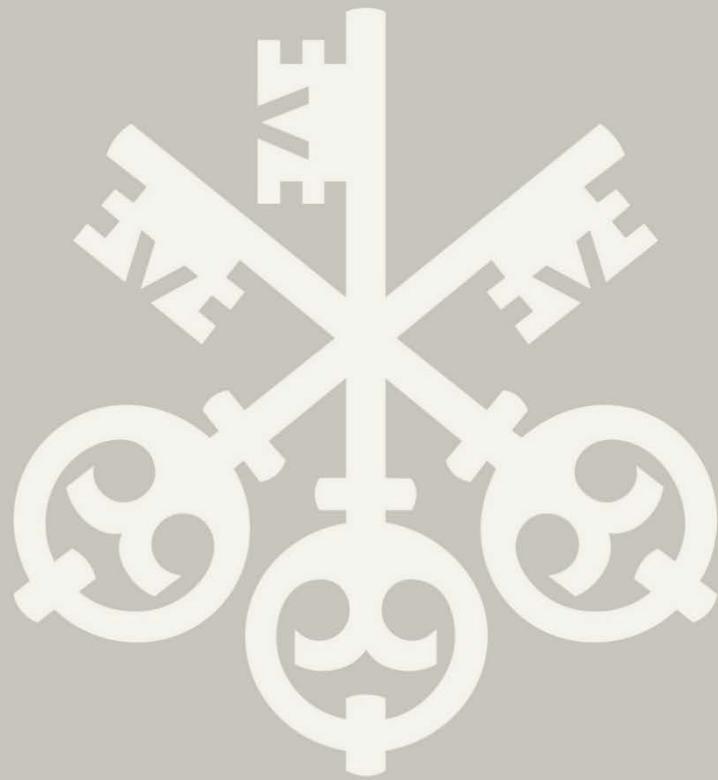


# Sustainability and climate risk policy framework



**UBS**

# Sustainability and climate risk policy framework

Managing sustainability and climate risks is a key component of our corporate responsibility. We define these risks as the risks that UBS negatively impacts, or is impacted by, climate change, nature, human rights and other environmental and social matters. Such risks may materialize as credit, market, liquidity, business or non-financial risks for UBS, potentially leading to adverse financial, liability and reputational impacts.

- Climate-related risks may arise from two primary sources: physical risks, resulting from changing climate conditions, and transition risks, stemming from global efforts to mitigate climate change.
- Nature-related risks reflect the dependencies and impacts that organizations and individuals have on natural capital, defined as natural resources that provide essential benefits to people and the economy.
- Greenwashing risk refers to a practice where sustainability-related statements, declarations, actions or communications do not clearly and fairly reflect the underlying sustainability profile of an entity, a financial product or financial services.

These risks may affect the value of investments and collateral such as real estate, particularly in sectors or regions vulnerable to environmental change or regulatory shifts.

## Sustainability and climate risk framework

UBS conducts an annual assessment of the proximity of its products, services and supply chain to sustainability and climate risks. Activities identified as high risk are subject to UBS's sustainability and climate risk policy framework. This enables us to identify and manage potential adverse impacts on climate, nature, the environment and human rights, as well as the associated risks that may affect UBS and its clients. Specifically for climate risks, UBS conducts a financial climate-related materiality assessment, designed to identify and evaluate the potential impact of these risks on the firm's financial performance. This sustainability and climate risk framework is embedded in UBS's corporate culture and applied consistently across the Group, including all business divisions, Group functions, locations and legal entities. It is integrated into our management practices and control principles and is overseen by senior management. The framework supports our strategic commitment to supporting the transition to a low-carbon economy. It is a continuous process, consisting of four phases: (i) risk identification and measurement; (ii) monitoring and risk appetite setting; (iii) risk management and control; and (iv) risk reporting and disclosure.

