

UBS – 2023 AGM – Say on Climate

IMPORTANT DISCLAIMER

On 19 March 2023, UBS [announced](#) its plans to acquire Credit Suisse. The transaction has the backing of the Swiss authorities, who initiated the discussions in light of the deepening crisis at Credit Suisse¹. As part of the plan, UBS intends to downsize Credit Suisse's investment banking business by exiting most of its market positions alongside other non-core activities and its securitised products division². While all regulatory approvals are expected to be delivered for the acquisition to proceed on an expedited timeline, uncertainties remain as to what the transaction means for UBS' climate strategy and the vote it offered to shareholders. An important caveat of our assessment is that it reflects the bank's position prior to the merger and is accurate up until this point. Readers should keep this in mind when reviewing this report.

Executive summary

UBS is giving shareholders a vote on its sustainability report, which includes a copy of the bank's first climate transition plan, at its 2023 AGM on 5 April 2023 (agenda item 3). The proposal is summarised in the [Say-on-pay and Say-on-non-financial-reporting brochure](#)³.

ShareAction recommends voting **against** the climate strategy for the following reasons:

- **UBS' net-zero targets and carbon disclosures don't include capital markets activities.** The bank has set an aggressive financed emissions reduction target for its fossil fuel lending portfolio, but capital markets facilitation represents 90 per cent of UBS' financial support to oil & gas companies with large expansion plans⁴. This means the strategy currently underestimates climate-related risks and impacts.
- **UBS' fossil fuel policy is the weakest among large European banks⁵.** UBS is one of the very few large European banks that has not yet committed to phase out its financing of thermal coal. The bank's exposure to the sector is currently small relative to some other peers, but this could change with the acquisition of Credit Suisse. The transition plan announced by UBS is also a missed opportunity to update its oil & gas policy, which remains silent on expansion and lags peers on unconventional oil & gas.
- **UBS has developed a leading framework to identify and report on climate-related risks but how this is integrated into the review of client transition plans is unclear.** The bank says it wants to support its

corporate clients on their net-zero transition, and requires companies over-reliant on certain sectors to produce “credible transition strategy” to access funding. However, this requirement covers a fraction of its client base and UBS doesn’t disclose what would constitute a credible transition strategy.

Climate change and sustainability are unlikely to be prioritised by UBS following the merger with Credit Suisse if investors do not make themselves heard. Credit Suisse and UBS were already lagging European peers on climate change before the merger, ranking 20th and 24th on climate in our latest survey, respectively. We urge investors to use our assessment of [Credit Suisse](#) and UBS’ climate strategies to get a better understanding of their strengths and weaknesses, and call on UBS to make climate action a core pillar of the newly merged entity. Investors should ask UBS to match or exceed commitments made by Credit Suisse that go beyond UBS’ own – for example on thermal coal – and identify any areas that will materially change the bank's risks and impacts, for example the increase from a previously small exposure to fracking if UBS integrates Credit Suisse's oil & gas business.

This report includes more details on the voting recommendation rationale along an assessment of the following key climate-related themes (click on links to access each section):

- [Net-zero targets and carbon disclosures](#)
- [Fossil fuel policies \(thermal coal and oil & gas\)](#)
- [Identification and integration of climate-related risks](#)
- [Climate opportunities](#)
- [Executive remuneration](#)
- [Lobbying transparency and governance.](#)

Our assessment primarily focuses on banks’ financing activities. Asset management activities are excluded unless explicitly mentioned. For an overview of the methodology, please read our [framework to assess banks’ Say on Climate plans](#).

Net-zero targets and carbon disclosures

UBS' targets fail to cover close to 93 per cent of its financial support to highly polluting sectors

Meets criteria		Partially meets criteria	Does not meet criteria
Key pillars	Criteria	Assessment	
Net-zero	Commitment to reach net-zero emissions by 2050 across all activities.	UBS published a net-zero by 2050 statement in 2021.	
Overarching target	2030 target set reflecting fair share of absolute emissions reductions across all activities and sectors.	UBS does not have an overarching target to cut emissions across its portfolios/activities by a specific date.	
Sectors covered	Targets set, financing volumes and financed emissions disclosed in relative and absolute terms for high-emitting sectors, starting with fossil fuels and power. Coal covered by a phase-out commitment as part of sector policies.	UBS has set 2030 targets and disclosed financed emissions for oil & gas; power generation; residential real estate (RRE); commercial real estate (CRE); and cement. It also provides an estimate of overall financed emissions ⁶ . UBS has no target for coal, nor does it have a credible commitment to phase out coal by 2030/40 in line with 1.5C pathways.	
Metrics	Absolute emissions metrics used for fossil fuels targets and disclosures. Economic emissions-intensity targets avoided for homogenous sectors. Physical intensity metrics complemented with absolute emissions reporting.	UBS uses an absolute emissions metric for fossil fuels and physical intensity metrics for all other targets: <ul style="list-style-type: none"> - Oil & gas: 71 per cent in ktCO₂e - Power: 49 per cent reduction in kgCO₂e/MWh - RRE: 42 per cent reduction in kgCO₂e/m² - CRE: 44 per cent reduction in kgCO₂e/m² - Cement: 15 per cent reduction in tCO₂e/t Financed emissions are reported in absolute terms for each sector, as well as economic emissions intensity but these are not primary metrics.	
Emissions scope	All relevant emissions scopes covered, including scope 3 for fossil fuels.	UBS' targets and disclosures cover the appropriate emissions scopes for each sector, including scope 3 for oil & gas.	
GHGs	All relevant GHGs covered, at least CO ₂ and methane for fossil fuels ^a .	UBS' targets use CO ₂ equivalents as a metric, but it does not explicitly disclose that its oil & gas target covers methane.	
Lending	Lending indicator disclosed. Targets set using total commitments as lending indicator. Financing volumes and financed emissions disclosed for	UBS uses the total lending commitment to set its net-zero ambitions, including outstanding loans and undrawn irrevocable commitments. It discloses both outstanding and gross exposure to sectors with	

