



Statement on Nature

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Purpose of our Statement on Nature

Our Statement on Nature demonstrates UBS's approach to protecting natural capital and biodiversity across all of our activities globally. In line with our commitment to the Principles for Responsible Banking (*PRB*) and our participation in the Taskforce on Nature-related Financial Disclosures (*TNFD*) and Banking for Impact (*BFI*), our Statement demonstrates our desire to achieve positive impacts and reduce potentially adverse impacts on biodiversity and natural capital. We are committed to playing an active role in creating new, global standards that will enable clients, companies, and the financial sector to support natural capital and manage nature-related risks and opportunities.

Why biodiversity is important to us

Our concept of sustainability is guided by the 17 United Nations (UN) Sustainable Development Goals (SDGs) which bring together the enormous societal and environmental challenges the world faces. Our aim is to be the financial provider of choice for clients who wish to mobilize capital towards the achievement of the SDGs and the orderly transition to a low-carbon and net-nature positive economy.

At UBS we understand that climate and nature are deeply intertwined. Just as in the financial world, where assets exist that give rise to flows of revenue, nature consists of stocks of environmental assets that give rise to associated flows of benefits to people and the economy. Biodiversity is an essential characteristic of nature that is critical to maintaining the quality, resilience and quantity of ecosystem assets and the provision of ecosystem services that business and society rely upon. This has been documented in a number of global assessment including, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) Global assessment report on biodiversity and ecosystem services, the UK Government sponsored The Economics of Biodiversity: The Dasgupta Review and most recently the IPCC Sixth Assessment Report 2021, Factsheet on Biodiversity. Thus, we recognize that it is important to understand the challenges as well as the opportunities arising from climate and nature both individually and jointly to consider their relevance to UBS and potential actions our firm may need to take.

Natural capital and biodiversity loss is expressed most directly in SDGs 14 and 15 ("Life below water" and "Life on Land" respectively), however, it is also linked to others like SDG 13 "Climate Action" or 2 "Zero Hunger", amongst others.

UBS recognizes the risks associated with biodiversity loss the economic value of ecosystem services, and the critical role financial institutions can play in nature protection. Hence, we have developed a structured approach as described in more detail below following the basic structure of the TNFD beta framework disclosure recommendations. Given the interconnection between climate and nature as noted above, we also believe our approach to climate, including our commitment to Net Zero by 2050, is part of our approach to nature. We will consider integrating climate and nature disclosures following the recommendations of the TNFD.

- › Refer to the **UBS Climate Report 2021** and the **UBS Sustainability Report 2021** for further information on our climate strategy, both available at ubs.com/gri

Our approach to nature

Our governance

Our approach to nature is overseen by the Board of Directors of UBS Group AG, notably by the Corporate Culture and Responsibility Committee. Our firm's Group Executive Board is responsible for driving our nature-related efforts. These efforts are coordinated by our Group Sustainability and Impact organization, which acts as a focal point and center of excellence, responsible for driving the implementation of our sustainability strategy. Our Business Divisions and other functions, including in particular Group Sustainability and Impact, Risk, HR and Corporate Services, ensure the implementation of our approach to nature.

Our strategy

Our approach to nature mirrors that for climate, which is underpinned by four strategic pillars:

1. Protecting our clients' assets
2. Protecting our own assets
3. Reducing our climate impact
4. Mobilizing capital

To address the needs of our clients and contribute to positive impact, we have set standards for product development, investments, financing, and supply chain management decisions. We also support our clients in exploring the opportunities related to natural capital and nature-positive solutions particularly connected to our work in the Optimus Foundation. We further engage with clients and suppliers to better understand their processes and policies and to explore how any sustainability and climate risks may be mitigated. We believe that our work on nature is just starting and thus our strategy will further evolve as our understanding of the risks and opportunities connected to nature-related impacts and dependencies deepens.