- › Refer to **"Risk identification and measurement"** in the **"Managing sustainability and climate risks"** section of the **UBS Group Sustainability Report 2025**, available at [ubs.com/sustainability-reporting](https://ubs.com/sustainability-reporting), for more information about UBS's climate-related risks materiality assessment

## Governance and strategic oversight

Group Risk Control (GRC) is responsible for our firm-wide sustainability and climate risk policy framework and for managing financial exposure to these risks as a second line of defense. Group Compliance and Operational Risk Control (GCORC) provides independent oversight of our non-financial risk control environment, ensuring its adequacy and effectiveness.

The management of sustainability and climate risks is steered at the level of the Group Executive Board (the GEB). Reporting to the Group CEO, the Group Chief Risk Officer is responsible for the development of UBS's sustainability and climate risk framework, including the definition of risk appetite and its integration into existing Group-wide risk management frameworks. The Head of Sustainability and Climate Risk oversees sustainability and climate risk activities in GRC.

## Our standards

UBS has established a set of standards and guidelines that govern client onboarding, transaction due diligence, product development, our own operations and supply-chain decisions. These standards are designed to ensure that sustainability and climate risks are appropriately considered and managed across the firm.

We defined specific controversial activities in which UBS does not engage, along with areas of concern where we may engage only under stringent criteria. For example, recognizing the significant impact of deforestation and land conversion on biodiversity and ecosystems, UBS has implemented standards covering selected high-deforestation-risk commodities, such as soy or palm oil, that apply across industries and sectors to mitigate their negative environmental impacts.

Our principles and standards apply Group-wide, across all business divisions, Group functions, locations and legal entities. They define clear roles and responsibilities for the first line of defense (i.e. client and supplier onboarding, transaction due diligence and periodic KYC reviews), the second line of defense (i.e. sustainability and climate risk transaction assessments) and the GEB, which sets the sustainability and climate risk appetite standards for the firm.

UBS's standards also reflect its broader commitment to responsible business conduct, including protecting the environment and respecting internationally recognized human rights. These efforts contribute to our role in supporting sustainable development.

Given the increasing relevance of challenges related to sustainability and climate risk, UBS regularly reviews and enhances its policies and practices. This process is informed by ongoing monitoring and analysis of emerging societal and environmental topics that may be material to the firm.

In certain jurisdictions, applicable laws and regulations may impose stricter or conflicting obligations on specific entities or activities than those set out in the Sustainability and climate risk policy, the Sustainable Finance Guideline and the Carbon and Environmental Markets guideline. As a result, applying this policy and those guidelines – or particular provisions within them – may lead to business restrictions that are inconsistent with those legal obligations. In such cases, the affected provisions of this policy shall not apply, and any decision to proceed with business activities must be made in full compliance with all relevant legal obligations.

#### Controversial activities – where UBS will not do business

UBS will not knowingly provide financial or advisory services to clients whose primary business activity, or where the proposed transaction, is associated with severe environmental or social damage to or through the use of:

- world heritage sites as classified by UNESCO;
- wetlands on the Ramsar list;
- endangered species of wild flora and fauna listed in Appendix 1 of the Convention on International Trade in Endangered Species;
- High Conservation Value forests as defined by the six categories of the Forest Stewardship Council (FSC);
- illegal fire: uncontrolled and / or illegal use of fire for land clearance;
- illegal logging, including the purchase of illegally harvested timber (logs or roundwood);
- child labor according to International Labour Organization (ILO) Conventions 138 (minimum age) and 182 (worst forms);
- forced labor according to ILO Convention 29; and
- indigenous peoples' rights in accordance with the International Finance Corporation's Performance Standard 7.

The same standards apply when UBS purchases goods or services from suppliers.