^a The energy sector – including oil, natural gas, coal, and bioenergy – accounts for around 40% methane emissions from human activity: <https://www.iea.org/reports/global-methane-tracker-2022>

	drawn amounts and total commitments.	targets ^b . UBS discloses financed emissions for each sector and estimates total financed emissions based on outstanding lending exposure; it should consider updating this to total exposure to ensure consistency between its disclosures and targets.
Capital markets	Capital markets activities included in targets and in disclosures of financing volumes and financed emissions, with 100 per cent weighting.	UBS does not include capital markets activities in its targets; financing emissions; or financing disclosures. This is hugely material - on average 93.6 per cent of UBS' financial support to major oil & gas companies is in through capital markets activities ^c . Its oil & gas target therefore fails to capture the vast majority of the bank's climate impact and related transition risks. Whilst UBS recognises the importance of this activity, it provides no timeline or commitment for including this within its disclosures and targets.
Scenario	Targets set using low- or no-overshoot 1.5C scenarios.	UBS states it uses the IEA NZE scenario to set all its targets. For most sectors, it tracks or goes beyond the scenario. However, its target for RRE is less ambitious than the reduction required by the IEA NZE, due to its dependency on government-supported decarbonisation of real estate. UBS adjusts its cement pathway to reflect the actual industry average for 2020 but still bases its target on the rate of reduction projected by the IEA.







^b UBS also discloses total exposure (drawn and undrawn amounts) to a range of carbon-related and climate-sensitive sectors - beyond those where it has set targets - in absolute and relative terms, including granular fossil fuel disclosures broken down by value chain segment. See UBS' [2022 Climate & Nature Report](#) for more information.

^c Average percentage between 2016 and 2021 as per ShareAction's data on UBS' financing of oil & gas companies with the largest expansion plans: <https://shareaction.org/reports/oil-gas-expansion-a-lose-lose-bet-for-banks-and-their-investors>

Comparison of UBS's net-zero targets against selected peers and leading practice (★)

Bank	Overarching target	Ag.	Al.	Ce.	Co.	C.RE	R.RE	O&G	Po.	St.	Tr.	Metric	Emissions scope	Lending ⁽¹⁾	Capital markets ⁽²⁾	Scenario
UBS		✗	✗	✓	✗	✓	✓	✓	✓	✗	✗					
★ Barclays		✗	✗	✓	✓	✗	✓ ⁽³⁾	✓	✓	✓	✓					
BNP Paribas		✗	✗	✗	✗	✗	✗	✓	✓	✗	✓					
Credit Suisse		✗	✓	✗	✓	✓	✗	✓	✓	✓	✓					
HSBC		✗	✓	✓	✓	✗	✗	✓	✓	✓	✓✓					
★ Lloyds Banking Group		✗	✗	✗	✗	✗	✓	✓	✓	✗	✓✓					

Key

	Leading practice across all targets
	Leading practice on some targets
	Not leading practice across all targets
	No target or missing information
	Sectoral target set (multiple marks if more than one sub-sector)
	Leading practice (may only refer to specific aspects of banks' targets)
Ag.	Agriculture
Al.	Aluminium

Ce.	Cement
Co.	Coal (highlighted if coal mining phase-out)
C.RE	Commercial Real Estate
R.RE	Residential Real Estate
O&G	Oil & Gas (highlighted if phase-out)
Po.	Power generation (highlighted if coal power phase-out)
St.	Iron & Steel
Tr.	Transport (Automotive, Aviation, Shipping, Rail)

(1) Leading practice is based on the use of total commitments as the lending indicator, but this is not applicable to all sectors (e.g. residential mortgages).