Seeking nature-related opportunities

We recognize that climate, natural capital, and ecosystem services are factors on which our societies and economies depend. We already support clients in identifying climate-related opportunities. In many cases, however, the business case for investing in nature is still to be proven. Currently, the economic value of nature is not sufficiently recognized to provide economic returns that meet standard investment criteria.

Therefore, much of our initial focus on nature has centered on UBS Optimus Foundation and other philanthropic services that provide opportunities for high-net-worth clients who may wish to undertake net-nature positive activities and are willing to do so in a way that generates less than market returns.

To support those clients interested in nature solutions, we have issued various publications, including "Sea beyond the Blue" – a guide designed to help philanthropists make more informed decisions about ocean-related philanthropy. It highlights the importance of protecting marine biodiversity and driving systematic change. In 2021 we also published "Seeds of Change", a guide to help philanthropists and changemakers protect biodiversity and all life on land. And in 2022 we will publish "On Thin Ice", a guide to help philanthropists engage with the climate crisis in the most strategic and impactful manner.

In many cases investing in nature requires partnerships and strategic collaboration. As an example, UBS Optimus Foundation with the Swiss Agency for Development and Cooperation supported the issuance of two reports by Earth Security – "The Blended Finance Playbook for Nature-Based Solutions" and "Financing the Earth's Assets: The Case for Mangroves." These reports outlined approaches to nature positive investments using blended finance structures that leverage philanthropic capital. We took this a step further from concept to solution in 2021 with the creation of the Mangrove 40 initiative – an innovative structure to support nature-based solutions for carbon sequestration via the restoration of mangroves, designed to provide environmental and social co-benefits.

This demonstrates UBS Optimus Foundation's strengthened focus on climate and the environment as well as the power of philanthropy to catalyze nature-based solutions and help create new nature markets. Thanks to a systematic approach that helps clients assess where to invest philanthropically, and how best to contribute to accelerating environmental and climate action, they can maximize the impact of their philanthropic efforts. Clients interested in this space can now get involved in (i) sustainable land use, by contributing to land restoration, conservation, climate-resilient agriculture, and agroforestry; and (ii) coastal and marine ecosystems, by contributing to wetland restoration and conservation and sustainable fisheries, as well as reduction of ocean waste and pollution.

Through UBS Optimus Foundation, we have developed the UBS Climate Collective. Clients are able to fund, develop and implement strategies that target climate change mitigation and adaptation. These strategies also serve to support natural capital. For example, the sequestration of carbon emissions by using nature-based solutions, that support local community development and improve biodiversity in Southeast Asia and elsewhere. The focus is on initiatives that will protect and restore ecosystems such as mangroves, coastal wetlands and rural communities in the lower Mekong delta in Vietnam and in coastal regions of Indonesia.

We continue to explore ways of leveraging these initiatives to develop further products and solutions in our wealth and asset management businesses.

Our management of risks

At UBS, sustainability and climate risk (SCR) is defined as the risk that UBS is either negatively impacted by or itself negatively impacts climate change, loss of biodiversity, human rights infringements, and other environmental, social and governance matters.

Forests and biodiversity are stated as areas of focus in our SCR policy framework, which articulates our commitment to address related risks. Our SCR framework helps us identify and manage potential adverse impacts to the environment and to human rights, as well as the associated risks affecting our clients and our firm. We have set standards in product development, investments, financing and for our supply chain management decisions.

We also engage with clients and suppliers to better understand their processes and policies and explore ways in which any environmental and social risks can be mitigated. Recognizing nature-related risks, we have identified, and will not engage in, certain activities that endanger animal species and contribute to deforestation and its related impacts. Our standards for controversial activities and areas of concern consider not only deforestation and forest degradation, but other activities, such as fisheries, which have an impact on marine species.

› Refer to our SCR Policy Framework, available at ubs.com/gri

With regard to nature and biodiversity, we will not do business in the following controversial areas:

- UNESCO world heritage sites
- Wetlands on the Ramsar list
- Endangered species
- High conservation value forests
- Illegal fire
- Illegal logging

And in addition, will only do business under stringent criteria in biodiversity-relevant areas such as palm oil, soy, timber, and fish and seafood.

