

Corporate responsibility

In 2011, we continued working towards meeting the demanding societal goals and commitments we have set ourselves, guided by our Code of Business Conduct and Ethics (the Code). While we undoubtedly faced significant challenges in 2011, this has only served to strengthen our resolve to ensure that all our people at every level follow the Code unreservedly both in letter and spirit. By adhering to the Code, we demonstrate our desire to be a responsible corporate institution and to act with integrity in all our interactions with our stakeholders.

In 2011, we continued to make a valuable contribution to the fight against money laundering, corruption and terrorist financing (AML). We strengthened our management of environmental and social (including human rights) risks, intensified our sustainability-related business activities (notably via the further development of our values-based investing), and continued with the execution of our supply chain program and our investment in community activities as well as our in-house environmental management program. As an illustration of the progress made regarding environmental management, we have already reduced our global CO₂ emissions by 39% compared with 2004 levels, and we are confident that we will very shortly meet our 40% reduction target for 2012.

We also strengthened senior management accountability in relation to particular corporate responsibility activities, most notably through the oversight provided by two Group Executive Board (GEB) Committees concerned with environmental and social risks and community investment. These, and other corporate responsibility developments at UBS, were monitored and reviewed by the UBS Corporate Responsibility Committee (CRC), a Board of Directors (BoD) Committee.

→ Refer to www.ubs.com/responsibility for more information on the contents of this section

Governance, strategy and commitments

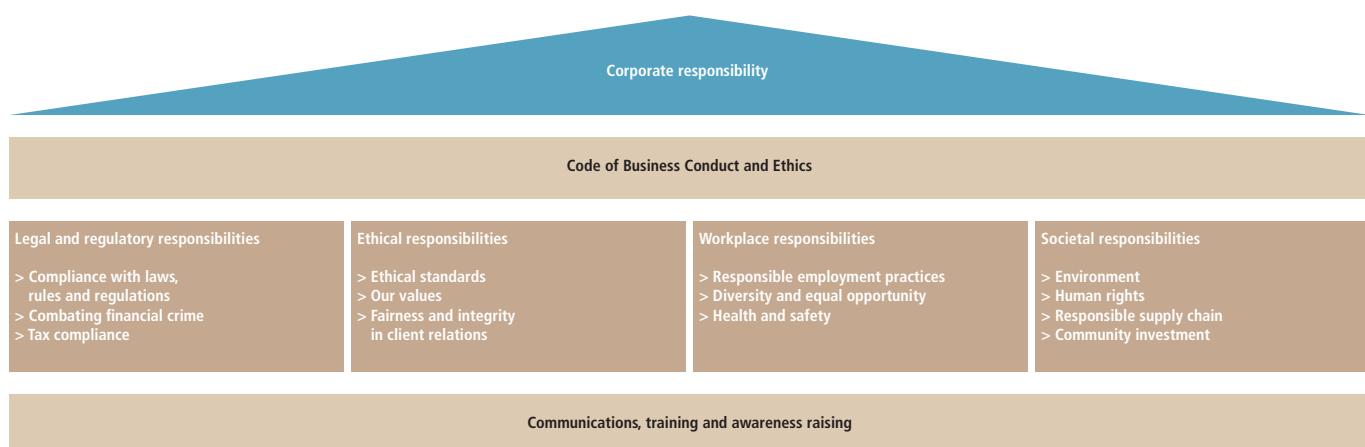
Corporate responsibility governance

At UBS, the BoD is responsible for formulating our values and standards to ensure we meet our obligations to all our stakeholders. Both the Chairman of the BoD and the Group Chief Executive Officer (Group CEO) play a key role in safeguarding our reputation and ensuring we communicate effectively with all our stakeholders.

All BoD Committees are focused on achieving our goal of creating sustainable value. Of the five BoD Committees, the CRC shoulders the main undertaking for corporate responsibility. It actively reviews and assesses how we meet the existing and evolving corporate responsibility expectations of our stakeholders. It also monitors and reviews our corporate responsibility policies and regulations, as well as the implementation of our corporate responsibility activities and commitments. Moreover, it regularly reviews the Code. In 2011, no changes were made to the Code as the CRC concluded that it continues to appropriately reflect the relevant commitments.

→ Refer to www.ubs.com/code for a copy of the UBS Code of Business Conduct and Ethics

Corporate responsibility at UBS



In 2011, BoD member Wolfgang Mayhuber became chair of the CRC. In addition to the Chairperson, the Committee has three members, including the Chairman of the BoD. The committee is advised by a panel of seven members of the GEB, including the Group CEO, and other senior managers. The members of the advisory panel participate in CRC meetings and are responsible for implementing its recommendations. The advisory panel's membership also ensures that we benefit from a direct connection to operational corporate responsibility activities with, for instance, the Group Environmental Representative being a member of the panel.

The GEB is responsible for the development and implementation of our Group and business division strategies including strategies pertaining to corporate responsibility. At, or directly below, GEB level there are various committees or boards concerned with tasks and activities relating to particular aspects of corporate responsibility.

In 2011, the Global Environmental & Social Risk Committee was established to address transactional and policy matters relating to environmental and social (including human rights) risks and associated reputational risks. The Committee is chaired by the Group Environmental Representative and includes five GEB members. Additionally, our Environmental & Human Rights Committee oversees the operational execution of UBS's Environmental Policy and Statement on Human Rights. The Committee consists of senior environmental representatives drawn from each business division and is supported by dedicated functions.