(2) Covering capital markets facilitation in targets is not relevant to all banks (if they don't have debt or equity capital markets capabilities) and sectors (e.g. residential mortgages).

(3) Barclays has set a "convergence point" of reducing emissions intensity by 40 per cent by 2030 for residential real estate, but this is not a formal target.

Leading practice examples

The following examples highlight only specific aspects of each bank's targets and disclosures.

Lloyds Banking Group⁷ has an overarching portfolio-level ambition to reduce the emissions it finances by more than 50 per cent by 2030, in line with the findings of the Intergovernmental Panel on Climate Change. As intensity reductions can be inflated, with real absolute emissions reductions lagging the headline figure, an overarching target ensures the bank keeps its share of financed emissions in sight even as it sets intensity-based targets for some sectors. **NatWest**⁸ and **Nordea**⁹ have similar targets for their lending and investment portfolios.

Barclays¹⁰ is the only one of Europe's largest 25 banks to cover both lending and a portion of its capital markets facilitation in its six sectoral targets and has done since 2020.

Engagement questions for investors

- Will UBS set an overarching target reflecting its fair share of absolute emissions reductions by 2030, covering all activities?
- Will UBS include capital markets activities in its financed emissions targets and disclosures, using a 100 per cent weighting?
- Will UBS disclose its capital markets activities for climate-sensitive and carbon-related sectors, starting with those where it has set targets?
- Will UBS explicitly include methane in its oil & gas target?
- Will UBS add a buffer to its targets to go beyond what reference scenarios require, given the uncertainty in climate modelling and low probability that scenarios will result in their stated temperature goal?

Fossil fuel policies

Thermal coal: UBS has the weakest coal policy among European banks

	Meets criteria	Technical exception(s)	Material exception(s)	No commitment
Key pillars	Criteria		Assessment	
Asset finance	Exclusion of dedicated financing to new assets and expansion of existing assets across the value chain.		UBS will not provide project finance for new coal power plants and financing where the stated use of proceeds is for new coal mines or expansion of existing mines that result in a material increase in existing production capacity. The policy doesn't cover expansion of existing coal power plants.	
Corporate finance thresholds	Restriction of general corporate purpose financing based on relative threshold (coal share of power generation for power and revenues for mining) and absolute threshold (gigawatts per year for power and million tonnes per year for mining).		UBS will not finance coal-fired power plant operators and coal mining companies if they rely on coal for more than 20 per cent of their revenues. The threshold is based on revenues instead of coal share of power production and no absolute threshold has been set to exclude diversified companies with large production capacity. The policy exempts clients that "have a transition strategy that aligns with the goals of the Paris Agreement" and transactions "related to energy or clean technology". These exceptions significantly weaken the policy due to the risk of financing leakage across the corporate structure.	
Client expansion activity	Exclusion of financing to companies expanding thermal coal power across the value chain.		UBS has not committed to exclude companies expanding thermal coal capacity. This is at odds with credible 1.5C-aligned scenarios.	
Phase-out commitment	Phase out of financing by 2030 (OECD countries) and 2040 (non-OECD countries) at the latest.		UBS is among the very few large European banks that has not committed to phase out its financing of thermal coal power and/or mining.	
Client transition plan	Requirement for companies to publish a phase-out plan in line with bank's own phase-out dates.		UBS doesn't require coal companies to publish a coal phase-out plan by a specific date.	
Products and services	The policy applies to all products and services offered by the bank, including by its Asset Management arm if any.		While UBS's financing restrictions for thermal coal are limited, the core tenets of the policy are reflected in UBS Asset Management's policy. UBS Asset Management excludes companies that generate more than 20 per cent of their revenues from coal mining across all equity and fixed income strategies, and companies generating more than 20 per cent revenues from coal power across its sustainability focus and impact investing strategies.	

Comparison of UBS' coal policy against selected peers and leading practice (★)

Coal power

Bank	Asset Finance		Corporate Finance						Phase-out				All Services
	Prod.	Infra.	Relative threshold		Absolute threshold		Expansion	Infra.	Bank	Date	Client	By	
UBS	Y**	N	Y**	20% rev	N	-	N	N	N	-	N	-	Y
Barclays	Y*	N	Y**	5-50% rev	N	-	Y**	N	Y**	2030-35	N	-	N
★ BNP Paribas	Y	N	Y**	25% rev	N	-	Y	N	Y	2030-40	Y	2021	Y
★ Crédit Mutuel	Y	Y	Y	20% rev/cp	Y	5GW	Y	Y	Y	2030	Y	2021	Y
Credit Suisse	Y**	Y	Y**	5-25% rev	N	-	Y**	Y	Y**	2030	N	-	N
HSBC	Y*	Y*	Y**	40/10% rev/cp	Y**	3GW	Y**	Y*	Y*	2030-40	N	-	N
★ Societe Generale	Y	Y	Y	25% rev	N	-	Y*	Y	Y	2030-40	Y	2021	Y*

