

# Corporate Responsibility

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**For us, corporate responsibility is integral to everything we do, meaning that we want to create value sustainably for all of our stakeholders.**

UBS has made corporate responsibility an important part of its culture, identity, and business model. Our approach is to focus on corporate responsibility issues that provide clear benefits to all our stakeholders – clients, employees, shareholders and the community. As a leading global financial services firm, we want to provide our clients with value-added products and services, promote a corporate culture that adheres to the highest ethical standards, while generating superior but sustainable returns for our shareholders.

UBS created a Corporate Responsibility Committee in 2001. It determines UBS's corporate responsibility and sustainable development policies, supports increased awareness of the issue, monitors the company's adherence to international standards, and advises the Group Executive Board and the Board of Directors. The committee is chaired by Marcel Ospel, Chairman of the UBS Board of Directors. The other committee members are Hans de Gier, Vice Chairman of the Board, Hans Peter Ming, Member of the Board, Peter Wuffli, President of the Group Executive Board, Marcel Rohner, CEO UBS Wealth Management & Business Banking, Donald Marron, Chairman UBS Americas, and Ken Costa, Vice Chairman UBS Warburg.

UBS has also endorsed and signed several related international charters. In 1992, we were one of the first signatories to the United Nations Environment Program's Bank Declaration. Since its signing, the declaration has had an extensive influence in setting environmental guidelines and practices for financial institutions. We are also an active member of the World Business Council for Sustainable Development (WBCSD), a coalition of 150 international companies who have committed themselves to integrating sustainability principles into their core businesses.

For us, as a public company, the sustainable creation of value implies strong and effective

corporate governance (see page 89 to 125). Furthermore, we are committed to protecting financial privacy, fighting money-laundering, being an equal opportunity employer, protecting the environment and contributing to the communities which we are a part of. Although laws may define minimum standards in many of these areas, simply meeting those minimum standards is not enough.

## **Creating long-term value for our shareholders**

At UBS, the value-based management framework views management as the custodian of shareholder wealth. This framework sees the creation of long-term shareholder value as resting on four, mutually supporting pillars. First, we ensure that business decisions are analyzed in terms of the value that they create. Second, the realized value creation is measured and compared with targets. Third, we have incentive systems in place to align the interests of managers with those of shareholders, including tying a meaningful part of total compensation to individual performance targets as well as encouraging managers and staff to become shareholders. Moreover, internal value driver projections and valuations are benchmarked against external assessments, stock market expectations, and leading analyst forecasts.

## **Safeguarding our clients' right to financial privacy and fighting money laundering**

Trust is critical for a global financial services provider. It requires a corporate culture that promotes behavior consistent with the highest ethical standards. To enhance the trust placed in us, it is vital that we protect our clients' legitimate right to financial privacy while preventing the abuse of our services by criminals or terrorists.

Because of the growing importance of advisory-based financial services and regulations regarding the exercise of due diligence, financial institutions are gathering more and more information from and about their clients. Unsurprisingly, public and private sector agents are showing a strong appetite for that data, and clients are increasingly worried about its misuse. Financial privacy, as with medical and other forms of personal privacy, are privileges enjoyed by citizens living in a modern, democratic society. At UBS, we firmly believe we should uphold and defend our clients' right to safeguard their private financial information from third party interests.

At the same time, the right to financial privacy should not, in any circumstances, be a channel by which criminals can misuse our services. Switzerland's "know your customer" and other regulations concerning the exercise of due diligence are among the most stringent in the world, and effectively prevent the abuse of banking services by criminals. Banks have to verify the identity of their contracting parties and establish the beneficial owners of assets and must notify the authorities whenever they either have knowledge or a founded suspicion that assets are of criminal origin, are under the control of a criminal organization or might be used for criminal purposes.

Based on these legal standards, we have established an effective internal framework to prevent the mishandling of our services by criminals. For instance, UBS Wealth Management & Business Banking has developed an IT-based tool known as the "Compliance Register". It assists client advisors when they are in the process of acquiring new clients as it holds information about Politically Exposed Persons (PEPs) and other exposed personalities. The tool helps client advisors ensure that if UBS establishes or maintains a business relationship with an individual determined to be a PEP, they do so only after having made a clear decision backed up by extensive knowledge of the client in question. This is achieved by undertaking as thorough a due diligence exercise as possible. Access to and control of the register has been structured to meet the requirements of all applicable laws and regulations – most importantly those regarding confidentiality and data protection. Client advisors in all UBS Wealth Management & Business Banking locations can make search queries with

the tool. The Financial Intelligence Unit (FIU), a dedicated compliance team maintaining the register, is automatically notified if and when any queries match with names on its database.

We are also strongly committed to promoting stringent anti-money laundering standards for the financial industry as a whole. As an example of that, we were one of the driving forces behind the launch of the Wolfsberg Anti-Money Laundering Principles in 2000. The principles are designed to ensure that private banking services are only offered to clients with legitimate sources of wealth – with the same high standards applied globally. Following the terrorist attacks of September 11, 2001, the Wolfsberg Group, comprising major global financial institutions together with Transparency International, released a statement in which member banks committed themselves to efforts that support authorities in their fight against terrorism finance.

In 2002, UBS and the other members of the Wolfsberg Group worked to develop and issue a set of principles on the establishment and maintenance of correspondent banking relationships. The principles, designed to prevent criminal abuse of correspondent banking relationships, were issued in early November 2002 and were positively received by regulators worldwide. In the new principles, Wolfsberg adherents commit to refrain from offering any of their products and services to so-called "shell banks". Such entities are often based in less regulated jurisdictions, and frequently cited by regulators around the world as a cause for concern when attempting to tackle criminal abuse of the financial system.