→ Refer to www.ubs.com/environment for more information on our environmental and human rights governance

Our efforts to combat money laundering, corruption and terrorist financing are led by the Head of Global AML Compliance and supported by a network of expert global business teams. To enhance consistency and cooperation between our business divisions we are working to streamline our policies and processes,

and to bolster the ways in which we assess threats and risks within the business. We are determined to protect the firm and our reputation from those who would use UBS to legitimize illicit assets and we have put in place extensive and robust policies designed to prevent, detect and report money laundering, corruption and terrorist financing.

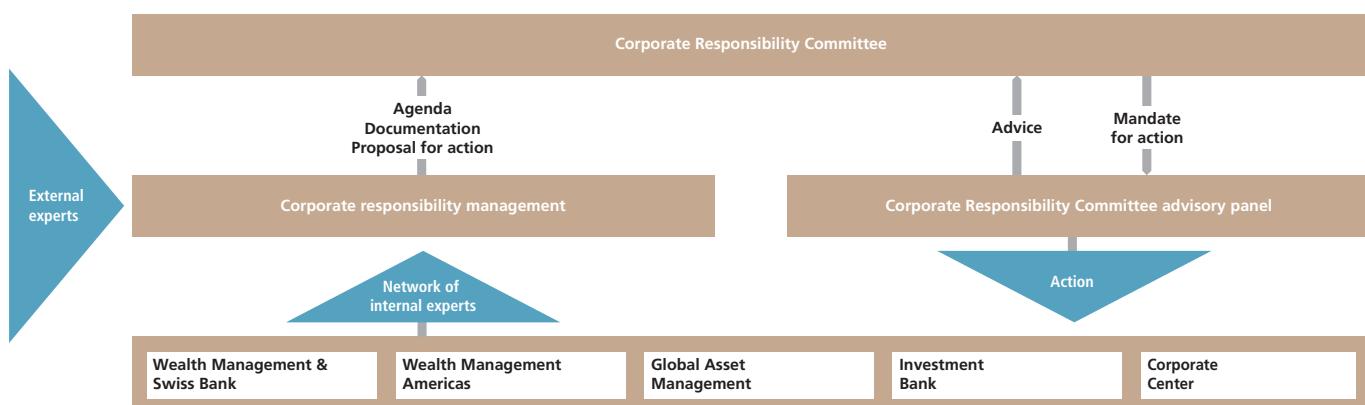
→ Refer to the discussion on combating financial crime below for more information on our AML activities

Our global diversity and inclusion team supports senior management and Human Resources business partners in developing diversity and inclusion-related strategies and plans for each business division. The implementation of these strategies and plans is monitored by the GEB. The global diversity team also coordinates efforts to integrate diversity and inclusion awareness and content into the Human Resources process. Regional diversity and inclusion heads, along with senior business managers, consider and design diversity and inclusion and business-aligned plans that are linked to regional and divisional business and talent strategies. They also provide regional support for divisional management in assessing the progress made on relevant diversity and inclusion objectives. Additionally, they support our numerous employee networks, including the development and coordination of diversity-related events, which support regional diversity and inclusion initiatives.

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

Following a strategic review of UBS's Community Affairs activities, the governance structure has been streamlined and given a more strategic focus with the creation of the Global Community Affairs Steering Committee, chaired by the Group CEO and composed of several members of our senior management. The Steering Committee sets the overall strategic direction and aims of our community affairs. Furthermore, the Committee is ultimately re-

Our corporate responsibility governance process



sponsible for deciding on our response to worldwide disasters. Community activities are governed by a central framework based on our Group community affairs guidelines overseen by the Steering Committee. These guidelines are supplemented by additional regional guidelines, which are embedded in UBS's regional structures. Each region has a dedicated Community Affairs team, which coordinates charitable commitments by the firm and our employees. The Corporate Center ensures global coordination of these activities and provides a central reporting structure to collect community investment data from across UBS as a whole. The Steering Committee reports to the CRC regarding the most important decisions on strategy and funding.

→ Refer to the discussion on community investment below for more information on our charitable and related activities

External commitments and initiatives

By incorporating environmental and social standards and conventions in our business practices we benefit from participation in various external initiatives. These include the UN Global Compact and its local network in Switzerland, the Wolfsberg Group, the UNEP Finance Initiative (UNEP FI), the UN Principles for Responsible Investment, and the VfU (Association for Environmental Management and Sustainability in Financial Institutes).

In June 2011, the UN Human Rights Council endorsed the Guiding Principles for the Implementation of the United Nations "Protect, Respect and Remedy" Framework on business and human rights (the Guiding Principles). The Guiding Principles provide a blueprint for companies to know and show that they respect human rights, and reduce the risk of causing or contributing to human rights harm. In May, directly prior to the UN's endorsement of the Guiding Principles, UBS convened a meeting in Thun, Switzerland, of a number of universal banks (subsequently referred to as the Thun Group) to consider the Guiding Principles. During the meeting the Thun Group initiated a process to interpret the Guiding Principles with specific reference to their application to the banking sector. A short statement on the Guiding Principles was released by this group at the UNEP FI global sustainability roundtable in October 2011. Subsequently, a practical guidance tool, which sets out the challenges and best practice examples of operationalizing the Guiding Principles in universal banks, has been drafted and is currently under discussion within the group.

External ratings, assurance and awards

Our performance and success in the area of sustainability is reflected in the key external ratings and rankings we have achieved. UBS was once again named as an index component for the Dow Jones Sustainability Index (DJSI) World, increasing our total DJSI score, and we are a member of the FTSE4Good index series. We have been a continuous member of both the DJSI World and the FTSE4Good since their inception.

We continue to be included in the Carbon Performance Leadership Index, which is produced by the Carbon Disclosure Project. The Index features companies that have distinguished themselves through their efforts to reduce emissions and their strategies for

combating climate change. We are also represented in the Carbon Disclosure Leadership Index, figuring among the companies which are setting the standards in reporting on the risks and opportunities arising for businesses in connection with climate change. We are among the few financial sector companies represented in both Carbon Disclosure Project indices.