Coal mining

Bank	Asset Finance		Corporate Finance						Phase-out				All Services
	Prod.	Infra.	Relative threshold		Absolute threshold		Expansion	Infra.	Bank	Date	Client	By	
UBS	Y	N	Y**	20% rev	N	-	N	N	N	-	N	-	Y
Barclays	Y*	N	Y**	5-50% rev	N	-	Y**	N	Y**	2030-35	N	-	N
★ BNP Paribas	Y	Y*	Y	20% revenues	Y	10Mt	Y	Y*	Y	2030-40	Y	2021	Y*
★ Crédit Mutuel	Y	Y	Y	20% rev	Y	10Mt	Y	Y	Y	2030	Y	2021	Y
Credit Suisse	Y**	N	Y**	5-25% rev	N	-	Y**	N	Y**	2030	N	-	Y**
HSBC	Y*	Y*	Y**	40/15% rev/pd	Y**	5Mt	Y**	Y*	Y	2030-40	N	-	N
★ Societe Generale	Y	Y	Y	20% rev	Y	10Mt	Y*	Y	Y	2030-40	Y	2021	Y*

* indicates exceptions. ** indicates material exceptions that significantly weaken the policy.

Prod. or pd = Production; Infra. = Infrastructure; rev = revenues; cp = coal share of power production or generating capacity; c. = capacity; All services = products and services in scope of the policy, including asset management arm if any.

Leading practice examples

The following examples highlight only specific aspects of each bank's policies.

Societe Generale¹¹ will not directly finance thermal coal mining, transport, transformation, trading, and thermal-coal power production and associated infrastructures, including transport and distribution infrastructures directly linked to coal power plants. Societe Generale will not finance companies developing, or planning to develop, new thermal coal mines, new coal-fuelled power capacities strictly above 300 megawatts or new transportation projects dedicated to Thermal coal. Societe Generale considers acquisition of thermal coal assets as expansion if the company does not commit to cease operating these assets within a reasonable period. Societe Generale announced that from the end of 2021 it would not finance companies that have not communicated a transition plan aligned with its 2030/2040 phase-out commitment.

BNP Paribas¹² does not finance power companies adding coal-fired power plants to their portfolios, irrespective of other capacity that could be dismantled and/or sold. BNP Paribas will not finance mining entities that are developing or are planning to develop thermal coal extraction capacities (new mines or expansion of existing ones).

Crédit Mutuel¹³ has defined relative and absolute thresholds to exclude companies overexposed on thermal coal: Annual coal production (> 10 million tonnes); Installed coal power capacity (> 5 gigawatts); Coal share of revenue (> 20 per cent); Coal share of power production (> 20 per cent).

Engagement questions for investors

- Will UBS commit to exclude companies expanding thermal coal capacity?
- Will UBS commit to phase out its financing of thermal coal by 2030 in OECD countries and 2040 in non-OECD countries at the latest, and require coal companies to publish a coal phase-out plan aligned with this timeline?

Oil & gas: UBS’s policy is silent on expansion and exceptions significantly weaken financing restrictions for unconventional oil & gas

General oil & gas – restrictions for oil & gas regardless of the source (conventional and unconventional)

Meets criteria	Technical exception(s)	Material exception(s)	No commitment
Key pillars		Criteria	Assessment
Asset finance	Exclusion of dedicated financing for exploration and development of new oil & gas fields and related midstream infrastructure.	UBS is not yet restricting dedicated financing for exploration and development of new oil & gas fields.	
Client expansion activity	Exclusion of financing to companies developing new oil & gas fields (implementation by end of 2023).	UBS has not indicated it is planning to restrict financing for companies developing new oil & gas fields.	
Client transition plan	Requirement for companies to publish a transition plan including a commitment not to explore for and develop new oil & gas fields.	UBS doesn’t require oil & gas clients to publish transition plans.	

Unconventional oil & gas – restrictions for Arctic oil & gas, fracking, oil sands, and ultra-deepwater oil & gas

Meets criteria	Technical exception(s)	Material exception(s)	No commitment
Key pillars		Criteria	Assessment ⁴
Scope and definitions	Arctic oil & gas is in scope.	UBS restricts financing for Arctic oil & gas.	
	Definition of the Arctic region in line with the Arctic Assessment and Monitoring Programme (AMAP).	UBS’ disclosures don’t include a definition of the Arctic region.	
	Fracking is in scope.	UBS has not implemented financing restrictions for fracked oil & gas.	
	Oil sands is in scope.	UBS restricts financing for oil sands.	
	Ultra-deepwater oil & gas is in scope.	UBS has not implemented financing restrictions for ultra-deepwater oil & gas. The bank only conducts enhanced due diligence for transactions related to this segment.	

⁴ Apart for ‘Scope and definitions’, the assessment and colour coding apply to segments covered by the bank’s policy.

