

# Corporate responsibility

## Corporate responsibility contributes to UBS's goal of sustainable value creation.

As a leading global financial services firm, UBS is confronted with the concerns and expectations of a wide and diverse range of stakeholders. Along with clients, investors and employees, for example, various government regulators and suppliers can also be said to have a stake in the company to varying degrees. In a broader sense, the communities in which UBS has a presence are stakeholders too.

UBS takes the term "corporate responsibility" to mean the process of understanding, assessing, weighing and addressing the concerns and expectations of these groups. This process supports UBS in its efforts to safeguard and advance the firm's reputation for responsible corporate conduct. In very direct ways, responsible corporate conduct helps create sustainable value for the company.

The crisis faced by the financial services industry made it difficult for the firm to do as much as it would have liked to fulfill its stakeholder expectations. Still, as can be seen from the examples given below – from anti-money laundering to community development and human rights to protecting the environment – UBS continued with a wide range of important and effective corporate responsibility-related activities during 2008. Even in difficult times, UBS remains convinced that corporate responsibility makes good business sense.

### Adherence to the United Nations Global Compact initiative

In 2000, UBS became one of the first companies to sign the United Nations (UN) Global Compact. This global corporate responsibility initiative unites governments, business, labor

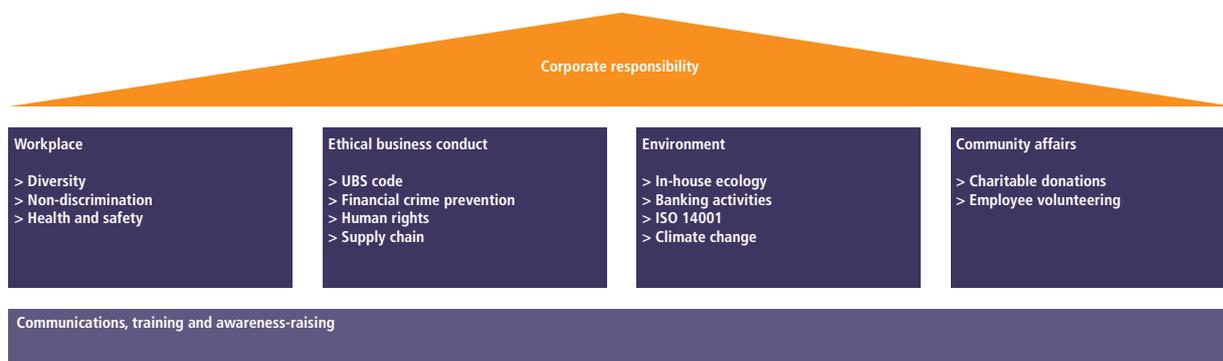
organizations and civil society, fostering adherence to 10 principles covering the areas of human rights, labor standards, the environment and anti-corruption. UBS considers the initiative, which had over 5,200 corporate participants at the end of 2008, to be an important yardstick providing guidance for its key corporate responsibility initiatives and activities. In addition, by participating in the Swiss UN Global Compact network, UBS contributes actively to important corporate responsibility discussions across industrial sectors among Swiss-based companies.

### Labor standards and human rights

UBS has well established human resources policies and practices that address issues such as employment, diversity, equal opportunity and discrimination. Such policies also tackle human rights issues, as do policies relating to health and safety practices. UBS's human resources policies and practices are regularly reviewed to ensure that labor standards are respected.

In line with the firm's endorsement of the UN Global Compact and its underlying principles, UBS adopted a statement supporting basic human rights in 2006. The "UBS Statement on Human Rights" outlines important human rights issues and sets out the firm's position on the topic. In 2008, UBS reaffirmed its commitment to human rights by supporting the UN Global Compact's Chief Executive Officer statement, which marked the 60th anniversary of the UN's Universal Declaration of Human Rights. In 2008, UBS continued with the implementation of its human rights statement with the introduction of a responsible supply chain guide-

## Operational corporate responsibility at UBS



line. It also continued the development of industry sector guidelines to support the consistent identification and assessment of environmental and social risks in the firm's banking activities.

→ Refer to the "UBS employees" section of this report for more information on labor standards and diversity programs

→ Refer to the discussion on supply chain management and environmental risk management below for more information on the responsible supply chain guidelines and on industry sector guidelines

#### Environment

In 1992, UBS was one of the first signatories of the UN Environment Program's Bank Declaration (UNEP). This act committed the firm to integrating appropriate environmental measures within its activities. It has resulted in a well developed global environmental management system, certified to the ISO 14001 standard, which covers both banking activities and in-house operations. UBS acknowledges that climate change represents one of the most significant environmental challenges of current times. By offering relevant products and services across businesses, UBS seeks to help clients address risks and take advantage of opportunities presented by climate change and the expected transition to a lower carbon economy. With this in mind, UBS continued in 2008 to expand its offering of climate change-related products and services and to publish dedicated research reports. In addition, UBS seeks to lead by example by acting to reduce its own environmental impact. To this end, in 2006 the Group Executive Board (GEB) set a target to reduce the firm's carbon emissions through 2012 by 40% from 2004 levels. UBS continued in 2008 to make good progress towards achieving this target.

→ Refer to [www.ubs.com/environment](http://www.ubs.com/environment) for more information on UBS's environmental policies

#### Fighting corruption

UBS has long been committed to assisting the fight against money laundering, corruption and terrorist financing.

The firm employs a vigorous risk-based approach to its internal anti-money laundering (AML) process. (A "risk-based approach" means that the processes are continually tested to prove their effectiveness against the risks they are intended to address.) In early 2008 it also issued a revised Group Policy Against Corruption, setting out its zero-tolerance stance towards corruption and strictly prohibiting all forms of bribery by UBS and its employees, including so-called facilitation payments. At the same time, it issued more detailed guidance papers to address the following topics: guidance for employees who have connections to public officials; the hiring of political advisers; guidance on engaging intermediaries; and anti-corruption guidance in connection with corrupt activity by clients. Implementation of the policy

against corruption by the business divisions is well under way, and training materials developed by the Group Money Laundering Prevention Unit (GMLPU) have formed the basis for business division training modules that raise awareness of new and revised topics. In some instances web-based training programs have also been developed.