#### Areas of concern – where UBS will only do business under stringent criteria

We apply specific guidelines and assessment criteria in the areas of concern listed below. The guidelines and assessment criteria apply to loans, trade finance, direct investments in real estate and infrastructure, securities and loan underwriting transactions, investment banking advisory assignments and the procurement of goods and services from suppliers. Transactions in the areas listed below trigger an enhanced due diligence and approval process. In addition to the assessment of regulatory compliance and adherence to UBS's controversial activities standards, along with consideration of past and present environmental and human rights performance and concerns of stakeholder groups, these transactions require an assessment of the following criteria:

Soft commodities	
<b>Palm oil</b>	Companies must be members of the Roundtable on Sustainable Palm Oil (the RSPO) and not subject to any unresolved public criticism from the RSPO. Production companies must furthermore have some level of mill or plantation certification and be publicly committed to achieving full certification (evidence must be available). Companies must also be committed to “No Deforestation, No Peat and No Exploitation”.
<b>Soy</b>	Companies producing soy in markets at high risk of tropical deforestation must be members of the Round Table on Responsible Soy (the RTRS) or similar standards such as ProTerra, International Sustainability and Carbon Certification or Certified Responsible Soya and they must not be subject to any unresolved public criticism from these standards. When a company is not certified, it must credibly commit to the RTRS or a similar standard, providing a robust time-bound plan, or demonstrate a credible commitment to an equivalent standard, to be independently verified.
<b>Forestry</b>	The producing company must seek to achieve full certification of its production according to the FSC or a national scheme endorsed in line with the Programme for the Endorsement of Forest Certification within a robust time-bound plan. The producing company must also have fire prevention, monitoring and suppression measures in place.
<b>Fish and seafood</b>	Companies producing, processing or trading fish and seafood must provide credible evidence of no illegal, unreported and / or unregulated fishing in their own production and supply chain.
Power generation	
<b>Coal-fired power plants (CFPP)</b>	We do not provide project-level finance for new CFPP globally and only support financing transactions of existing coal-fired operators (>20% coal reliance) if they have a transition strategy that aligns with the goals of the Paris Agreement or if the transaction is related to renewable energy or clean technology.
<b>Large dams</b>	Transactions directly related to large dams include an assessment against the recommendations made by the international Hydropower Sustainability Assessment Protocol.
<b>Nuclear power</b>	Transactions directly related to the construction of new, or the upgrading of existing, nuclear power plants include an assessment of whether the country of domicile of the client / operation has ratified the Treaty on the Non-Proliferation of Nuclear Weapons.
Extractives	
<b>Arctic drilling and oil sands</b>	We do not provide financing where the stated use of proceeds is for new offshore oil projects in the Arctic or greenfield <sup>1</sup> oil sands projects and only provide financing to companies with significant reserves or production in arctic oil and / or oil sands (>20% of reserves or production) if they have a transition strategy that aligns with the goals of the Paris Agreement or if the transaction is related to renewable energy or clean technology.
<b>Coal mining and mountain top removal (MTR)</b>	We do not provide financing where the stated use of proceeds is for greenfield <sup>1</sup> thermal coal mines and do not provide financing to coal-mining companies engaged in MTR operations. We only provide financing to existing thermal coal-mining companies (>20% of revenues) if they have a transition strategy that aligns with the goals of the Paris Agreement or if the transaction is related to renewable energy or clean technology.
<b>Liquefied natural gas (LNG)</b>	Transactions directly related to LNG infrastructure assets are subject to enhanced sustainability and climate risk due diligence, considering relevant factors such as management of methane leaks and the company’s past and present environmental and social performance.
<b>Ultra-deepwater drilling</b>	Transactions directly related to ultra-deepwater drilling assets are subject to enhanced sustainability and climate risk due diligence, considering relevant factors such as environmental impact analysis, spill prevention and response plans, and the company’s past and present environmental and social performance.
<b>Hydraulic fracturing</b>	Transactions with companies that practice hydraulic fracturing in environmentally and socially sensitive areas are assessed against their commitment to and certification of voluntary standards, such as the American Petroleum Institute’s documents and standards for hydraulic fracturing.
<b>Metals and mining</b>	Transactions directly related to precious metals or mineral assets that have a controversial environmental and social risk track record are assessed against commitment to and certification of voluntary standards, such as the International Council on Mining and Metals (the ICMM), the International Cyanide Management Code, the Conflict-Free Smelter Program and the Conflict Free Gold Standard of the World Gold Council, the Responsible Gold Guidance of the London Bullion Marketing Association (the LBMA), the good delivery lists of the LBMA or the London Platinum and Palladium Market (the LPPM), the Chain of Custody Standard and Code of Practices of the Responsible Jewellery Council, the Fairmined Standard for Gold from Artisanal and Small-Scale Mining of the Alliance for Responsible Mining, the Voluntary Principles on Security and Human Rights, and the International Code of Conduct for Private Security Providers. Transactions directly related to precious metal sourcing, custody, distribution and trading are assessed against precious metal production by refineries that are listed on the London Good Delivery List (the LGD) or the Former London Good Deliver List for precious metals produced up to the refineries’ removal from the LGD, as maintained by the LBMA and the LPPM. We do not provide financing where the stated use of proceeds is for mining operations that utilize tailings disposal in the sea or in rivers. We do not provide financing where the stated use of proceeds is for the exploration or extraction of mineral resources from the deep seabed. Transactions with companies that mine uranium are assessed against the companies’ strategy and actions to manage water contamination, waste, and worker and community health and safety, especially with regard to radiation. Consideration is also given to the designated use of the mined uranium (or other radioactive material).
<b>Diamonds</b>	Transactions with companies that mine and trade rough diamonds are assessed against the client’s commitment to and certification of voluntary standards, such as the ICMM, and rough diamonds must be certified under the Kimberley Process.
Others	
<b>Project finance</b>	Project finance transactions, including project finance advisory services, project-related corporate loans, bridge loans, project-related refinance and project-related acquisition finance, are subject to enhanced due diligence in alignment with the Equator Principles.
<b>Shipping</b>	Transactions involving marine transportation are assessed against relevant factors such as greenhouse gas emissions and energy efficiency, human rights, safety and pollution prevention policies and responsible ship recycling, in line with applicable international conventions and standards (e.g. the International Maritime Organization conventions and the Hong Kong Convention). The carbon intensity and climate alignment of the ship financing portfolio are measured and reported in accordance with the Poseidon Principles.