<p>Asset finance</p>	<p>Exclusion of dedicated financing to new upstream and midstream projects and expansion of existing projects.</p>	<p><u>Arctic oil & gas</u>: UBS will not provide financing where the stated use of proceeds is for new offshore oil projects in the Arctic. The policy doesn't cover gas projects, onshore oil projects, and expansion of existing offshore oil projects. It also doesn't cover midstream projects related to Arctic oil & gas.</p> <p><u>Oil sands</u>: UBS will not provide financing where the stated use of proceeds is for new and existing oil sands projects. The policy doesn't restrict financing for midstream projects related to oil sands.</p>
<p>Corporate finance thresholds</p>	<p>Restrictions of general corporate purpose financing based on relative threshold (revenues from upstream unconventional oil & gas and related midstream activities).</p>	<p>UBS will not finance companies with more than 20 per cent of production or reserves related to Arctic oil or oil sands. Arctic gas is not covered by this restriction and midstream activities are out of scope for both Arctic oil and oil sands. The policy also exempts clients that "have a transition strategy that aligns with the goals of the Paris Agreement" and transactions "related to energy or clean technology". These exceptions significantly weaken the policy due to the risk of financing leakage across the corporate structure.</p>
<p>Phase-out commitment</p>	<p>Phase out of financing on an accelerated timeline.</p>	<p>UBS has not committed to phase out its financing of the unconventional oil & gas segments covered in its policy, which leaves the bank exposed to these high-risk segments on an open-ended basis.</p>

Comparison of UBS's oil & gas policy against selected peers and leading practice (★)

General oil & gas – restrictions for oil & gas regardless of the source (conventional and unconventional)

Bank	Asset Finance		Corporate Finance		Phase-out	Client Transition Plans		
	New fields	Midstream	New fields	Midstream		Required	New fields	By
UBS	N	N	N	N	N	N	-	-
Barclays	N	N	N	N	N	N	-	-
BNP Paribas	Y**	N	N	N	N	Assessed	-	-
Credit Suisse	N	N	N	N	N	N	-	-
★ Danske Bank	Y	N	Y	N	N	Required	Y	2023
HSBC	Y**	Y*	N	N	N	Expected	N ⁽¹⁾	2023/2024
★ La Banque Postale	Y	Y	Y*	Y*	Y*	Required	Y	2021

Unconventional oil & gas – restrictions for Arctic oil & gas (A), fracking (F), oil sands (O), and ultra-deepwater oil & gas (D)

Bank	Asset Finance		Corporate Finance		Phase-out	Arctic definition
	Upstream	Midstream	Relative threshold	Midstream		
UBS	(O,A)**	N	(O,A)**	20% reserves or production	N	N
Barclays	(A,F**,O)	(A,O)*	(A,F**,O*)	10%-50% revenues ⁽²⁾	N	Y**
★ BNP Paribas	(A,F,O)	(A,F,O)	(A,F,O)**	10% reserves or revenues	N	Y
Credit Suisse	(A)	(A)	(A,O)**	5-25% revenues	N	(A)**
★ Danske Bank	(A,F,O,D)	N	(A,F,O,D)**	5% revenues	N	(A,F,O,D)**
HSBC	(A,O**,F**,D)	(A,O,F,D)*	(A,F,D)**	'substantial' / 10% prod.	N	Y*

* indicates exceptions. ** indicates material exceptions that significantly weaken the policy; (*) and (***) indicate exceptions or material exceptions that apply to all segments in brackets. For the definition of the Arctic region specifically, Y indicates a definition aligned with the AMAP, Y* indicates a narrower definition including onshore and offshore activities, ** indicates a narrower definition with limited coverage of offshore and/or onshore activities.

(1) HSBC considers clients' plans related to the exploration and development of new oil & gas fields but doesn't require plans to include a commitment not to develop new fields.

(2) Barclays' threshold for Arctic oil & gas and fracking (primarily engaged) are assumed to be equivalent to 50 per cent or more for the purpose of this analysis. Barclays also restricts finance to clients that majority own or operate oil sands exploration, production, or processing and have revenues above 10 per cent.

Leading practice examples

The following examples highlight only specific aspects of each bank's policies.

La Banque Postale¹⁴ no longer finances oil & gas projects and companies listed on the Global Oil & Gas Exit List, except where financing is related to renewable energy, or the company has published a credible transition plan to phase out oil & gas by 2040. These transition plans must prohibit the development of new oil & gas projects and any existing developments should not last beyond 2030. La Banque Postale's asset finance and corporate finance restrictions apply to conventional and unconventional oil & gas, which the bank defines as fracked oil & gas, oil sands, extra-heavy oil, ultra-deepwater oil & gas (at least 1,500 metres below sea level), and Arctic oil & gas. Its definition of the Arctic region is aligned with the AMAP.