Although internal policies are an important support for UBS's high ethical standards, in practice the major risk for the firm in relation to bribery is not so much employee behavior as the potential misuse of UBS systems by clients to perpetrate bribery. Many firms, including UBS, continue to face the legal, regulatory and reputational risk of being used to collect, store or transfer corrupt funds. UBS's efforts to reduce the risk of misuse of its systems to perpetrate bribery will continue in 2009 and beyond.

→ Refer to the discussion on preventing money laundering below for more information on UBS's AML activities

#### External recognition

The firm's corporate responsibility work has been widely recognized, and UBS has been included in many indexes that track such efforts. It has, for example, been a component of the Dow Jones Sustainability Indexes since their inception in 1999. These indexes track the financial performance of the leading sustainability-driven companies worldwide. UBS is also included in the FTSE4Good Index, which measures the performance of global companies in the areas of environmental sustainability, stakeholder relations and support for human rights.

#### Corporate responsibility governance

The corporate responsibility committee was established in 2001 and, as a Board of Directors (BoD) committee, it supports the BoD's efforts to safeguard and advance UBS's reputation for responsible conduct. As part of the governance changes introduced by UBS in 2008, the committee's charter was revised and updated. Under the revised charter, the committee is mandated to review and assess how UBS should meet the evolving corporate responsibility expectations of its stakeholders. It also has responsibility for monitoring the firm's corporate responsibility policies and regulations, as well as the implementation of its corporate responsibility activities and commitments. Headed by the Chairman of the BoD, the committee includes three other BoD members. A new advisory panel to the committee has also been established consisting of members of the GEB and other senior managers. The panel participates in committee meetings and implements its recommendations. Meetings are held at least twice a year, with the agenda and documentation prepared by the committee chair and the corporate responsibility management function of UBS's chief communication officer area.

The GEB is responsible for UBS's environmental policy and nominates a Group environmental representative, a function currently held by the firm's Chief Risk Officer. A committee, comprising both Group and divisional environmental representatives, is tasked with overseeing the implementation of UBS's environmental policy and providing guidance to the different business divisions in their implementation of the "UBS Statement on Human Rights".

The GMLPU leads the Group's overall efforts in all aspects of money laundering prevention, including terrorism financing, sanctions and anti-bribery. It supports the Group General Counsel and the head of compliance in their functional responsibilities by providing, in conjunction with the compliance functions in the business divisions, reasonable assurance that UBS meets relevant regulatory and professional standards in its business conduct. It also defines, where appropriate, uniformly applicable minimum standards for AML as a whole. The GMLPU coordinates its work via various committees and specialist networks with the core committee being the global AML committee.

Regional diversity boards consider and decide on key regional issues, such as the regional diversity strategy and diversity goals and measures. The boards are chaired by senior managers and are also responsible for assessing the progress made on relevant issues. UBS's global community affairs activities are governed in a decentralized fashion. Every region has a dedicated community affairs function that coordinates charitable commitments by UBS, its senior management and employees within their region.

### Corporate responsibility: training and raising awareness

UBS strives to increase employee awareness of its corporate responsibility processes, activities and commitments. General information is published on the firm's intranet and in em-

ployee magazines. In 2008, 2,800 employees participated in training and awareness-raising activities dealing with corporate responsibility. Specific training is also given to staff working in the areas of AML and environmental management. It is mandatory for AML and compliance staff to complete a training program every two years, and new joiners in all UBS business divisions receive training in the issue of anti-corruption as part of their induction process. Furthermore, in 2008, 5,232 employees participated in training on environmental issues, with 3,905 receiving general education on UBS's environmental policy and programs, mostly in induction training, and 1,327 employees receiving specialist training targeted at their area of expertise and impact.

### Preventing money laundering, corruption and terrorist financing

UBS takes its responsibility to preserve the integrity of the financial system, and its own operations, very seriously. The firm has developed extensive policies intended to prevent, detect and report money laundering, corruption and terrorist financing. These policies seek to protect the firm, and its reputation, from those who may intend to legitimize their ill-gotten gains through UBS.

The GMLPU leads UBS's efforts to fight money laundering, corruption and the financing of terrorism. It does so by continuously assessing the threats and risks that UBS faces with respect to AML in all its businesses. It takes a risk-based approach, ensuring the firm's policies and procedures are commensurate with those risks, and that relationships that are classified as higher risk are dealt with appropriately. The firm constantly engages with its business divisions to ensure that these policies and procedures are adapted to their businesses and specific AML exposures, while also seeking to streamline and increase consistency between business divisions by using consistent methodologies and tools (for ex-

### UBS's corporate responsibility governance process



ample, the creation of a uniform country risk framework). UBS also seeks to ensure its employees adhere to the firm's strict know-your-customer regulations, while at the same time not treating clients *a priori* as criminals or undermining their right to privacy. Employees regularly undergo training in AML-related issues and new trends, be it through online training, awareness campaigns or seminars. UBS also utilizes advanced technology to assist in the identification of transaction patterns or unusual dealings.

Over the last few years, and as a core part of its risk-based approach, UBS has been particularly vigilant about enhancing controls with regard to regimes and countries with heightened risks. The need for increased vigilance has been underscored by the acknowledgement by the Financial Action Task Force (FATF) of the importance of country risk considerations in the risk-based approach, increasing international focus on corruption, and the need for the firm to manage its global security risk activity. As a result of these considerations, UBS has implemented a global sanctions policy, ceasing all business activities with a limited number of countries.