In 1999, we were the first bank to obtain ISO 14001 certification for our worldwide environmental management system. The management system covers all products, services and in-house operations which may have an environmental impact. It is audited annually and recertified every three years by SGS, a leading inspection, verification, testing and certification company. These comprehensive audits verify that appropriate policies and processes are in place to manage environmental issues, and that they are being implemented on a day-to-day basis. In 2011, UBS passed the extensive ISO 14001 recertification audit, which consisted of 17 audit days and involved 170 employees in six countries. SGS confirmed that we have a well-performing and fully integrated environmental management system that is suitable for managing environmental risks and helps to promote continuous improvements to our environmental performance.

We achieved a top-four ranking in each of the key rankings for brokerage firms in the 2011 Thomson Reuters Extel and UKSIF Socially Responsible Investing & Sustainability Survey: Socially Responsible Investment Research, Thematic Research, Corporate Governance Research, and Renewable Energy Research.

In the UK, we received two major accolades for our work in this field. We were ranked joint number one in The Environment Agency's new performance league table. This table ranks over 2,000 organizations according to early actions metrics that reflect the installation of smart meters, as well as to what degree the organization has satisfied the requirements of the Carbon Trust Standard for good energy management. In December, UBS and its Bridge Academy partnership (refer to the "Community investment" section below) won the UK Big Society Award established by the UK Prime Minister, David Cameron. Commenting on the award, the Prime Minister said: "The Bridge Academy is a brilliant example of business working with their local community to make a difference and create something really special for their area. The innovative ideas, enthusiasm and skills of the UBS volunteers have had a clear impact on the Academy, inspiring students and helping them reach their potential."

Furthermore, we were ranked third in Lundquist's CSR Online Awards Switzerland 2011, maintaining our top three ranking for the third consecutive year. The CSR Online Awards consider how well a corporate website is used as a platform for CSR communications and stakeholder engagement.

Stakeholder dialogue

Dialogue with external parties is crucial to our overall understanding and approach to corporate responsibility. In 2011, we engaged with experts and stakeholders on a range of topics. These included discussions with investors on a wide range of environmental, social and governance (ESG) topics and discussions with non-gov-

ernmental organizations on the subjects of deforestation, human rights and coal. In addition, we sought input from our employees regarding our corporate responsibility strategy and associated activities. An internal, cross-divisional and cross-regional network of experts continues to play a particularly important role, with its members providing critical input on stakeholder expectations and concerns. These contributions are relayed back to the CRC and provide a very valuable addition to information gathered through other monitoring channels. To enhance further our provision of corporate responsibility information to our stakeholders, we published a UBS Health & Safety statement on our corporate responsibility website following a review of our health and safety activities and efforts. The statement demonstrates our long-standing commitment to creating a work and business environment that safeguards the health and safety of employees, business partners and clients.

Training and awareness-raising

Through induction, education and broader awareness-raising activities we ensure that our employees are in no doubt as to the importance of our societal commitments. General information is published on our intranet and on our corporate responsibility website. In 2011, training and awareness-raising activities for all employees continued to focus on the Code, notably via the Leading UBS Forward program and through induction events for new employees. Employees were also made aware of the firm's corporate responsibility strategy and activities through other training and awareness raising activities. Furthermore, some 19,300 employees received training on environmental issues. Of these, 15,700 received a general education on our environmental policy and programs and 3,600 participated in specialist training targeted within their area of expertise and influence. Employee speaker sessions, exhibitions and lunchtime training sessions have been delivered in all regions alongside specific technical training for the regional environmental team. Employees are also required to undergo regular refresher training in AML-related issues. This includes online training, awareness campaigns and seminars.

→ Refer to the "Education and talent development" section of this report for more information

Responsible banking

We are focused on gaining and retaining the trust of all our stakeholders alongside our goal of generating sustainable earnings and creating long-term shareholder value. Our shareholders, clients, employees and society in general demand that our banking activities are undertaken in a responsible manner, and that our products and services are best suited to the needs and requirements of our clients. Through our corporate responsibility efforts we demonstrate that we are listening to our stakeholders and constantly striving to meet their expectations.

Continuous improvement

Our commitment to responsible banking requires us to undertake a regular and critical assessment of our policies and practices.

This, in turn, requires the careful consideration and assessment of societal issues of potential relevance to UBS. With the Global Environmental & Social Risk Committee, a GEB-level Committee, and the CRC, a BoD-level Committee, we have demonstrated that we have firmly established responsibility for the oversight of this important and complex task at the highest level of the firm.

Combating financial crime

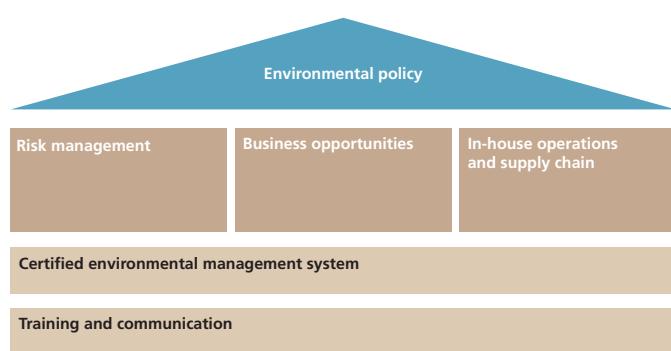
We will always act decisively to prevent potentially irresponsible or harmful actions. First and foremost, this means that our employees must uphold the law, adhere to relevant regulations, and behave in a responsible and principled manner.