<sup>1</sup> Greenfield means a new mine / well or an expansion of an existing mine / well that results in a material increase in existing production capacity.

## Sustainable finance and carbon and environmental market guidelines

To support its sustainable finance strategy, UBS has also developed guidelines for sustainable finance and for carbon and environmental market instruments. These guidelines contribute to mitigating the potential greenwashing risk and setting Group-wide minimum requirements when labeling, marketing and distributing sustainable financing, green equity, carbon and environmental market instruments.

### Sustainable financing and green equity instruments

- green, social, sustainability and sustainability-linked (GSSS+) loans and bonds
- UBS green mortgages and loans products
- other instruments labeled, marketed or promoted as having intentions or objectives to achieve environmental, social and governance (ESG) outcomes
- green equity instruments

These instruments are assessed against the applicable industry standards, such as the Loan Market Association, the Loan Syndication & Trading Association, the Asia Pacific Loan Market Association, the International Capital Market Association principles, the EU Green Bond Standard, the World Federation of Exchanges and certificates for green buildings recognized by the industry.

### Carbon and environmental market instruments

- voluntary carbon credits
- carbon emission allowances
- biodiversity credits
- other instruments labeled, marketed or promoted as having intentions or objectives to achieve greenhouse gas emission reduction / removal outcomes or positive biodiversity / nature outcomes.

These instruments are assessed against the applicable industry standards, e.g. the Integrity Council for the Voluntary Carbon Market (ICVCM) Core Carbon Principles, the Biodiversity Credit Alliance guidance and applicable market rules.

## Decarbonization control framework

To support our clients' low-carbon transition, UBS has set lending sector decarbonization targets to be achieved by 2030 for specified sectors at Group level, with agreed contributions from each business division. To support this, a decarbonization control framework was operationalized in 2024 with thresholds defined, annually, per sector, business division and at Group level, and with quarterly monitoring of utilization against these thresholds.