In 2008, UBS continued its engagement with the public sector and its peers to promote the development and implementation of AML standards for the financial industry as a whole, thereby contributing to wider efforts against money laundering. A notable achievement in this regard was made by the Wolfsberg Group, where UBS actively contributed to the FATF's development of its Guidance Paper on Weapons of Mass Destruction Proliferation Finance, as well as completing and on 14 January 2009 publishing its own trade finance principles paper. Wolfsberg Group's work is ongoing in the area of credit cards and stored value cards, the implementation of a new SWIFT message format to protect against the abuse of cover payments and a review of the Group's 2003 paper on monitoring, screening and searching.

### Supply chain management

In 2008, UBS spent over CHF 6.9 billion purchasing a wide range of products and services from suppliers and contractors around the world. UBS has established processes to manage environmental and human rights issues in relevant areas of its supply chain such as client gifts, IT equipment and energy sourcing. In order to further incorporate these issues into procurement processes, UBS has developed a supply chain guideline, which provides Group-wide guidance on identifying, assessing and monitoring supplier practices in the areas of human and labor rights, the environment and corruption. Examples of human rights issues that have been included are avoidance of child and forced labor, non-discrimination, remuneration, hours of work, freedom of association, humane treatment, and health and safety. In 2008, the guideline was gradually applied to new contracts and contract renewals with suppliers. By the end of the year

around 100 suppliers had been screened according to the guideline's social and environmental criteria, and responsible supply chain requirements were included in the contractual arrangement with those suppliers who were awarded contracts. Also, some 170 procurement and sourcing officers were trained on the relevance and application of the new guidelines.

### Community investment

UBS, together with its employees, seeks to have a positive influence on the social and environmental well-being of the local communities in which it operates. The firm does this through its community affairs program.

This program encompasses activities such as direct cash donations to selected organizations, employee volunteering, matched-giving schemes, in-kind donations, disaster relief efforts and/or partnerships with community groups, educational institutions and cultural organizations. UBS has dedicated teams around the world which work closely with staff at all levels to build partnerships with organizations in the communities, focusing on the key themes of "empowerment through education" and "building a stronger community".

Overall, in 2008, UBS and its affiliated foundations donated nearly CHF 46 million to support charitable causes. UBS employees, through their donations and volunteer efforts, also made significant contributions to the communities they live in. Last year, almost 9,300 employees spent 84,700 hours volunteering. UBS supports their commitment by matching their donations and offering up to two working days a year for volunteering efforts.

UBS has also established a number of foundations and associations that donate money to worthy causes in Switzerland. The association *A Helping Hand from UBS Employees* helps disabled and disadvantaged people lead active, independent lives. UBS encouraged this employee involvement by matching the funds raised in 2008. The *UBS Cultural Foundation* fosters creativity, appreciation of different forms of art, and contact between artists and society. The foundation provides financial support for fine arts, film, literature, music, preservation of historic buildings, archaeological projects and research in history and philosophy in Switzerland. In similar fashion, the purpose of the *UBS Foundation for Social Issues and Education* is to support deprived communities in Switzerland in various forms. Non-profit, charitable organizations, projects and initiatives aiming at improving social welfare receive monetary assistance from these funds.

#### Client foundation

Besides the engagement of the firm and its employees, UBS also provides its clients with the opportunity to contribute to charitable causes. The UBS Optimus Foundation invests donations from UBS clients into a number of programs and

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## Examples of UBS's global community affairs in 2008

**Americas:** In partnership with Northwestern University, UBS launched a program to identify and develop future leaders in the non-profit sector. According to the Donors Forum of Chicago, the non-profit sector will see a large turnover in its local and national executive leadership in the next five years, with nearly 60% of executive directors set to retire. This program produced its first graduates in 2008 and four UBS fellows took classes at Northwestern and were mentored by a UBS senior executive.

**Asia Pacific:** UBS launched the first *Community Leadership Experience* program at the India Service Centre in Hyderabad. This initiative aims to build the capacity of leaders from the non-profit sector using the expertise and human resources of UBS and to provide them with a platform for

dialogue, discussion, sharing and learning. Modeled on UBS leadership programs, it gave 20 promising young leaders from the non-profit sector a chance to learn from UBS and external speakers about topics related to leadership, governance, strategic planning, communication and mentorship.

**Switzerland:** Twenty employees volunteered for *Procap Sport*, an organization that promotes enthusiasm for sport among people with physical or mental disabilities. Volunteers supported participants in a broad range of sports activities. In another volunteering project, 200 UBS employees successfully participated at the eighth Finance Forum charity run to aid *Kispex* – a service providing home care for very sick, disabled and terminally ill children. UBS employees came in first in terms of numbers of

participants and donations collected.

**UK:** UBS continues to support an independent secondary school in Hackney, newly established in 2007, through the UK government's Academies program. A local school for students of all abilities, The Bridge Academy opened in September 2007 by welcoming 187 students, and by 2013 will cater to 1,150 students including 250 sixth formers. The school's ambition is to create an outstanding learning environment for students, staff and the local community. The Bridge Academy exemplifies UBS's commitment to improving the provision of education and to supporting regeneration efforts in the London Borough of Hackney.

→ Refer to [www.ubs.com/corporateresponsibility](http://www.ubs.com/corporateresponsibility) for more information on UBS's community affairs program

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organizations, focusing on the key themes of children and of medical and biological research. The projects involve close collaboration with respected partner organizations and are selected by a team of specialists within the foundation, who also closely monitor their implementation. The costs of managing and administering the UBS Optimus Foundation are borne by UBS, so that the full contribution of each client reaches the projects. In 2008, the UBS Optimus Foundation spent over CHF 17 million supporting 71 projects in Africa, Asia Pacific, Europe and North and South America.