We seek to encourage healthy natural systems, focusing on our clients, our vendors, our employees, and society at large.

Our clients

Helping private wealth contribute towards the funding of a more sustainable world is a critical priority for our firm. UBS recognizes the importance of mobilizing and significantly increasing financial resources to achieve the SDGs, including 14 and 15, and conserve nature for us all.

Environmental assets are incorporated into part of our overall integration of ESG considerations in the investment process. We recognize that other aspects of the natural environment including ecosystem services are likewise critical considerations for which valuation methods are currently developing.

UBS Asset Management focuses on nature and biodiversity through ESG integration, stewardship activities, and capital allocation. Biodiversity is identified as a material ESG issue in various sectors, including chemicals, capital goods, energy, food and beverage, and tobacco. In terms of our stewardship activities, where biodiversity risks and/or opportunities are identified, we engage with our investee companies to encourage change to reduce risks and/or enhance opportunities in relation to biodiversity, and we execute our shareholder rights by supporting shareholder proposals that directly or indirectly address biodiversity.

As an example of our engagement outcomes, one focus has been on sustainable agricultural production. Following our engagement with a North American crop grower, the company employed an Integrated Pest Management (IPM) system that uses regional best practices to achieve the objective of protecting crops while reducing the use of pesticides and protecting people and the environment. In terms of capital allocation, UBS Asset Management also invests capital to support biodiversity alongside other impact objectives. For instance, our Impact Investment strategies focus on investing in holdings that positively contribute to the SDGs, including SDG 14 & 15 (Life Below Water and Life on Land).

Furthermore, recognizing the benefits of investor collaboration, we are contributing to the possible development of a thematic collaborative engagement initiative focusing on encouraging corporations to address biodiversity loss.

› Refer to UBS Asset Management Stewardship Report 2021

Our ambition is to be a leader in sustainable finance. To achieve this goal, we continuously develop our offering in this area. In 2021, we launched the Green Funding Framework, a Group-wide framework setting out how UBS intends to connect our sustainability objectives with access to financial markets through a variety of funding products. Further serving clients' sustainable finance needs, we supported 103 green, social, sustainability and sustainability-linked bond transactions in 2021.

Our vendors

Our firm-wide Responsible Supply Chain Management (RSCM) framework is based on identifying, assessing, and monitoring vendor association with environmental and social issues. A central component of this guideline is the UBS Responsible Supply Chain Standard, to which our direct vendors are normally bound by contract.

We expect our vendors to apply these same standards to relationships with their vendors. Against this standard, we also identify high-impact vendors when establishing new contracts or renewals based on the vendors' provision of goods and services that have either a substantial environmental and social impact or are sourced in markets with potentially high social or governance risks. These vendors are requested to conduct a self-assessment on their management practices and to provide corresponding evidence. Such impacts may include:

- Adverse environmental impacts due to inefficient use of resources (e.g., water, energy, biomass) and emissions during the life cycle of the product
- Hazardous substances, emissions, pollutants and limited recyclability of products, adversely affecting people and the environment

Seeking to reduce negative environmental and social effects of the goods and services UBS purchases, we have undertaken a global review of our purchase catalogues and introduced environmentally friendly alternatives to products where available. We have also removed over 300 items from our purchasing catalogues including all single use items.

› Find our RSCM Standard online

Our employees

We have launched several campaigns to involve our employees and raise awareness of our environmental impact and of biodiversity loss. A notable example is the campaign “Go drastic, Cut the plastic” to eliminate single-use plastic items from use throughout the firm. It supports SDG 14 – Life below water, as millions of tons of plastic end up in the oceans annually. A further noteworthy initiative is the creation of the Going Greener app where UBS employees take on fun challenges and get interesting facts and practical tips around sustainability climate-friendly and nature-friendly behaviors that they can apply to their daily life.