Danske Bank¹⁵ has committed not to provide project finance for the expansion of oil & gas exploration and production. This applies to conventional oil & gas, unconventional oil & gas (defined as oil sands and shale oil & gas) and frontier oil & gas (defined as Arctic oil & gas and ultra-deepwater oil & gas). Danske Bank defines the Arctic region as everything north the Arctic Circle, which is not as robust as the AMAP. Danske Bank also restricts financing to exploration and production companies that generate more than 5 per cent of their revenues from unconventional or frontier oil & gas, unless the financing is ringfenced for renewable energy or carbon capture, utilisation, and storage activities. In January 2023, Danske Bank announced that it will not offer refinancing or new long-term financing to any exploration and production company that does not set a credible transition plan in line with the Paris Agreement, including a commitment not to expand supply of oil & gas beyond what was approved for development by 31 December 2021.

BNP Paribas¹⁶ will no longer provide products and services and no longer invest in companies with more than 10 per cent of their activities in tar sands and shale oil & gas or deriving more than 10 per cent of their activities from the Arctic region. BNP Paribas' definition of the Arctic region is in line with the AMAP with an exception for Norwegian operated areas.

Engagement questions for investors

- Will UBS commit not to provide dedicated financing for exploration and development of new oil & gas fields and publish a plan to restrict financing for new oil & gas at the corporate level?
- Will UBS require oil & gas clients to publish transition plans by a specific date, setting out red lines for it, and specifying that these plans must prohibit the development of new oil & gas fields?
- Will UBS align its definition of the Arctic region in line with the Arctic Assessment Monitoring Programme, including both onshore and offshore areas, and both oil and gas?

Identification and integration of climate-related risks

UBS wants to support clients in their net-zero transition, but how it assesses their transition plans is unclear

Meets criteria	Partially meets criteria	No commitment
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Key pillars	Criteria	Assessment
Emissions disclosures	Requirement for clients to disclose scope 1, 2, and 3 emissions (for sectors where scope 3 emissions are material, such as fossil fuels) to enter or renew a relationship or execute a transaction.	UBS doesn't require clients to disclose emissions during the client onboarding/renewal process or to enter transactions. Where needed for its financed emissions disclosures and targets, UBS estimates emissions from clients with "data available in their own disclosures, data from specialized third-party providers and internal data". While climate disclosures are progressively becoming mandatory in several jurisdictions, banks are ideally positioned to require emissions disclosures from companies and contribute to addressing data challenges.
Client transition plans	Requirement for clients to provide a transition plan that is assessed against specific criteria consistent with 1.5C pathways.	It is unclear if UBS requires clients to produce transition plans and what criteria is used to assess them. The bank has indicated that it "proactively and constructively provide[s] feedback and support to our corporate clients on their net zero-aligned transition strategies, plans and progress". As discussed in the fossil fuel policies section, the bank also requires companies overly reliant on certain sectors to have a "credible transition strategy". However, the bank has not defined what would constitute a credible transition strategy.
Climate-adjusted returns	Implementation of mechanisms to adjust economics of transactions based on climate-related metrics (e.g. internal carbon price, adjusted risk-weighted assets, adjusted credit rating, etc.).	UBS' stated goal is a "full integration of sustainability and climate risk into [the] firm's traditional risk management frameworks". The bank's plan to achieve this includes quantitative indicators such as "climate-related credit limits" and an "integration of climate risk considerations into the credit lifecycle, including onboarding, deal review, collateral valuation, and periodic credit processes".

Leading practice examples

The following examples highlight only specific aspects of each bank's position.

Ten out of 25 banks covered in ShareAction's 2022 banking survey¹⁷ require clients involved in thermal coal to have a thermal coal phase-out strategy that aligns with their own phase-out commitment. **La Banque Postale** and **Danske Bank** also require oil & gas clients to produce transition plans including commitments not to expand oil & gas capacity (see fossil fuel policies section). These are illustrative examples of how client transition plans can be integrated in banks' policies.

Credit Suisse¹⁸ was one of the first European banks to introduce a framework to assess clients' transition plans. In 2020, the bank launched the Client Energy Transition Framework (CETF), a methodology to categorise clients according to their energy transition readiness on a scale from 'Unaware' to 'Green'. The CETF now covers eight sectors: oil & gas, coal mining, power generation (fossil fuel related), shipping, aviation, commodity trade finance (fossil fuel related), petrochemicals, and agriculture. It categorises clients based on sector-specific criteria that use quantitative and qualitative indicators. While Credit Suisse does not explicitly require clients to provide transition plans, it will not provide new lending or capital markets underwriting to companies which, at a minimum, don't "collect carbon emissions", among other criteria. However, timelines and mechanisms to phase out, upgrade, or downgrade clients are not specified, and while Credit Suisse has unveiled some of the assessments it uses to categorise clients, each category's minimum requirements are unknown.