### UBS and the environment

Through its commitment to the environment, embodied in its environmental policy, UBS aims to create long-term value for the firm and its clients and the communities they live in. The policy is based on five principles, under which the firm is continuously:

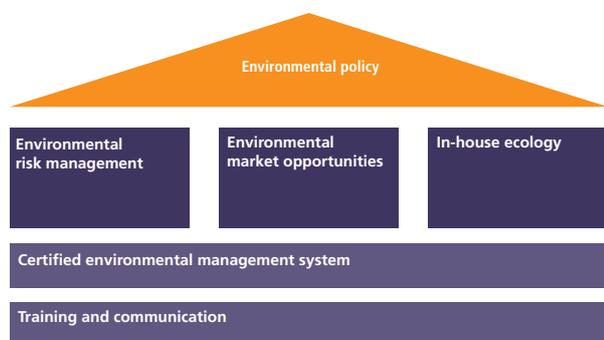
- seeking to consider environmental risks in all UBS businesses, especially in lending, investment banking, advisory and research, and UBS's own investments;
- seeking to pursue opportunities in the financial markets for environmentally friendly products and services, such as socially responsible investments;

- seeking ways to reduce UBS's direct environmental impact on air, soil and water from in-house operations, with a primary focus on reducing greenhouse gas emissions. UBS also assesses the environmental impact of its suppliers' products and services;
- ensuring efficient implementation of UBS's policy through a global environmental management system certified according to ISO 14001 – the international environmental management standard;
- integrating environmental considerations into internal communications and training.

### Environmental management system

UBS's environmental management system covers both its banking activities and in-house operations and has been certified under the ISO 14001 standard since 1999. ISO 14001 requires that the system be audited annually and re-certified every three years. UBS successfully passed the extensive ISO 14001 recertification audit in 2008. Conducted by Société Générale de Surveillance (SGS), 24 days of audits involving 163 employees were undertaken. SGS confirmed that a well-performing environmental management system, integrated in the organization and suitable for manag-

## The five principles of UBS's environmental policy



ing environmental risks and improving environmental performance on a continual basis, is in place.

### Environmental products and services

During the last ten years UBS has developed a range of products and services that meet or anticipate clients' needs in environmental and socially responsible investments (SRI). This offering currently stretches across UBS's businesses in wealth management, investment banking, asset management, and retail and commercial banking. It includes SRI funds, research and advisory services provided to private and institutional clients, access to the world's capital markets for renewable energy firms and, in Switzerland, "green" mortgages.

#### Investment products and advisory

In 2008, UBS continued to expand its SRI offering in response to growing demand from a number of markets, including

the launch of two new SRI products, the UBS (Lux) Equity Sicav – Emerging Markets Innovators and the UBS Strategy Certificate Energy Efficiency. UBS's SRI offering is diverse and includes products managed according to "best-in-class" practices and theme-based approaches. "Best-in-class" is an active equity management approach that is based on stock selection of companies that generate above-average environmental, social and economic performance. The "best-in-class" offering includes a global fund and a European fund. The theme-based approach focuses investment on segmented climate change, water and demographics strategies.

Additionally, UBS offers customized client portfolios in the form of segregated mandates/institutional accounts based on "negative" screening, which excludes certain controversial stocks or sectors from the portfolio based on their negative social or environmental impact as perceived by the client. UBS's global platform and investment research enable the firm to offer such tailor-made solutions. In the UK, the asset management business seeks to influence the corporate responsibility and corporate governance practices of the companies it invests in. In addition to fund management services, UBS provides stock-broking and account management services to alternative energy and SRI fund managers.

Finally, UBS also offers SRI portfolio management solutions to selected private client segments. This offering pools internal and external SRI expertise and includes SRI-focused portfolios in Switzerland and SRI-managed accounts in the US. UBS's open architecture approach also allows clients to invest in SRI bond, equity and microfinance products from third-party providers.

In the past years UBS experienced increased client demand for SRI and expanded its SRI product offering, resulting in a significant increase in UBS SRI invested assets. In 2008 these SRI invested assets decreased significantly year on year, primarily due to severe corrections in the global equity markets (equities is the preferred asset class of UBS's SRI products), but also due to asset outflows.

### Socially responsible investments invested assets<sup>1</sup>

| CHF billion, except where indicated                  | GRI <sup>2</sup> | For the year ended |          |          | % change from |
|--|------------------|--------------------|----------|----------|---------------|
|  |                  | 31.12.08           | 31.12.07 | 31.12.06 | 31.12.07      |
| <b>UBS</b>   |                  | <b>2,174</b>       | 3,189    | 2,989    | (32)          |
| <b>UBS SRI<sup>3</sup> products and mandates</b>     |                  |                    |          |          |               |
| positive criteria                                    | FS11             | <b>2.12</b>        | 5.20     | 1.84     | (59)          |
| exclusion criteria                                   | FS11             | <b>14.05</b>       | 33.33    | 16.17    | (58)          |
| <b>Third-party</b>                                   | FS11             | <b>1.85</b>        | 1.08     | N/A      | 72            |
| <b>Total SRI invested assets</b>                     | FS11             | <b>18.03</b>       | 39.61    | 18.01    | (54)          |
| Proportion of total invested assets (%) <sup>4</sup> |                  | <b>0.83%</b>       | 1.24%    | 0.60%    |               |

<sup>1</sup> All figures are based on the level of knowledge as of January 2009. <sup>2</sup> Global reporting initiative (GRI) (see also www.globalreporting.org). FS stands for the performance indicators defined in the GRI Financial Services Sector Supplement. <sup>3</sup> Socially responsible investments (SRI). <sup>4</sup> Total SRI/UBS's invested assets.

**Positive criteria:** apply to the active selection of companies, focusing on how a company's strategies, processes and products impact its financial success, the environment and society. This includes best-in-class or thematic investments.

**Exclusion criteria:** companies or sectors are excluded based on environmental, social or ethical criteria, for example, companies involved in weapons, tobacco, gambling, or companies with high negative environmental impacts. This also includes faith-based investing consistent with principles and values of a particular religion.

**Third-party:** UBS's open product platform gives clients access to socially responsible investment products from third-party providers. This includes both positive and exclusion criteria, and microfinance investments.

#### Research

UBS's SRI research teams analyze emerging socio-economic and environmental trends and assess their potential impact on investment markets and companies' share prices. Identifying material SRI issues is challenging. Essentially, three things help determine which environmental and social issues are critical: society's perception of what is important; the nature of the competitive pressures facing firms in an industry; and how costs and benefits are (or will be) distributed between stakeholders.