### **Creating an equal opportunity environment for our employees**

An important part of our success as a firm is the fact that our corporate culture blends the best influences of its diverse roots and encourages diversity. Our goal is to attract and retain the most talented and motivated individuals by offering them a rewarding and challenging environment. By encouraging individual success, we allow employees to develop their skills and progress within our organization. One of our competitive strengths is the ability to leverage the skills and knowledge of our staff across the 50 countries in which we operate. In order to fully take advantage of that, we have appointed

a Global Head of Diversity for the Group. At the same time, we have established Business Group-specific regional and global diversity initiatives. In Switzerland, for example, comprehensive intercultural training is part of our management development program.

Internal women's networks are another example of our efforts to promote diversity throughout the firm and across hierarchies. At UBS they have been or are being created around the world. In Switzerland, the United States, the United Kingdom, and Asia Pacific, all-women's networks provide a forum for their members to support each other as they advance in their careers. For instance, in 2002 the UK chapter of All Bar None (UBS Warburg's women's network in the UK and the US) held a networking conference in 2002 called "Leadership in Practice" that attracted approximately 300 attendees.

### Investing in our communities

The success of UBS depends not only on the skills and resources of our people and the relationships we have with our clients, but also on the health and prosperity of the communities of which we are part. We directly benefit from a stable political and social environment, modern infrastructure and a good education system. Furthermore, community programs create benefits for a company's reputation, and increase its appeal to its clients.

UBS supports communities by making direct cash donations to organizations, by employee volunteership and matching donations made by employees to selected charity funds. We have set up several community affairs programs which are organized at a regional level in order to remain responsive to local expectations. All community investments are clearly focused and concentrate on education, social and community development, as well as environmental protection. UBS encourages its employees to be actively involved in the community and to contribute time and skills to help the causes they care about. In the UK for example, we allow two working days a year for permanent employees to volunteer, subject to line manager approval.

In July 2002, UBS Warburg was presented with a Business in the Community Award for Excellence – the highest accolade in the UK for corporate community involvement – by HRH the Prince of Wales.

On another level, the UBS Optimus Foundation harnesses the expertise and the capabilities of UBS as a global financial services company by supporting clients when they express a desire to contribute to worthy causes. Since its launch over three years ago, the foundation has concentrated its investments in a select number of programs and organizations – all of which focus on people. The total number of projects is now twelve, divided into the categories of children and talents as well as medical research – running from one that aims to re-integrate Brazil's street children in society to another that finances a Swiss cancer research project.

### Promoting environmental awareness

Environmental protection is one of the most pressing issues facing our world today. Consequently, it poses a challenge to companies, industries and sectors. At UBS, we remain committed to further integrating environmental considerations into all our business activities. To make this happen, our environmental policy focuses on taking advantage of environmental market opportunities, and considering environmental risks in our risk management processes, especially in lending and investment banking. In corporate services, we actively look for ways to reduce the direct environmental impact of our business activities.

Following increasing demand from clients, UBS Global Asset Management has developed expertise in incorporating environmental and social aspects into its investment research. Focusing on the concept of sustainability, UBS offers several socially responsible investment products to both private and institutional investors. The most important is the "UBS (Lux) Equity Fund – Eco Performance", which was launched in 1997. This fund invests worldwide in stocks of exemplary sector leaders and forward-looking small and medium-sized companies with superior financial, environmental and social performance.

Adequate assessment of the risk involved in an investment banking transaction is crucial to its success. Although financial considerations dominate the assessment of the overall risk of any proposed transaction, environmental aspects can also be meaningful. Based on its Global Environmental Risk Policy, UBS Warburg has

introduced processes that allow early identification of environmental risks in transactions. Initially, environmental factors are screened by the corresponding investment banking staff. If there are indications of heightened environmental risk, external specialists are called in to investigate them as part of the overall due diligence process. Also in the Swiss lending business, a careful review of financially relevant environmental aspects is an important part of UBS's credit risk analysis.

UBS's electricity consumption, the running of our heating systems, our paper consumption and business travel are the major factors that have a direct impact on the environment. The environmental management system helps us use our resources far more efficiently, cutting exhaust gas emissions and costs. As an example, last year in Switzerland, UBS completed a major project of replacing 18,000 printers and 1,400 photocopiers with 5,800 new, multifunctional machines, optimizing energy consumption. We believe the new energy-efficient machines will save 3.0–3.5 gigawatts a year, corresponding to approximately 1–2% of UBS's annual consumption of electricity in Switzerland. Also, during the installation process, we took the opportunity to encourage employees to cut their paper consumption by promoting wider use of recycled paper, and informing and training employees

about double-sided printing capabilities and other ways to save paper.

In 2002, SGS International Certification Services AG awarded us a three-year ISO 14001 re-certification for our environmental management system, and which covers our banking business and corporate services worldwide.

### Third party ratings

A number of different independent rating agencies that assess corporate responsibility programs across the world have rated UBS among the leaders in the field.

The Dow Jones Sustainability Group Indexes (DJSGI) have tracked, since 1999, the social, environmental and financial performance of companies in the Dow Jones Global Index that lead the field in terms of corporate responsibility. UBS has been part of the DJSGI since the index's inception and is the leader in the banking sector of the Dow Jones STOXX Sustainability indices, which track the performance of the top 20% of companies of the Dow Jones STOXX 600 index.

Also, UBS is included in the FTSE4Good Index, which measures global companies' performance in the areas of environmental sustainability, stakeholder relations and support for human rights.