Groupe BPCE¹⁹ has rolled out an internal 'green weighting factor' that scores the environmental impact of assets it finances across all sectors except financials. The bank uses this mechanism to increase the risk-weighting of facilities that have a negative environmental and climate impact.

Engagement questions for investors

- Will UBS require clients to disclose scope 1, 2, and 3 emissions (for sectors where scope 3 emissions are material, such as fossil fuels) when it enters or renews a relationship or executes a transaction?
- Will UBS require clients operating in carbon-intensive sectors to publish a transition plan, and publish the criteria and minimum level of ambition that guide the bank's assessment of these plans?

Climate opportunities

More transparency is needed on UBS’ sustainable finance activity

Meets criteria	Partially meets criteria	No commitment
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Key pillars	Criteria	Assessment
Standalone green finance target	Set a green finance target that is clearly separated from broader ‘sustainable’ finance commitments.	On top of its aspiration to achieve US\$ 400 billion invested assets in sustainable investments (target not in scope of this assessment), UBS set an objective to secure 100 green, social, sustainability, and sustainability-linked bond mandates in 2022 and reconducted it in 2023. These are defined as debt instruments with a commitment to use the proceeds to finance green or sustainable projects in line with (but not limited to) the International Capital Markets Association (ICMA) principles. The bank has not set sub-targets across green, social, and sustainability. A more granular green finance target would foster transparency and comparability against the scale and pace at which clean energy investment needs to be delivered in 1.5C scenarios.
Transparent green finance disclosures	Transparently communicate on green finance volumes with a breakdown by sector or by activities, types of financing, products and services, geography, and division.	UBS discloses year-on-year progress against its target to arrange 100 green, social, sustainability, and sustainability-linked bonds annually, but it doesn’t provide a breakdown of volumes by sector/activity, geography, or type of instrument (green, social, etc.).
Eligibility of products and activities	Transparently communicate what financial instruments and sectors are eligible for categorisation as ‘green finance’. Avoid natural gas and nuclear taxonomy criteria to guide green finance decision-making.	UBS provides limited information about the eligibility of products and activities through a reference to the ICMA principles and its Green Funding Framework, which governs how the bank raises green funding to support its sustainability objectives. The Green Funding Framework considers “a variety of funding products [...] including bonds, derivatives, deposits or similar financial products”. The framework is transparent in terms of eligible activities. This cover only one asset category – green buildings.

Leading practice examples

The following examples highlight only specific aspects of each bank's position.

BNP Paribas²⁰ has set multiple sustainable finance targets, including a target to provide at least €200 billion to support clients' transition to a low-carbon economy by 2025. The bank has also committed to provide €30 billion in financing to the renewable energy sector by 2025.

Barclays²¹ publishes an ESG Data Hub which provides a clear overview of green finance volumes, including a breakdown by type of financing, geography, and division. These disclosures are also clearly mapped against the bank's targets and progress is reported yearly.

Engagement questions for investors

- Will UBS set a green finance target that is clearly separated from its broader sustainable finance target?
- Will UBS report on progress against its sustainable finance target year-on-year and provide a breakdown of sustainable finance volumes by sector/activity and geography?

Executive remuneration

Net zero unlikely to be a key incentive for executive board members

Meets criteria		Partially meets criteria		Does not meet criteria	
Key pillars	Criteria	Assessment			
Climate-linked remuneration	Remuneration at the executive level is linked to climate-related individual objectives and/or key performance indicators (KPIs) as part of short-term variable compensation plans and/or long-term incentive plans. Applied to all relevant executive directors.	UBS integrates explicit sustainability objectives into the non-financial goal category of the group CEO and Group Executive Board scorecards, including climate-related goals under the priority “Planet”. This impacts the annual performance award, which applies to both short- and long-term, with 80 per cent deferred over the long-term.			
Adequate weighting	Climate-related KPIs are separated from other sustainability objectives and given appropriate weight.	Non-financial objectives are given a 30 per cent weighting, with ESG as one of six subcategories. Within ESG there are three priorities, one of which is “Planet”. All “aspirational goals” within Planet are related to net-zero. Whilst it is positive that net zero objectives are clearly separated, the weighting given to these is likely very low ⁵ .			
Relevant metrics	Climate KPIs or objectives are clearly defined, action-oriented, and measurably linked to core components of climate strategy such as portfolio decarbonisation targets and sector policies.	UBS provides an overview of metrics and progress achieved in 2022 including climate-related goals. Three goals link to operational emissions, which are a small portion of banks’ overall climate impact. Positively, UBS includes an objective for its decarbonisation targets, but this is backward looking. Overall, its “aspirational goals” are vaguely defined making it challenging to assess different levels of performance.			
Proactive disclosure	KPIs and weightings are disclosed in advance, rather than retrospectively, to ensure accountability.	UBS only discloses its compensation framework retrospectively. However, its climate objectives are multi-year aspirational goals (e.g., 2030 decarbonisation targets) so will remain the same for the coming year.			