We continue to strengthen our efforts to both prevent and combat financial crime. By taking responsibility to preserve the integrity of the financial system, and our own operations, we are committed to assisting in the fight against money laundering, corruption and terrorist financing. We employ a rigorous risk-based approach to ensure our policies and procedures are able to detect risks, and that relationships which are classified as higher risk are dealt with appropriately. We adhere to strict know-your-clients regulations but without undermining clients' legitimate right to privacy. Ongoing due diligence and monitoring assists in the identification of suspicious activities, including the use of advanced technology to help identify transaction patterns or unusual dealings. If discovered, they are promptly escalated to management or control functions. During 2011, Global AML Compliance worked closely with the Environmental and Social Risk group to develop and introduce new and more effective ways to screen potential business partners, vendors and clients in respect of any potential issue regarding environmental and social risk.

As part of our extensive and ongoing efforts to prevent money laundering, corruption and terrorist financing, additional enhancements to address more specific risks in relation to corruption and terrorist financing were implemented globally during 2011.

We are a founding member of the Wolfsberg Group, an association of 11 global banks established in 2000, which aims to develop financial services industry standards and related products for Know-Your-Customer, Anti-Money Laundering and Counter Terrorist Financing policies. The Group continues to update its existing

Our environmental policy



publications and a revised version of the Trade Finance Principles and Anti-Corruption Guidance was published in 2011. Together with the other members of the Group, we continue to work closely with the Financial Action Task Force, an inter-governmental body that develops and promotes national and international policies to combat money laundering and terrorist financing through consultation processes with the private sector.

Managing environmental and social risks across UBS

Environmental and social (including human rights) risks are broadly defined as the possibility that UBS is harmed reputationally or financially as a result of transactions, products, services or activities such as lending, capital raising, advisory services or investments that involve a party associated with environmentally or socially sensitive activities, or exposed to risks such as environmental liabilities, human rights infringements or changes in environmental regulations. For products, services and activities identified as having significant environmental and social risk potential, procedures and tools for the timely identification, assessment, approval and monitoring of such risks are applied and integrated into standard risk, compliance and operations processes.

- Client onboarding: new corporate clients are assessed for environmental and social risks associated with their business activities
- Transaction due diligence: before proceeding with a transaction, environmental and social risks are identified and analyzed as part of standard transaction due diligence processes
- In-house environmental management: our operational activities and employees (or contractors working on UBS premises) are assessed for compliance with relevant environmental and labor rights regulations
- Supply chain management: prior to any new or renewed contract being awarded, standardized checks are completed to assess supplier and commodity specific environmental, labor and human rights risks

Some of our clients operate in sectors characterized by ongoing environmental and social challenges. To support the consistent identification and assessment of such risks, we developed internal industry sector guidelines in 2009. These guidelines, adopted by each of our business divisions in their transactional and client due diligence processes, provide an overview of key environmental and human rights issues that arise in the various life cycles of the sector, and summarize industry standards in dealing with them. The guidelines currently cover six sectors: chemicals; forestry products and biofuels; infrastructure; metals and mining; oil and gas, and utilities.

In 2011, we strengthened further our environmental and social risk management (including human rights) by executing the "UBS position on relationships with clients and suppliers associated with controversial activities" that was published in January. This stipulates activities that we will not engage in, or will only engage in under stringent pre-established guidelines. We will not knowingly provide financial services to corporate clients, nor will we purchase goods or services from suppliers, where the use of proceeds, primary business activity, or acquisition target involves the following environmental and social risks:

Extractive industries, heavy infrastructure, forestry and plantations operations that risk severe environmental damage to or through:

- endangered species of wild flora and fauna listed in Appendix 1 of the Convention on International Trade in Endangered Species;
- high conservation value forests as defined by the six categories of the Forest Stewardship Council;
- illegal use of fire: uncontrolled and/or illegal use of fire for land clearance;
- illegal logging including purchase of illegal harvested timber (logs or roundwood);
- palm oil production unless a member in good standing of the Roundtable on Sustainable Palm Oil and actively seeking to enhance certification of its production;
- wetlands: on the RAMSAR list; and
- world heritage sites as classified by UNESCO.

Managing environmental and social risks

		For the year ended			% change from
	GRI ¹	31.12.11	31.12.10	31.12.09	31.12.10
Environmental and social risk assessments²	FS2	416	194	93	114
Requests by region					
Americas	FS2	111	48	20	131
Asia Pacific	FS2	136	84	32	62
Europe, Middle East and Africa	FS2	119	32	20	272
Switzerland	FS2	50	30	21	67
Requests by business division²					
Investment Bank	FS2	330	147	69	124
Wealth Management & Swiss Bank	FS2	81	44	24	84
Wealth Management Americas	FS2	5	3	n/a	67

¹ Global Reporting Initiative (see also www.globalreporting.org). FS stands for the performance indicators defined in the GRI Financial Services Sector Supplement. ² Transactions and onboarding requests referred to environmental and social risk functions.

All commercial activities that:

- engage in child labor: according to ILO Conventions 138 (minimum age) and 182 (worst forms);
- engage in forced labor: according to ILO Convention 29;
- threaten indigenous peoples' rights in accordance with IFC Performance Standard 7; and
- engage in diamond mining and trading of rough diamonds unless Kimberley Process certified.

We also require enhanced due diligence and approval processes in certain other areas, such as coal mining practices that use mountain top removal in the US Appalachian Mountains as an extraction method. As part of this review, we assess to what extent companies rely on mountain top removal mining for their revenue generation, and we need to be satisfied that the client is committed to reducing its exposure to this form of mining over time.

Following the execution of our position on relationships with clients and suppliers associated with controversial activities by the business divisions, the number of cases referred for assessment to the environmental and social risk units in 2011 more than doubled as shown by the table "Managing environmental and social risks" on the previous page.

