Climate-Related Risk Definitions

Risk Type	Definition	Examples of Physical Risks	Examples of Transition Risks	Risk Mitigation Strategy
Strategic	Risk of monetary loss, diminished stakeholder confidence or negative impact to human capital due to ineffective strategy planning and/or execution.	Failure to achieve strategic objectives due to the impact of incorrect assumptions, inadequate planning and/or poor strategy execution regarding climate-related risks.	Failure to achieve strategic objectives due to inadequate preparation for regulatory and market changes or disruptive technological innovations.	Our Enterprise Risk Management framework facilitates the development of mitigation strategies to address physical and transition climate risk drivers.
Credit	Risk of loss in current or anticipated earnings due to borrower or counterparty failure to perform on an obligation.	Decline in asset quality due to severe weather-related events and its impact on repayment capacity and collateral values.	Decline in asset quality due to inadequate preparation for regulatory and market changes resulting in impacts to income sources.	United will consider industry and geographic concentrations vulnerable to climate change.
Market	Risk of loss in current or anticipated earnings due to mismatches in the duration of assets and liabilities, mismatches in the maturity buckets of the assets and liabilities or key rate duration, changes in the spreads between indices used to price asset and liabilities, and/or differences in behavior of the assets and liabilities, driven by the levels of market interest rates or convexity risk.	Changes in market conditions adversely impact asset valuations and market prices due to acute and chronic, longer term climate risks.	Disruptions are experienced in current and future cash flows due to market changes caused by a rapid transition.	Risk management processes are in place to help safeguard against the impact caused from market shocks and unexpected repricing events.
Liquidity	Risk of United's inability to obtain funds at a reasonable price within a reasonable time to meet financial obligations.	Deposit withdrawals, lack of cash for daily operational or business needs, and decrease in access to funding providers occurs due to an unexpected climate event.	Significant decline in liquidity sources or value of liquid assets due to transition risk drivers disproportionately affecting regions and sectors of the economy.	United's liquidity risk management framework continually monitors for market weaknesses and funding concentrations, in addition to liquidity forecasting and contingency funding planning.

Regulatory	Risk to earnings or capital arising from violations of laws, rules, or regulations, or from nonconformance with prescribed compliance practices, or ethical standards.	Decline in financial standing due to regulatory fines or penalties incurred for noncompliance associated with business and market disruptions from severe weather events.	Regulatory fines or penalties incurred for failing to meet new rules and evolving disclosure requirements.	Internal procedures such as compliance monitoring, internal audit, and ongoing regulatory changes tracking, as well as strong corporate governance and ethical standards help to mitigate compliance risks. In particular, United is proactively preparing for the forthcoming SEC disclosure rule and monitoring regulatory requirements currently applied or proposed only to larger financial institutions.
Operational	Risk of loss resulting from inadequate or failed internal processes, people, systems, or external events, including climate or environmentally related.	Increase in operating losses associated with damage to physical assets such as facilities, as well as business disruptions from outages internally or via third parties due to severe weather events.	Increase in operating costs due to internal process changes required for carbon reduction, climate resiliency and increased asset impairment due to climate change mitigation policies.	Our risk management framework includes regular capital scenario analyses to ensure the Company can withstand severely stressful conditions. Transition risks can be incorporated as appropriate.
Information Security/Technology	Risk associated with the use of confidential customer and internal data, and the adoption of Information Technology.	Increase in disruptions due to internal infrastructure system outages caused by severe weather events.	Increase in operating costs due to changes required for carbon reduction or climate resiliency.	Our Information Security and Technical Teams evaluate and manage risks associated with our use of technology. Company-wide Business Continuity/Disaster Recovery and Incident Response Plans ensure continuity of critical business operations during severe weather events.
Legal/Reputational	Risk associated with real or perceived negative publicity regarding business practices, products, services, transactions, or activities as well as increased risk of litigation and reduced revenue.	Increase in negative perceptions due to internal or client's inadequate management of climate-related risks such as a severe weather event which results in harmful environmental impacts due to poor mitigation or lack of protocols.	Increase in negative client, shareholder and/or public perceptions due to changing expectations of our transition to a lower-carbon economy.	Strong corporate governance, strategic planning and risk management practices help to ensure consistent monitoring and evaluation of stakeholder expectations and potential conflicts.