The UBS SRI research teams were established in each of the firm's divisions to serve their respective clients. In the Investment Bank, the equity research team writes recommendations and reports for institutional investment clients on renewable energy, the carbon markets and the impact of climate change on companies in a wide range of sectors. SRI and sustainability research is provided by a dedicated team. In the asset management business, an internal SRI research team manages portfolios around themes such as climate change/energy efficiency, water and demographics. The SRI research team in UBS's wealth management business conducts SRI research and provides advice to private clients on SRI investment solutions.

Client interest in some aspects of SRI – for instance climate change, demographics and water – has grown, and so has research coverage. The SRI teams regularly collaborate with analysts in other teams to write about emerging SRI themes, and relevant research content is regularly published by a growing number of specialists within the mainstream research effort. In 2008, for example, UBS published the report "Mind over Matter", which broadly examines the issue of resources efficiency, and makes the case that higher prices for basic necessities, urbanization, and more stringent climate change policies will eventually yield benefits to those who invest in efficiency upgrades.

#### Financing and advisory services

UBS's renewable energy investment banking business arranges financing and provides strategic and financial advisory services for companies in the solar, wind, wave and other renewable energy sectors. Since 2006, UBS has led over 30 financing transactions in these sectors, raising over USD 7 billion for renewable energy companies worldwide. In 2008, to name just one example of such a transaction, UBS acted as the joint global coordinator and joint bookrunner for the EUR 1.8 billion initial public rights offering of the wind generation company EDP Renováveis, one of the largest wind generation companies in the world and a subsidiary company of Portuguese utility Energias de Portugal (EDP).

#### Carbon trading

In cap and trade emissions markets, such as the EU Emissions Trading Scheme (EU ETS), companies have annual caps on

the amount of emissions their facilities are allowed to produce. Companies who are able to reduce their emissions below their cap have the ability to sell their unused quota to other companies, thereby creating an emissions market. Through the use of financial instruments, UBS is able to help clients manage their exposure to the emissions markets. UBS ETD (Exchange Traded Derivatives) is an active member of and offers execution and full service clearing on the major emission exchanges in Europe and North America for contracts on EU ETS allowances (EUA), UN Certified Emissions Reductions (CER), Regional Greenhouse Gas Initiative allowances, CCX Carbon Financial Instruments (CFI) and Nitrogen Oxide and Sulfur Dioxide.

#### Environmental risk management

UBS seeks to identify, manage and control environmental risks in its business transactions. Examples of environmental risk include the impairment of a client's cash flow or assets by environmental factors (such as inefficient processes or property that is polluted or contaminated) or through liability risk, such as when a bank takes environmentally unsound collateral onto its own books. As environmental risks can manifest themselves across the wide variety of risks inherent in UBS's business activities, including credit risks, liability risks and reputational risks, UBS has designed environmental procedures and tools for their identification, management and control. These environmental procedures and tools are integrated into existing processes, such as due diligence on transactions or investments and ongoing risk management.

UBS continues to develop and test internal industry sector guidelines to support the consistent identification and assessment of environmental and social risks in all its banking activities. The sector guidelines cover industry sectors that have a high potential for environmental and social risk and summarize industry standards for dealing with potential issues in the various life cycles of the sector.

Not all products and services provided by UBS have the same risk potential: UBS therefore takes a risk-based approach to environmental risk management and regularly analyzes its portfolio of products and services to assess their respective potential environmental risk potential. With its current business profile and operating environment, UBS's potential for material risk is greater within the context of its lending and capital markets businesses, as well as its direct real estate and infrastructure investments. As a result, Global Wealth Management & Business Banking has introduced a standardized environmental risk check to identify material environmental risk in its lending to all relevant clients, including its roughly 140,000 corporate clients in Switzerland. In the Investment Bank, the environmental risk framework covers all banking activities including debt and equity under-

writing, financial advisory services and lending. For its part, Global Asset Management has put environmental due diligence processes in place for its real estate and infrastructure funds. If significant potential environmental risks are identified in a transaction, the risks are assessed. Wherever possible, UBS seeks to engage with the client to discuss possible mitigating measures. Where this is not possible or successful, the firm may decline the transaction altogether.

#### Global Wealth Management & Business Banking

The business division assesses its environmental risks in a three-stage process. Client advisors complete the first screenings, looking at financial risks linked to environmental aspects such as compliance with environmental legislation, workplace safety, contaminated sites and natural hazards. In 2008, close to 100,000 lending transactions in Switzerland were subject to such a screening. If the risks cannot be fully ruled out during the first screening, a credit officer initiates a second screening and decides whether the risks identified are transparent enough for the credit decision to be taken. Transactions entailing significant environmental risk undergo a detailed environmental assessment as a third step, a service provided by the business division's environmental risk competence center. In 2008, 32 such detailed assessments took place and 134 client advisors and credit officers were trained.

#### Investment Bank

The Global Environmental Risk Guidelines apply to all transactions, services and activities within the Investment Bank. The guidelines are supported by an environmental risk framework that is integrated into the business division's due diligence and approval processes. Investment Bank staff identify potential environmental risks in the initial due diligence phase and alert the Investment Bank's environmental advisory group (EAG) in case of significant potential risks. Assessments by lawyers and/or external consultants are routinely sought for certain sectors and products. The EAG works with the relevant business and control functions (80 transactions in 2008) to assess the risks, determine any mitigating measures and direct further due diligence, as required. In this way the relevant senior business committee may fully consider the potential environmental risk in the course of its review of the transaction and/or client. The implementation of the environmental risk framework is supported by training and awareness-raising activities. In 2008, sector-specific training was provided to 443 bankers and support functions and high-level training to a further 107 employees.