Environmental and social business opportunities

Equally as important as managing environmental and social risks is providing financial products and services which help our clients manage their environmentally and socially related business opportunities. We seek to help investors benefit from such opportunities by integrating environmental and social considerations, where relevant, in our investment, research, ownership and financing processes. This applies across our businesses in asset management, wealth management, retail and corporate banking and investment banking. It includes 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, "eco" mortgages.

Investment products and advisory

Taking environmental, social and governance (ESG) issues into account in investment processes is becoming of increasing interest to clients and consultants across all of our investment areas. Since 2009, Global Asset Management has demonstrated commitment to ESG integration as a signatory to the UN Principles for Responsible Investment. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices to better align their objectives with those of society at large.

A dedicated Sustainable & Responsible Investment (SRI) team within Global Asset Management offers a wide range of products to their institutional clients, including thematic SRI funds which are focused on innovative companies that provide solutions to the challenges of climate change, water scarcity and demographic change. They offer a range of products focusing on each individual theme and the UBS (Lux) Equity Fund Global Innovators, which spans all three themes. In 2011, UBS broke new ground by listing four exchange-traded funds (ETF) on the German Stock Exchange that track sustainability leaders identified by socially responsible indices, such as the new MSCI ESG Indices. Additionally, the team offers customized client portfolios in the form of segregated mandates/institutional accounts based on "negative" screening, which exclude certain controversial stocks or sectors based on their negative social or environmental impact, as perceived by the client. Our global platform and investment research capabilities enable us to offer such tailor-made solutions.

Furthermore, Global Asset Management's Global Real Estate business has defined and implemented a Sustainability and Responsible Property Investment strategy for its real estate products and mandates. As a responsible property investor the financial objectives of clients remain the primary focus, but we also consider long-term social and environmental aspects.

In 2011, combined teams from philanthropy and values-based investing (VBI) and sustainable investing developed further our

Socially responsible investments (SRI) invested assets¹

	GRI ²	As of 31.12.11	31.12.10	31.12.09	% change from 31.12.10
<i>CHF billion, except where indicated</i>					
UBS total invested assets	2,167	2,152	2,233	1	
UBS SRI products and mandates					
positive criteria	FS11	1.84	2.00	2.72	(8)
positive criteria/RPI ³	FS11	28.19	na	na	na
exclusion criteria ⁴	FS11	27.46	21.27	22.44	29
exclusion criteria/policy-based restrictions ⁵	FS11	181.49	na	na	na
Third-party⁶	FS11	2.59	2.40	1.69	8
Total SRI invested assets	FS11	241.57⁷	25.67	26.85	841
Proportion of total invested assets (%) ⁸		11.15	1.19	1.20	

¹ The terms Socially Responsible Investing and Values-Based Investing are used interchangeably. All figures are based on the level of knowledge as of January 2012. ² FS stands for the performance indicators defined in the Global Reporting Initiative Financial Services Sector Supplement. ³ Responsible Property Investment (RPI) strategy. ⁴ Includes customized screening services (single or multiple exclusion criteria).

⁵ Assets subject to restrictions under UBS policy on the prohibition of investments in companies related to anti-personnel mines and cluster munitions. ⁶ SRI products from third-party providers apply either positive and exclusion criteria or a combination thereof. ⁷ Due to adjustments in the reporting boundaries, 78.3% of reported assets have newly been included in 2011. ⁸ Total SRI / UBS's invested assets.

Socially responsible investments are products that consider environmental, social or ethical criteria alongside financial returns. SRI can take various forms, including positive screening, exclusion or engagement.

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 one or several 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.

holistic service offering in our wealth management businesses. These teams provide thought leadership, advice, products and solutions to assist our private clients and prospects who wish to invest all or part of their portfolio according to their values and investment objectives and want to deliver positive change through their philanthropy and investments. These services include sustainability-focused alternatives to conventional products, mission-related investing for donor-advised funds and private foundations. They also include values-based portfolio management, such as mandate solutions for private clients with a strong focus on sustainability across all asset classes, portfolio review and proposals for the integration of sustainability into stock or bond selection. In the US, this offering also includes managed accounts where ESG criteria are embedded into the fundamental investment process, or where clients have the ability to identify and exclude securities from ownership based on issue-oriented screens. This allows our private clients to customize mandates to their particular social policy criteria.

In response to increased client demand we have expanded our own offering and, through our open architecture, we can offer clients the chance to invest in SRI bonds, equity and microfinance products from leading third-party providers. The table "Socially responsible investments (SRI) invested assets" on the previous page shows that, as of 31 December 2011, our total SRI/VBI invested assets were CHF 241.57 billion, representing 11.2% of our total invested assets. The increase in our reported SRI/VBI invested assets in 2011 is largely due to the expansion of our SRI/VBI reporting framework, which now includes products subject to our Sustainability and Responsible Property Investment strategy. It also includes assets subject to restrictions under the UBS policy on the prohibition of investments in companies related to anti-personnel mines and cluster munitions, which applies to actively managed retail and institutional funds domiciled in Switzerland, Luxembourg and Ireland.

Research

Client interest in ESG issues has grown and, correspondingly, so has our research coverage in this area. Specialized research teams focus on a range of ESG issues, with a view to understanding what impact developing trends such as climate change/energy efficiency, water scarcity, demographics, and other potential environmental and social constraints might have upon the sectors and companies covered by our analysts. They collaborate closely with other teams to write about emerging themes and relevant research content is regularly published by a growing number of mainstream analysts. Specialized teams have been established within each of our business divisions to serve their respective clients.

