

### **Sustainability developments in the banking sector**

Dr Christian Leitz, Head of Corporate Responsibility Management at UBS

UBS has put in place a comprehensive umbrella program called UBS and Society. UBS aims to make sustainability the everyday standard. The program is implemented through three pillars: "How we do business", "How we support our clients", "How we support our communities".

Dr Christian Leitz described the main issues related to sustainability developments in the banking sector:

- Risk/opportunity approach:

There is a shift of mindsets: UBS is going from a risk focused approach to a much more opportunity oriented approach: the focus lies on promoting sustainable investing .

- The management of CSR:

One of the first questions raised by ESG rating agencies (see below) refers to the governance: where does sustainability "sit" at management level, who is in charge implementing the sustainability agenda?

Governance is a critical aspect; CSR/sustainability needs to be embedded at the highest level. This is the case at UBS where the CCR Committee (Corporate Culture and Responsibility Committee) is chaired by the Chairman, and the CEO and the head of UBS and Society are permanent guests.

- CSR strategy and implementation:

The business case for sustainability at banks has two key constituents, the management of environmental and human risks and a responsible investment strategy.

CSR should not be mistaken with a narrow interpretation focused on donations. Today's concept is much broader, see for instance the EU's CSR strategy or Switzerland's position on CSR. CSR needs to be embedded in the client / business space. It is therefore critical to raise the awareness level of clients and employees on CSR.

The goal is to embed CSR in the corporate culture. There are also specific trainings for client advisors. This kind of training is a way to improve conversations on sustainability with clients.

Environment and human rights controversies are identified as part of UBS's standard risk and compliance program. If this check uncovers potential E&S risks, the case is then referred to the E&S risk team for further assessment. In 2015, 2,192 referrals were assessed by UBS's ESR unit, of which 73 were rejected or not pursued, and 371 were approved with qualifications.

- The financial products:

The goal is to make clients understand that they can achieve the same or even better returns with sustainable investing (SI) products compared to traditional products. And to improve understanding it is important that the financial and societal return of a particular SI product is easily understood. It is necessary to foot the approach to SI in financial materiality.

Wealth Management and Asset Management at UBS offer SI products and services for wealth management and institutional clients. Our teams provide thought leadership, advice and sustainable portfolio management, such as mandate solutions and separately managed accounts. We also offer impact investing products and arrange platforms, roundtables and networking events for our clients to exchange ideas and gather know-how. UBS Portfolio Screening Services are mainly offered to ultra high net worth clients to align their portfolios with their values by assessing portfolios along specific sustainability criteria.

- ESG / sustainability ratings

There are different sustainability or ESG rating agencies and methodologies (as is also the case for mainstream rating agencies). However, consolidation is under way, in particular because the interest in corporate sustainability (and its material aspects), including also in the financial sector, has increased.