#### Global Asset Management

The business division introduced a formal environmental risk matrix in 2004 in order to assess the reputational and envi-

ronmental risks that investments made by UBS on behalf of its clients might imply. The matrix is reviewed annually for applicability and comprehensiveness and forms part of the environmental management system employed within the business division. In 2008, all properties acquired or developed by Global Real Estate for its direct investment vehicles were subject to a thorough environmental due diligence process, in accordance with local regulations and internal best practice guidance. Similar processes are in operation in Infrastructure Asset Management.

### Environmental and CO<sub>2</sub> footprints

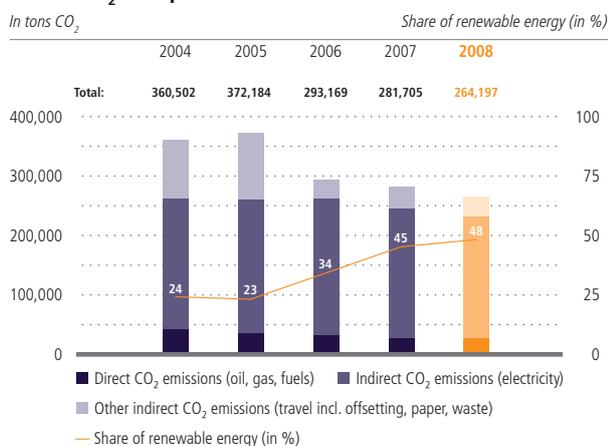
UBS directly impacts the environment in a number of ways: its businesses consume electricity; employees travel for business purposes and use paper and generate waste in the course of their work; and offices require heating and cooling systems. Improving the use of these resources can reduce costs and enhance environmental performance, and UBS therefore has a series of measures to efficiently manage its environmental impact.

#### CO<sub>2</sub> strategy and emission reduction

The GEB decided in February 2006 to set a Group-wide CO<sub>2</sub> emission reduction target of 40% below 2004 levels by 2012. UBS seeks to achieve this target by:

- adopting in-house energy efficiency measures that reduce energy consumption in buildings it operates;
- increasing the proportion of renewable energy used to avoid emissions at source;
- offsetting and neutralizing emissions that cannot be reduced by other means.

### UBS's CO<sub>2</sub> footprint



These measures allowed UBS to further increase the share of renewable energy it purchases, and to reduce its 2008 CO<sub>2</sub> emissions by 27% compared with 2004, another step toward achieving the 40% reduction target by 2012.

#### Energy consumption and energy efficiency

Energy consumption represents an important environmental impact area for UBS and is the biggest contributor to its overall greenhouse gas emissions. UBS has a long track record of managing its energy consumption, with the firm establishing its first energy management function in the 1970s. Today, energy efficiency measures are an important component of UBS's program for achievement of the Group-wide CO<sub>2</sub> emission reduction target. Measures include investments in energy-efficient technology and encouraging good housekeeping measures. For example, a major IT server consolidation project has been under way since 2007 which has reduced the total number of distributed servers at UBS by 2,200. The project focused on consolidating applications sitting on multiple old servers to fewer, newer machines and the decommissioning of old applications. The resulting energy savings of 17 GWh contributed significantly to the total of 25 GWh of savings from IT activities since 2007 (representing around 3% of UBS's global power consumption).

#### Renewable energy

In addition to its energy efficiency programs, UBS seeks to improve the energy mix it purchases by including a higher proportion of renewable energy. The percentage of renewable energy and district heating purchases rose from 24% in 2004 to 48% in 2008.

Since 2007, roughly 210 GWh or 90% of the electricity supply for UBS's buildings in Switzerland has come from renewable sources, such as water and solar power stations. Similarly, in the UK, UBS purchases electricity backed by 100% renewable sources for all its major buildings, representing 85% of the total volume. In addition, UBS purchases renewable energy credits (RECs) in the US electricity markets, which accounted for 16% of its electricity consumption in the US in 2008.

#### Business travel and offsetting

Business travel is a significant contributor to UBS's greenhouse gas emissions. While the firm encourages its employees to use environmentally friendly alternatives to air and road travel, for example video conferences, travel is essential for a global financial services firm that strongly believes in personalized client relationships. Therefore, since 2006, UBS has offset emissions from business-related air travel, representing roughly 100,000 tons of CO<sub>2</sub> per year, or about a quarter of its total annual CO<sub>2</sub> emissions. Offsetting emissions means that UBS indirectly neutralizes its business air travel emissions by investing in third-party projects that reduce an equivalent amount of greenhouse gas emissions. UBS selected offsetting projects in Brazil, Russia, India, China, Turkey and Germany, on the basis of their adherence to international quality standards such as the Voluntary Carbon Standard and the Gold Standard, and of their additional environmental and social benefits.

#### Paper and waste

UBS continues to work towards achieving its firm-wide targets for paper use and waste reduction. This includes the goal of reducing paper consumption per employee by 5% for 2009 when compared with 2006 levels. UBS also aims to have 20% of the paper it uses come from recycled sources. UBS has made steady progress towards achieving these paper targets, for example by switching across Europe to a 100% recycled paper for all internal printing, and through continuing improvements in electronic distribution of client statements. At the same time, the firm seeks to improve its environmental footprint by reducing waste per employee (for example, plastic bottles or packaging) by 10% and by sending 70% of waste to recycling sites. These latter targets are proving to be challenging in certain regions as they heavily rely on behavioral changes rather than technical measures or processes. UBS will continue to educate its employees on environmental matters, helping them make the right choices and promoting sustainable behavior both at work and at home.