The ESG Analyzer is an Investment Bank publication that helps clients take ESG issues into consideration at every stage of the investment process. The ESG Analyzer was published several times during 2011, but was only available for Europe and South Africa. As a result of client demand, we now plan to make the Analyzer available for other regions starting in 2012. The Q-series® reports focus on thought-provoking discussions, leading to

a firm-wide drive for more thoughtful, proprietary and valuable research. The report "Q-series®: Water Risks to Business" achieved the second-highest readership of any UBS Equity Research publication in 2011. Additionally, during the year the Investment Bank hosted both the annual UBS SRI Conference, which was focused primarily on sustainable supply chains, and the UBS Q-series® Sustainable Innovation Conference.

Wealth Management Research published a paper on Impact Investing, a new investment philosophy that is attracting interest from our clients. Reports under the "Greentech" label covered investment ideas such as electric cars (more efficient cars and better battery technology) and energy efficiency (smart grids, LED, the future of energy). Furthermore, the Wealth Management & Swiss Bank research magazine "UBS outlook on energy" included an analysis of renewable forms of energy.

Clients also benefited from a series of bulletins from our senior scientific advisor, Sir David King, director of the Smith School of Enterprise and Environment at the University of Oxford and formerly the UK Government's Chief Scientific Advisor and Head of the Government Office of Science. These bulletins provided clients with an insight into a variety of current topics, including bio-fuels and actions various countries were taking in relation to climate change.

Engagement and voting rights

We believe that voting rights have an economic value and should be treated accordingly. Global Asset Management, wherever appropriate, seeks to influence the corporate responsibility and corporate governance practices of the companies it invests in. Where we have been given the discretion to vote on behalf of our clients, we will exercise our delegated fiduciary responsibility by voting in a manner we believe will be most favorable to the value of their investments. We are strongly supportive of the Stewardship Code published by the UK Financial Reporting Council in 2010. This aims to enhance the quality of engagement between institutional investors and companies. Good corporate governance should, in the long term, result in better corporate performance and improved shareholder value. As such, we expect board members of companies in which we have invested to act in the best interests of their shareholders, and to view themselves as stewards of the company by exercising appropriate judgment and by undertaking diligent oversight of the management of the company. In 2011, we voted on more than 48,000 separate resolutions at over 4,600 company meetings. In addition, we are active members of a number of shareholder bodies and are keen to work with like-minded shareholders.

Since 2010, Global Asset Management in Switzerland has offered UBS Voice, a free service enabling holders of Swiss institutional funds to express voting preferences ahead of the shareholders' meeting of major Swiss corporations. This allows additional shareholder input into the voting decisions of the funds' management company.

The Global Asset Management SRI team in Switzerland engages in dialogue with companies represented in the SRI funds they manage. The analysts and portfolio managers provide posi-

tive and negative feedback on relevant ESG issues that may impact investment performance. This is carried out as part of the regular communication process with corporate management teams. When controversial information on a company's environmental or social performance is received, the SRI analysts contact the company and provide management with a chance to demonstrate what measures have been taken to resolve the issues. If the company can demonstrate how it is dealing with the problem, and what progress has already been achieved, an investment is possible. These engagement activities are applied to SRI funds in addition to the positive screening processes.

Renewable energy and clean technology financing and advisory

In 2010, we created the Renewable Energy & Clean Technology team (RE&CT) within our Investment Bank to focus our efforts and build upon our successes in this important sector. RE&CT, which includes five senior employees from four continents, provides capital raising and strategic advisory services to renewable energy and clean technology companies globally, including those in the solar, wind, energy efficiency, biofuels and renewable chemicals sectors.

In 2011, our global RE&CT team raised approximately USD 2.6 billion from fourteen equity and debt transactions and advised on seven deals, establishing RE&CT as one of the leading clean technology practices globally. Recent transactions include the USD 123 million initial public offering (IPO) of Gevo, the first successful IPO in next-generation biochemical and advanced biofuels, the USD 220 million IPO of BYD Company, the largest A-share IPO in the renewable energy sector in 2011, and the USD 162 million IPO of KiOR, the largest market cap of any pre-revenue clean technology company upon IPO.

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 that are able to reduce their emissions below their cap can sell their unused quota to other entities, thereby creating an emissions market. Through the use of financial instruments, we are able to help our clients manage their exposure to the emissions markets. UBS Exchange Traded Derivatives is an active member of the major emission exchanges in Europe and North America, and offers execution and full service clearing for contracts on EU ETS allowances, UN Certified Emissions Reductions, Regional Greenhouse Gas Initiative allowances, and permits for nitrogen oxide and sulfur dioxide.

Corporate responsibility in operations

Our operational targets continue to focus on the direct environmental impact of the firm, including energy, paper, waste and water. Having deployed a new carbon reporting system and rolled out training to our local, regional and global specialists, we have enhanced further the quality of data capture (verified to ISO 14064)

and increased the speed with which management information can be released.

Environmental and CO₂ footprints

We have a direct impact on the environment in a number of ways: our businesses consume electricity, notably through our IT systems, and fossil fuels; employees travel, use paper and generate waste in the course of their work; and offices require heating and comfort cooling systems. Improving the ways we use these resources can both reduce our operational costs and improve our environmental performance. Therefore, we have put in place a series of measures to efficiently manage our environmental impact.

Climate change strategy and emission reduction

In February 2006, the GEB decided to establish a Group-wide CO₂ emission reduction target of 40% below 2004 levels by 2012. We seek to achieve this target by adopting in-house energy efficiency measures that reduce the energy consumption of our buildings while increasing the proportion of renewable energy used. This limits emissions at source. Emissions that cannot be reduced by other means (e.g. business air travel) are offset. As a result, we have reduced further our 2011 CO₂ emissions, with an overall global reduction of 39% below 2004 levels, and we are close to achieving our targets for 2012.