Additionally, a material transaction, as identified in divisional credit approval processes, is subject to a pre-deal assessment process. The first line of defense is responsible for identifying and referring the transaction to the sustainability function of the first line of defense for a detailed assessment. If the calculated utilization level results in an increase, the transaction is subject to the defined approval path.

- › Refer to the **UBS Group Sustainability Report 2025**, available at [ubs.com/sustainability-reporting](https://ubs.com/sustainability-reporting), for further information about our decarbonization control framework

## Integration into financial and non-financial processes

UBS integrates sustainability and climate risk considerations into its financial and non-financial risk processes across all business divisions and Group functions. This ensures that material risks are identified, assessed, approved and escalated in a timely and consistent manner. Advanced data analytics on companies linked to such risks are integrated into a web-based compliance tool used by staff during client, supplier or transaction reviews, significantly enhancing our risk identification capabilities. Sustainability and climate risk controls are embedded throughout key operational processes, including the following.

- Client onboarding: Potential clients are assessed for sustainability and climate risks associated with their business activities as part of UBS's know-your-client (KYC) procedures.
- Transaction due diligence: Sustainability and climate risk considerations are integrated into standard due diligence and decision-making processes for transactions (e.g. loans, trade finance, direct investments in real estate and infrastructure, securities and loan underwriting transactions, investment banking advisory assignments). UBS also regularly reviews portfolios for exposure to sectors and activities sensitive to sustainability and climate risks. Where climate risks might negatively affect the financial credit risk of a transaction, climate-related financial risks are identified, leveraging internal climate risk ratings and the impact of climate risk, including mitigating measures, considered in the credit decision.
- Product development: New financial products and services are reviewed before their launch to assess their alignment with UBS's environmental and human rights standards.
- Own operations and supply chain: Sustainability and climate risks are evaluated when selecting and managing suppliers. UBS also assesses the environmental and social impacts of goods and services throughout the life cycle (production, usage and disposal) as part of its procurement processes and carbon credits used for its own operations.

## Sustainability and climate risk assessments

Clients, transactions or suppliers potentially in breach of UBS's standards, or associated with significant climate, environmental or human rights controversies, are referred to the SCR unit. This unit evaluates each case against UBS's risk appetite and either approves or rejects the engagement. In 2025, a total of 4,585 referrals were reviewed by the SCR unit against UBS's established standards and guidelines.

### Sustainability and climate risk assessments

	For the year ended		% change
	31.12.25	31.12.24	31.12.24
Cases referred for assessment <sup>1</sup>	4,585	5,452	(16)
Cases referred for assessment: UBS Europe SE standalone	147	175	(16)
<b>by business division</b>			
Global Wealth Management	473	705	(33)
Personal & Corporate Banking	1,967	2,347	(16)
Asset Management	21	30	(30)
Investment Bank	2,014	2,263	(11)
Group functions <sup>2</sup>	110	107	3
<b>by outcome<sup>3</sup></b>			
approved <sup>4</sup>	3,368	3,100	9
approved with qualifications <sup>5</sup>	660	484	36
rejected or not further pursued <sup>6</sup>	347	380	(9)
pending <sup>7</sup>	205	464	(56)
assessed <sup>8</sup>	5	1,024	(100)

<sup>1</sup> Transactions and client onboarding requests referred to the SCR unit. <sup>2</sup> Relates to social impact and procurement / sourcing of products and services. <sup>3</sup> "By outcome" 2025 data is from 31 December 2025 and 2024 data is from 31 December 2024. <sup>4</sup> Client / transaction / supplier transactions approved at SCR unit. <sup>5</sup> Client / transaction / supplier subject to an SCR assessment and approved with qualifications. Qualifications may include ring-fencing of certain assets, conditions toward the client / supplier or internal recommendations. <sup>6</sup> Client / transaction / supplier subject to an SCR assessment and rejected or not further pursued. <sup>7</sup> Decision pending. <sup>8</sup> Assessed companies related to portfolio reviews.

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