→ Refer to [www.ubs.com/environment](http://www.ubs.com/environment) for more information on UBS's environmental management system

#### Environmental indicators per full-time employee

|                                      | Unit                 | 2008          | Trend | 2007   | 2006   |
|--------------------------------------|----------------------|---------------|-------|--------|--------|
| Total direct and intermediate energy | kWh / FTE            | <b>11,792</b> | →     | 11,942 | 12,736 |
| Total business travel                | Pkm / FTE            | <b>10,281</b> | ↓     | 12,685 | 12,544 |
| Total paper consumption              | kg / FTE             | <b>167</b>    | ↓     | 190    | 188    |
| Total waste                          | kg / FTE             | <b>298</b>    | →     | 299    | 303    |
| Total water consumption              | m <sup>3</sup> / FTE | <b>28.1</b>   | ↗     | 26.7   | 26.0   |
| CO <sub>2</sub> footprint            | t / FTE              | <b>3.07</b>   | ↓     | 3.43   | 3.93   |

**Legend:** FTE = full-time employee; kWh = kilo watt hour; Pkm = person kilometer; kg = kilogram; m<sup>3</sup> = cubic meter; t = ton

Environmental indicators<sup>1</sup>

|  |                  | 2008 <sup>2</sup>                |                           |                    | 2007 <sup>2</sup>                | 2006 <sup>2</sup>                |
|--|------------------|----------------------------------|---------------------------|--------------------|----------------------------------|----------------------------------|
|  | GRI <sup>3</sup> | Absolute normalized <sup>4</sup> | Data quality <sup>5</sup> | Trend <sup>6</sup> | Absolute normalized <sup>4</sup> | Absolute normalized <sup>4</sup> |
| <b>Total direct and intermediate energy consumption<sup>7</sup></b>        |                  | <b>1,016 GWh</b>                 | <b>***</b>                | <b>→</b>           | <b>981 GWh</b>                   | <b>951 GWh</b>                   |
| <b>Total direct energy consumption<sup>8</sup></b>                         | <b>EN3</b>       | <b>127 GWh</b>                   | <b>**</b>                 | <b>→</b>           | <b>130 GWh</b>                   | <b>154 GWh</b>                   |
| natural gas  |                  | 83.3%                            | **                        | →                  | 83.3%                            | 85.5%                            |
| heating oil  |                  | 12.2%                            | ***                       | →                  | 12.1%                            | 11.8%                            |
| fuels (petrol, diesel, gas)  |                  | 4.5%                             | ***                       | →                  | 4.6%                             | 2.7%                             |
| renewable energy (solar power, etc.)                                       |                  | 0.03%                            | ***                       | ↘                  | 0.03%                            | 0.03%                            |
| <b>Total intermediate energy purchased<sup>9</sup></b>                     | <b>EN4</b>       | <b>890 GWh</b>                   | <b>***</b>                | <b>→</b>           | <b>851 GWh</b>                   | <b>797 GWh</b>                   |
| electricity from gas-fired power stations                                  |                  | 11.7%                            | **                        | →                  | 12.3%                            | 13.2%                            |
| electricity from oil-fired power stations                                  |                  | 3.7%                             | ***                       | ↓                  | 4.2%                             | 4.5%                             |
| electricity from coal-fired power stations                                 |                  | 18.4%                            | **                        | →                  | 18.6%                            | 21.7%                            |
| electricity from nuclear power stations                                    |                  | 11.1%                            | **                        | ↘                  | 13.6%                            | 20.5%                            |
| electricity from hydroelectric power stations                              |                  | 25.8%                            | ***                       | →                  | 25.5%                            | 21.4%                            |
| electricity from other renewable resources                                 |                  | 23.1%                            | ***                       | →                  | 22.0%                            | 12.7%                            |
| district heating   |                  | 6.2%                             | ***                       | ↑                  | 3.8%                             | 6.0%                             |
| <b>Share of renewable energy and district heating</b>                      |                  | <b>48%</b>                       | <b>***</b>                | <b>↗</b>           | <b>45%</b>                       | <b>34%</b>                       |
| <b>Total business travel</b>   | <b>EN29</b>      | <b>886 m Pkm</b>                 | <b>***</b>                | <b>↓</b>           | <b>1,042 m Pkm</b>               | <b>936 m Pkm</b>                 |
| rail travel <sup>10</sup>  |                  | 3.5%                             | **                        | →                  | 3.3%                             | 4.1%                             |
| road travel <sup>10</sup>  |                  | 0.6%                             | **                        | ↑                  | 0.5%                             | 0.6%                             |
| air travel   |                  | 96.0%                            | ***                       | →                  | 96.2%                            | 95.3%                            |
| <b>Number of flights (segments)</b>  |                  | <b>398,369</b>                   | <b>***</b>                | <b>↓</b>           | <b>446,274</b>                   | <b>402,629</b>                   |
| <b>Total paper consumption</b>   | <b>EN1</b>       | <b>14,403 t</b>                  | <b>***</b>                | <b>↘</b>           | <b>15,593 t</b>                  | <b>14,013 t</b>                  |
| post-consumer recycled   | EN2              | 16.2%                            | ***                       | ↑                  | 10.5%                            | 6.2%                             |
| new fibers FSC <sup>11</sup>   |                  | 16.6%                            | ***                       | ↑                  | 10.7%                            | 0.0%                             |
| new fibers ECF + TCF <sup>11</sup>   |                  | 66.8%                            | ***                       | ↓                  | 78.6%                            | 93.8%                            |
| new fibers chlorine bleached   |                  | 0.4%                             | **                        | ↑                  | 0.2%                             | 0.0%                             |
| <b>Total waste</b>   | <b>EN22</b>      | <b>25,644 t</b>                  | <b>***</b>                | <b>→</b>           | <b>24,589 t</b>                  | <b>22,631 t</b>                  |
| valuable materials separated and recycled                                  |                  | 54.6%                            | ***                       | →                  | 56.3%                            | 58.2%                            |
| incinerated  |                  | 14.3%                            | ***                       | ↘                  | 15.8%                            | 12.7%                            |
| landfilled   |                  | 31.1%                            | **                        | ↗                  | 27.9%                            | 29.1%                            |
| <b>Total water consumption</b>   | <b>EN8</b>       | <b>2.42 m m<sup>3</sup></b>      | <b>**</b>                 | <b>↗</b>           | <b>2.19 m m<sup>3</sup></b>      | <b>1.94 m m<sup>3</sup></b>      |
| <b>Total CO<sub>2</sub> footprint<sup>12</sup></b>                         |                  | <b>264,197 t</b>                 | <b>***</b>                | <b>↘</b>           | <b>281,705 t</b>                 | <b>293,169 t</b>                 |
| total direct CO <sub>2</sub> emissions (GHG scope 1) <sup>13</sup>         | EN16             | 26,490 t                         | ***                       | →                  | 26,701 t                         | 31,519 t                         |
| total indirect CO <sub>2</sub> emissions (GHG scope 2) <sup>13</sup>       | EN16             | 204,344 t                        | **                        | →                  | 218,681 t                        | 230,015 t                        |
| total other indirect CO <sub>2</sub> emissions (GHG scope 3) <sup>13</sup> | EN17             | 129,364 t                        | ***                       | ↓                  | 149,323 t                        | 132,635 t                        |
| total CO <sub>2</sub> e offsets (business air travel) <sup>14</sup>        |                  | 96,000 t                         | ***                       | ↓                  | 113,000 t                        | 101,000 t                        |