Energy consumption and efficiency

Energy consumption has a significant environmental impact and is the biggest contributor to our overall greenhouse gas emissions. In line with our wider business strategy, improvements in energy efficiency have helped to reduce both emissions and costs. Our energy consumption is down 14% on the baseline year of 2009 through a combination of building portfolio management, better building controls, data center efficiency and improved employee housekeeping. Our IT-driven initiatives contributed significantly to these energy savings, most notably through a server consolidation program, and the Desktop Transformation Program that is deploying the latest in business PC hardware and software globally.

Renewable energy

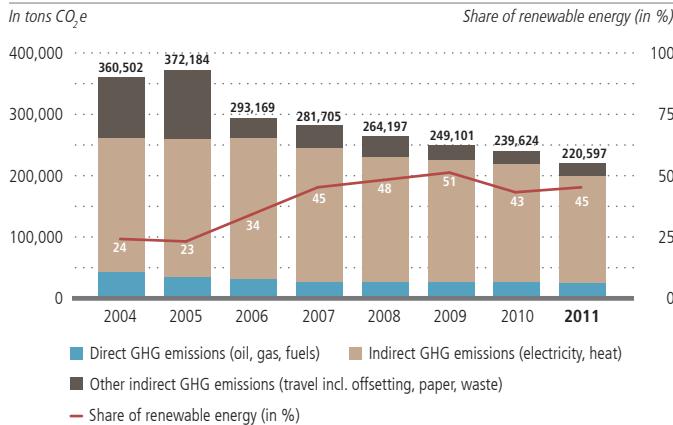
In addition to our energy efficiency programs, we are reducing our use of carbon-intensive energy by including a high proportion of renewable energy. In 2011, 45% of our energy consumption came from renewable energy and district heating.

Business travel and offsetting CO₂ emissions

Our levels of business air travel naturally mirror our client advisor activity. In 2011, this resulted in a significant increase in business air travel. We seek to reduce the environmental impact of air travel and therefore actively promote and invest in video conferencing where volumes have increased substantially.

For travel within Europe, we encourage an ongoing move towards high speed rail travel in preference to air. The marketing and events team has adopted the environmental guidelines for

Our greenhouse gas (GHG) footprint



client conferences and now considers the impact of delegate travel, hotels, venue features and catering as part of their logistics and planning.

Once again in 2011, we offset all CO₂ emissions resulting from agency booked business air travel. Working with reputable intermediaries and a panel of internal specialists, we select projects which meet the requirements of the Gold Standard for voluntary emissions reductions while providing positive community benefits. Schemes selected include wind power projects in Taiwan and Turkey and a community biofuel project in China.

Paper, waste and water

We are making steady progress towards achieving our 2012 paper consumption, waste generation and water usage reduction targets (please refer to the tables "Environmental indicators per full-time employee" below and "Environmental indicators" on the next page). Double-sided printing and copying is now the default setting for most of our employees and, combined with an ongoing shift towards the distribution of electronic documents, has resulted in a 6% reduction in paper used per employee against baseline year 2009. The share of office paper from Forest Stewardship Council or recycled sources increased from 34% in 2009 to 44% in 2011. The continued implementation of bin-less offices in many larger locations has reduced the waste per employee by 9% since 2009. However, our waste recycling ratio re-

mained flat at 54%. Paradoxically, this is due to our success in reducing paper consumption, which is a significant recyclable waste stream. Our water consumption decreased 22% compared with 2009 levels.

Supply chain management

In 2011, UBS spent over CHF 6.7 billion purchasing products and services ranging from office maintenance services across IT infrastructure to components such as stationery. Responsible supply chain management (RSCM) principles serve to embed our ethics and values with our suppliers, contractors, service partners and project teams. As part of this commitment we are continuing to improve our ability to identify, assess and monitor supplier practices in the areas of human and labor rights, the environment and corruption. In 2011, over 600 suppliers were screened according to our social and environmental criteria. We also trained 42 procurement and sourcing officers to help with this work, and responsible supply chain requirements were included in the agreements with relevant suppliers who were awarded contracts. Also in 2011, supply & demand management developed a risk rating concept to allow us to focus better on the potential risks of products and services and increase our impact in the area of RSCM. Finally, we engaged in a full strategic review of our RSCM operations and developed an action plan for 2012 to ensure best practice in this area.

Community investment

We are continuing with our well-established tradition of supporting the advancement and empowerment of organizations and individuals within the communities in which we do business. Our initial focus was centered on direct cash donations, but we have progressed to a position where our community investment program encompasses employee volunteering, matched-giving schemes, in-kind donations, disaster relief efforts and partnerships with community groups, educational institutions and cultural organizations in all of our business regions.

Community Affairs

In 2011, UBS and our affiliated foundations made direct cash donations totaling CHF 31.1 million to carefully selected non-profit partner organizations and charities. These donations were directed primarily towards achieving our Community Affairs key

Environmental indicators per full-time employee

	Unit	2011	Trend	2010	2009
Direct and intermediate energy	kWh/FTE	12,459	→	12,633	11,986
Business travel	Pkm/FTE	11,489	↑	8,743	7,016
Paper consumption	kg/FTE	122	→	119	130
Waste	kg/FTE	242	→	251	265
Water consumption	m ³ /FTE	30.1	↘	33.3	31.9
CO ₂ footprint	t/FTE	3.32	↘	3.66	3.12

Legend: FTE = full-time employee; kWh = kilowatt hour; Pkm = person kilometer; kg = kilogram; m³ = cubic meter; t = tonne

