs-sustainability-report.pdf

¹² Ibid.

¹³ ISO, "ISO 50001: Energy Management Standard", at: <https://www.iso.org/iso-50001-energy-management.html>

¹⁴ ISO, "ISO 14064-1:2018 - Greenhouse gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals", at: <https://www.iso.org/standard/66453.html>

¹⁵ ISO, "ISO 14001 Family: Environmental Management", at: <https://www.iso.org/iso-14001-environmental-management.html>

¹⁶ UBS, "Sustainability Report 2021", (2022), at: https://www.ubs.com/global/en/sustainability-impact/2022/banking-on-sustainability/_jcr_content/mainpar/spotlight_1510445789.0276387511.file/PS9jb250ZW50L2RhbS9hc3NldHMvY2Mvc3VzdGFpbmFiaWxpdHktYW5kLWltcGFjdC9kb2MvMjAyMi8yMDIxLXVicy1zdXN0YWluYWJpbGloeS1yZXBvcnQucGRm/2021-ubs-sustainability-report.pdf

¹⁷ UBS, "Sustainability Report 2021", (2022), at: https://www.ubs.com/global/en/sustainability-impact/2022/banking-on-sustainability/_jcr_content/mainpar/spotlight_1510445789.0276387511.file/PS9jb250ZW50L2RhbS9hc3NldHMvY2Mvc3VzdGFpbmFiaWxpdHktYW5kLWltcGFjdC9kb2MvMjAyMi8yMDIxLXVicy1zdXN0YWluYWJpbGloeS1yZXBvcnQucGRm/2021-ubs-sustainability-report.pdf

¹⁸ UBS, "Human Rights Statement", (2022), at: https://www.ubs.com/global/en/sustainability-impact/sustainability-reporting/_jcr_content/mainpar/toplevelgrid/col1/tabteaser/tabteasersplit_61486_1436277426/innergrid_1976054452_651975952/xcol3/teaser/linklist/link_1026286007_copy_1331309605.0049648055.file/PS9jb250ZW50L2RhbS9hc3NldHMvY2xvYmFsL3Vicy1zb2NpZXR5LzlwMjEvZG9jL3Vicy1odW1hbi1yaWdodHMtc3RhdGltZW50LWVuLW1heS0yMDIyLnBkZg==/ubs-human-rights-statement-en-may-2022.pdf

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GBP and is relevant in the local context.

Importance of low-carbon buildings in Switzerland

In Switzerland, the building sector accounted for 40% of total energy consumed and 25% of all CO₂ emissions in 2020.¹⁹ The Swiss government set a target to achieve net-zero GHG emissions by 2050.²⁰ In order to achieve the Swiss government’s Energy Strategy 2050 goals, the renovation rate of existing building stock has to double from the reported rate of 1% observed in 2019.²¹ Swiss buildings have traditionally relied on oil for heating and buildings are scarcely insulated, contributing to heat loss.²² The Swiss government introduced the Building Programme to reduce energy consumption in the building industry by subsidizing the cost of energy-saving renovations of buildings, which is partially financed by revenue from the CO₂ levy on fuels.²³ Through the Building Programme, the Swiss government aims to reduce energy consumption and minimize GHG emissions within the building industry. Renovation and energy efficiency improvements in the building sector are expected to play a key role in meeting Switzerland’s climate targets.

Based on the above, Sustainalytics is of the opinion that UBS’s investments into certified green buildings will contribute toward a reduction in the environmental footprint of the building stock in Switzerland and toward the achievement of national climate targets.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The funding raised under the UBS Green Funding Framework is expected to advance 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 UBS and its subsidiaries intend to issue funding instruments, such as bonds, derivatives, deposits or other similar debt financial instruments, and use an amount equivalent to the net proceeds to finance or refinance new and existing green building projects. Sustainalytics considers that the projects funded under the UBS’s Green Funding Framework are expected to provide positive environmental impact.

The UBS Framework outlines a process to track, allocate and manage proceeds, and makes commitments for reporting on the allocation and impact of the new and existing projects. Furthermore, Sustainalytics believes that the UBS Green Funding Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds category will contribute to the advancement of the UN Sustainable Development Goals 11. Additionally, Sustainalytics is of 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 the 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.

¹⁹ Jurio, L. (2020), “Why most Swiss buildings are environmentally inefficient”, SWI Swiss Info, at: https://www.swissinfo.ch/eng/climate-crisis_why-it-may-take-100-years-to-renovate-every-building-in-switzerland/45481906

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

²¹ Dr. Schaler, H.R. (2019), “Building renovation needs to be speeded up – synthesis on the main topic of Buildings and Settlements”, Energy Turnaround National Research Program, at: http://www.nfp70.ch/en/News/Pages/191017_news_nfp70_building_renovation_needs_to_be_speeded_up.aspx

²² Jurio, L. (2020), “Why most Swiss buildings are environmentally inefficient”, SWI Swiss Info, at: https://www.swissinfo.ch/eng/climate-crisis_why-it-may-take-100-years-to-renovate-every-building-in-switzerland/45481906

²³ Swiss Federal Office of Energy, “Measures for increasing energy efficiency”, (2020), at: [Measures for increasing energy efficiency \(admin.ch\)](#)

Appendix

Appendix 1: 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:	August 18, 2022
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize 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 nd 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 Green Bond Principles 2021. Sustainalytics considers that the investments in eligible category are expected to reduce the carbon footprint of the commercial and residential building stock in Switzerland 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 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 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's internal Group Risk Control department will assess and approve the asset selection in line with the eligibility criteria 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 UBS Green Funding Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" 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

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

UBS's Group Treasury will be responsible for managing and tracking the proceeds, with the executing unit using a portfolio approach through a dedicated booking structure. UBS intends to allocate an amount equivalent to the net proceeds to eligible assets at issuance. UBS's Group Treasury will temporarily hold proceeds that are not allocated to eligible assets in cash, cash equivalents, high-quality liquid assets and other money market instruments. UBS intends to track and review the eligible assets included in the portfolio for ongoing eligibility and availability on a quarterly basis. This process is in line with market practice.

- 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):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

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 the balance of 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.

Use of proceeds reporting:

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

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>): share or amount of new financing and refinancing, balance of unallocated proceeds, the geographical distribution, where relevant, and certification levels of assets | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact 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 (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Other ESG indicators (<i>please specify</i>): |

Frequency

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (<i>please specify</i>):
Investor Relations webpage |
| <input type="checkbox"/> 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:

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

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.

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