**Legend:** GWh = giga watt hour; Pkm = person kilometer; t = ton; m<sup>3</sup> = cubic meter; m = million

<sup>1</sup> All figures are based on the level of knowledge as of January 2009. <sup>2</sup> Reporting period: 2008 (1 July 2007–30 June 2008), 2007 (1 July 2006–30 June 2007), 2006 (1 July 2005–30 June 2006). <sup>3</sup> Global reporting initiative (see also www.globalreporting.org). "EN" stands for the environmental performance indicators as defined in the GRI. <sup>4</sup> Non-significant discrepancies from 100% are possible due to roundings. <sup>5</sup> Specifies the estimated reliability of the aggregated data and corresponds approximately to the following uncertainty (confidence level 95%): up to 5% – \*\*\*, up to 15% – \*\*, up to 30% – \*. "Uncertainty" is the likely difference between a reported value and a real value. <sup>6</sup> Trend: at a \*\*\*/\*\*/\* data quality, the respective trend is stable (→) if the variance equals 5/10/15%, low decreasing/increasing (↘/↗) if it equals 10/20/30% and decreasing/increasing if the variance is bigger than 10/20/30% (↓/↑). <sup>7</sup> Refers to energy consumed within the operational boundaries of UBS. <sup>8</sup> Refers to primary energy purchased which is consumed within the operational boundaries of UBS (oil, gas, fuels). <sup>9</sup> Refers to energy purchased that is produced by converting primary energy and consumed within the operational boundaries of UBS (electricity and district heating). <sup>10</sup> Rail and road travel: Switzerland only. <sup>11</sup> Paper produced from new fibers. "FSC" stands for Forest Stewardship Council, "ECF" for elementary chlorine free and "TCF" for totally chlorine free. <sup>12</sup> CO<sub>2</sub> footprint equals total CO<sub>2</sub> emissions (GHG scope 1, 2 and 3) minus CO<sub>2</sub>e offsets. <sup>13</sup> Refers to ISO 14064 and the "GHG (greenhouse gas) protocol initiative" (www.ghgprotocol.org), the international standards for CO<sub>2</sub> reporting; Scope 1 accounts for direct CO<sub>2</sub> emissions by UBS; Scope 2 accounts for indirect CO<sub>2</sub> emissions associated with the generation of imported/purchased electricity, heat or steam; Scope 3 accounts for indirect CO<sub>2</sub> emissions associated with business travel, paper consumption and waste disposal. <sup>14</sup> Offsets from third-party GHG reduction projects measured in CO<sub>2</sub> equivalents (CO<sub>2</sub>e). These offsets neutralize CO<sub>2</sub> emissions from business air travel.



## ASSURANCE STATEMENT

### SGS STATEMENT ON ASSURANCE OF UBS GRI Sustainability Disclosure 2008

#### SCOPE

SGS was commissioned by UBS to conduct an independent assurance of the GRI based Sustainability Disclosure for 2008. The scope of our engagement was limited to the GRI disclosure requirements and indicators as contained in the GRI index published at [www.ubs.com/gri](http://www.ubs.com/gri). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included all text and 2008 data in accompanying tables, contained in the printed Annual Report 2008 and referenced information on the webpage of UBS as quoted in the GRI index. Earlier data were not included in this assurance process.

#### CONTENT

The information in the report and on the webpage and its presentation are the responsibility of the directors or governing body and the management of the organization. SGS has not been involved in the preparation of any of the material included in the GRI index and acted as an independent assessor of the data and text using the Global Reporting Initiative Sustainability Reporting Guidelines 2006 as a standard. The content of this Assessor's Statement and the opinion(s) it gives is the sole responsibility of SGS.

#### ASSUROR INDEPENDENCE AND COMPETENCIES

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from UBS, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders. The assurance team was assembled based on their knowledge, experience and qualifications for this assignment.

#### METHODOLOGY

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines (2006) and the AA1000 Assurance Standard (2008). In a separate engagement, SGS has certified the environmental management system in accordance with ISO 14001:2004 and verified the CO2 emissions in accordance with ISO 14064. The assurance comprised a combination of pre-assurance research, interviews with relevant employees; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to its source as part of this assurance process.

#### OPINION

On the basis of the methodology described, we are satisfied that nothing has come to our attention that causes us not to believe that the information and data contained within the Disclosure referenced in the GRI index 2008 is accurate, reliable and provides a fair and balanced representation of UBS's sustainability activities in 2008. We are satisfied that the Sustainability Disclosure as referenced in the GRI index meets the requirements of level A+ of the GRI (2006), as declared. At the same time it fulfills the requirements for Communication on Progress (COP) under the UN Global Compact. Recommendations regarding the further development of the sustainability disclosure and management system at UBS were communicated to the firm in an internal report.

#### SIGNED FOR AND ON BEHALF OF SGS

Dr. Christine Jasch  
Lead auditor, SGS

Zürich, 26.2.2009

Elvira Bieri  
Lead auditor, SGS

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