⁵ If weighting is equally proportioned between all criteria, a rough estimate suggests these net zero goals under Planet would comprise just 1.67 per cent of the total factors used to determine the Group Executive Board’s compensation.

Leading practice examples

The following examples highlight only specific aspects of each bank's position.

NatWest²² discloses specific climate-related KPIs to assess executive directors on their performance against its climate ambitions. It discloses a transparent scale used to determine performance relative to KPIs and the bonus level awarded. Climate-related KPIs are assigned an overall 10 per cent weighting in the annual bonus award (short-term compensation), with a specific weighting is disclosed for each KPI. NatWest revises KPIs annually, with new KPIs and weightings disclosed ahead of the coming financial year. Most of the criteria link to core aspects of NatWest's climate strategy. In 2022, for example, it assigned a 4 per cent weighting each to the timely publication of a climate transition plan and meeting a quantitative target for climate and sustainable finance for the year.

Engagement questions for investors

- Will UBS assign individual weightings to climate-related criteria as part of its variable remuneration policy and ensure this is adequate to drive Executive Board performance on climate?
- Will UBS clearly set out how it measures performance against climate-related criteria to determine the level of compensation awarded?

Lobbying transparency and governance

UBS is reasonably transparent about its public policy engagement but holds back from explicitly committing to lobbying in line with 1.5C

Meets criteria	Partially meets criteria	Does not meet criteria
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Key pillars	Criteria	Assessment
Public commitment	Explicit commitment to ensure direct and indirect lobbying is aligned with the goal of limiting global temperature rise to 1.5C.	UBS has not committed to align its direct or indirect lobbying with its net zero commitments.
Transparency	Discloses lobbying activities on material climate, energy, and sustainable finance policy, including policy positions; policy submissions; direct and indirect lobbying; and trade associations.	UBS discloses a comprehensive list of its key engagement activities for 2022, including outcomes and updates of indirect lobbying activities through trade associations ²³ . It discloses broad positions on sustainable finance policies, and more specific positions through its asset management arm ²⁴ . It discloses a list of trade associations that engage on sustainability issues.
Trade association governance	Governance process in place to deal with any differences between own policy positions and those of its trade associations, including a regular audit and escalation procedure.	UBS states that its “sustainability and climate governance ensures alignment of the engagement [with governments and regulators]” however this does not specifically mention its trade associations ²⁵ . It does not appear to review its participation in trade associations, nor does UBS explain how it governs any areas of misalignment on climate or sustainable finance, such as by having an engagement strategy or escalation procedure in place.
Trade association reporting	Regularly discloses, in a publicly accessible location, results of trade association audit, identifying areas of misalignment and any actions taken to address these.	UBS does not publish an accessible review of its trade association memberships, including any policy positions and whether they align with its own. It does confirm it assesses alignment of its trade associations within its CDP report, but its discussion of where positions differ and if it is attempting to influence any positions is highly limited ²⁶ . This disclosure does not appear to cover all trade associations that UBS has a relationship with, according to InfluenceMap data ²⁷ .

Leading practice examples

The following examples highlight only specific aspects of each bank's position.

Barclays²⁸ publishes its responses to government consultations and position papers globally on the issues it is principally engaged, including some climate-related consultations. It also discloses the total number of meetings with ministers or commissioners in the UK and EU, the number of trade associations it has paid fees to, and the number of consultations it has responded to. It is one of just two banks in our recent survey to have a clear public commitment to advance its climate change policy through its trade associations, including outlining that it is prepared to end relationships with trade associations that adopt a material position that is irreconcilable with its values or strategy²⁹. However, the bank does not outline a governance process or escalation procedure for this commitment, or report against it through a regular audit of trade associations.

None of Europe's top 25 banks met all our expectations on climate-related lobbying³⁰. However, other industries have stronger track records of providing transparency on and accountability for their public policy engagement. A review of company disclosures on industry association lobbying by **InfluenceMap**³¹ provides many examples of good practice from different companies. Ten companies publish an annual review of their industry association memberships; three companies have a clear framework for assessing alignment with industry associations and comprehensively explain how this applies to each industry association. Mining multinational **BHP**³² was the only company in InfluenceMap's assessment to disclose a clear framework for addressing misalignment, including a clear and time-bound escalation process and a list of actions it is undertaking to engage with associations of which it has decided to remain a member.

Engagement questions for investors

- Will UBS explicitly commit to ensure its direct and indirect lobbying aligns with the goal of limiting global temperatures to 1.5C and its own net zero commitment?
- Will UBS disclose a governance process to manage its indirect lobbying, including an escalation strategy for managing material differences on climate, energy, and sustainable finance policy positions?
- Will UBS publicly disclose a comprehensive annual audit of its trade associations' lobbying on climate issues, including a discussion on whether these align with its own views, and what specific action has been taken to address areas of misalignment?

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