UBS also shows its commitment to tackling biodiversity loss by reducing its climate impact. In 2021, we continued to drive the reduction of our GHG emissions and therefore have committed to achieving net zero emissions in our own operations (scope 1 and 2) by 2025. In 2021, we maintained use of 100% renewable electricity as achieved for the first time in 2020. This reduces our firm’s GHG footprint by 92% compared with 2004 levels.

We partner with our employees to use our office buildings as platforms for activities supporting biodiversity. As examples we currently have 20 beehives distributed on seven green roofs globally, grow chilies in India and produce tea in Singapore.

Our firm undertakes extensive sustainability awareness raising and specialist training (e.g., SCR focused trainings). Both include components pertaining to biodiversity.

Our commitment to net zero

Climate change and nature are very much intertwined, with climate change likely to become one of the most significant drivers of biodiversity loss by the end of the century. Likewise, climate goals are also dependent on the maintenance of natural capital around the globe. UBS’s comprehensive climate strategy underlines our commitment to the SDGs on climate action and on affordable and clean energy while also supporting an orderly transition to a low-carbon economy, as defined by the Paris Agreement.

Our stated goal to be a leading financial provider that helps investors, both private and institutional, to mobilize their capital towards climate change mitigation and adaptation while supporting the transition to a low-carbon economy can be met both through our role as corporate advisor, and/or through our lending capacity. We support this transition through our comprehensive Climate Strategy outlined in detail in our 2021 Climate Report found on ubs.com/gri.

- To underline our commitment to Net Zero, we are a founding member of the Net-Zero Banking Alliance (NZBA), as well as the Net Zero Asset Managers initiative, both leading groups committed to support the goal of net zero GHG emissions by 2050.
- In accordance with our NZBA commitment, we have set interim targets for three priority sectors across our banking activities including fossil fuels, power generation and real estate (both commercial and residential)
- With regard to our bank’s own footprint, we will work toward offsetting our historical emissions back to the year 2000. This will be based on transparent carbon offsets and investments in nature-based solutions.
- In 2021 we started engaging with GHG key vendors on their net zero transition plans and aim to be net zero on this front by 2035.

These commitments are further supported by our continuing exploration of equivalent nature-based concepts, including the idea of no-net nature loss and net-nature positive economies.

Our external engagement

Through our active involvement in relevant developments we are also demonstrating thought leadership on nature topics. We also acknowledge that transparency on nature-related risks and opportunities are essential to the health of the environment and the broader economy, given the dependencies on natural capital.

As a member of the TNFD, we support these efforts towards the development of a framework that will help reduce risks to the environment and create opportunities to support natural capital. In addition, UBS is a member of the Roundtable on Sustainable Palm Oil (RSPO), where we also act as a member of its complaints panel. Additionally, we participate in various work streams of the Natural Capital Finance Alliance (NCFA), which aims to provide the knowledge and tools that help the financial sector align portfolios with global biodiversity goals. Most notably we participate in the advisory committee for the second stage of the NCFA's project tool ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure).

We have also endorsed the Banking Environment Initiative's and Consumer Goods Forum's "Soft Commodities" Compact. In doing so, we aim to support the transformation of soft commodity supply chains by expecting producers to be committed to achieving full certification according to applicable sustainability certification schemes, such as the RSPO. As a member of the FAIRR initiative, we engage every year with 1 of the 25 companies targeted via "sustainable protein engagement" as a biodiversity lead. Through engagement on sustainable proteins, we aim to reduce negative externalities from traditional protein production.

We also take into consideration the expectations of regulators regarding biodiversity risk management where these have been specified in addition to climate.

We regularly review our approach to nature

Seeking to constantly improve our contribution to nature protection and maintenance, we continuously evolve our approach to biodiversity. As part of the process, we consider developments and challenges pertaining to biodiversity loss and nature conservation and align our approach accordingly.

To enable our stakeholder groups to review our progress we provide transparency on our commitments and actions on www.ubs.com/sustainability.

Please contact us for any concerns, feedback, comments by sending an email to cr@ubs.com.

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