Environmental indicators¹

	GRI ³	2011 ²		2010 ²	2009 ²	
		Absolute normalized ⁴	Data quality ⁵	Trend ⁶	Absolute normalized ⁴	Absolute normalized ⁴
Total direct and intermediate energy consumption⁷		827 GWh	***	→	859 GWh	957 GWh
Total direct energy consumption⁸	EN3	128 GWh	**	→	137 GWh	132 GWh
natural gas		84.2%	**	→	82.6%	84.6%
heating oil		13.1%	***	↓	15.0%	10.9%
fuels (petrol, diesel, gas)		2.6%	***	↑	2.3%	4.5%
renewable energy (solar power, etc.)		0.03%	***	↑	0.02%	0.05%
Total intermediate energy purchased⁹	EN4	699 GWh	***	→	722 GWh	825 GWh
electricity from gas-fired power stations		18.1%	**	↗	16.3%	10.6%
electricity from oil-fired power stations		2.3%	***	↓	4.1%	2.9%
electricity from coal-fired power stations		15.8%	**	→	17.1%	17.5%
electricity from nuclear power stations		10.8%	**	→	11.5%	9.5%
electricity from hydroelectric power stations		29.5%	***	→	29.1%	28.0%
electricity from other renewable resources		13.9%	***	→	13.5%	23.6%
district heating		9.7%	***	↑	8.5%	7.8%
Share of renewable energy and district heating		45%	***	→	43%	51%
Total business travel	EN29	762 m Pkm	***	↑	595 m Pkm	560 m Pkm
rail travel ¹⁰		1.5%	***	↓	1.9%	3.7%
road travel ¹⁰		0.4%	**	↓	0.5%	1.0%
air travel		98.1%	***	→	97.6%	95.3%
Number of flights (segments)		337,573	***	↑	258,766	258,396
Total paper consumption	EN1	8,093 t	***	→	8,076 t	10,349 t
post-consumer recycled	EN2	18.2%	***	↓	21.9%	16.7%
new fibers FSC ¹¹		26.1%	***	↑	20.9%	17.1%
new fibers ECF + TCF ¹¹		55.6%	***	→	57.0%	65.9%
new fibers chlorine bleached		0.1%	**	↓	0.3%	0.4%
Total waste	EN22	16,083 t	***	↘	17,053 t	21,183 t
valuable materials separated and recycled		54.2%	***	→	53.7%	54.4%
incinerated		20.0%	***	↑	18.1%	12.5%
landfilled		25.8%	**	→	28.2%	33.1%
Total water consumption	EN8	2.00 m m³	**	↘	2.27 m m³	2.55 m m³
Greenhouse gas (GHG) emissions in CO₂e						
Direct GHG emissions (scope 1) ¹²	EN16	25,235 t	**	→	27,153 t	25,723 t
Gross indirect GHG emissions (gross scope 2) ¹²	EN16	227,978 t	***	↘	248,893 t	298,338 t
Gross other indirect GHG emissions (gross scope 3) ¹²	EN17	110,010 t	***	↑	89,957 t	87,867 t
Total gross GHG emissions		363,223 t	***	→	366,003 t	411,928 t
GHG reductions from renewable energy ¹³		53,759 t	***	↘	57,226 t	99,248 t
CO ₂ e offsets (business air travel) ¹⁴		88,867 t	***	↑	69,152 t	63,579 t
Total net GHG emissions (GHG footprint)¹⁵		220,597 t	***	↘	239,624 t	249,101 t

Legend: GWh = gigawatt hour; Pkm = person kilometer; t = tonne; m³ = cubic meter; m = million; CO₂e = CO₂ equivalents

¹ All figures are based on the level of knowledge as of January 2012. ² Reporting period: 2011 (1 July 2010–30 June 2011), 2010 (1 July 2009–30 June 2010), 2009 (1 July 2008–30 June 2009). ³ Global Reporting Initiative (see also www.globalreporting.org). EN stands for the environmental performance indicators as defined in the GRI. ⁴ Non-significant discrepancies from 100% are possible due to roundings. ⁵ 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. ⁶ 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% (↘, ↑). ⁷ Refers to energy consumed within the operational boundaries of UBS. ⁸ Refers to primary energy purchased which is consumed within the operational boundaries of UBS (oil, gas, fuels). ⁹ Refers to energy purchased that is produced by converting primary energy and consumed within the operational boundaries of UBS (electricity and district heating). ¹⁰ Rail and road travel: Switzerland only. ¹¹ Paper produced from new fibers. FSC stands for Forest Stewardship Council, ECF for Elementary Chlorine Free and TCF for Totally Chlorine Free. ¹² Refers to ISO 14064 and the "GHG (greenhouse gas) protocol initiative" (www.ghgprotocol.org), the international standards for GHG reporting: scope 1 accounts for direct GHG emissions by UBS; gross scope 2 accounts for indirect GHG emissions associated with the generation of imported/purchased electricity (grid average emission factor), heat or steam; gross scope 3 accounts for other indirect GHG emissions associated with business travel, paper consumption and waste disposal. ¹³ GHG savings by consuming electricity from renewable sources. ¹⁴ Offsets from third-party GHG reduction projects measured in CO₂ equivalents (CO₂e). These offsets neutralize GHG emissions from our business air travel. ¹⁵ GHG footprint equals gross GHG emissions minus GHG reductions from renewable energy and CO₂e offsets.

themes of "education" and "entrepreneurship". Contributions were also made to other activities, in particular disaster relief, including CHF 3.2 million in Japan. These donations, combined with other significant activities, notably the volunteering activities of employees, have continued to provide substantial benefits to projects and people around the world (see examples below).

Across all business regions, our employees continue to play a very active role in our community investment efforts, in particu-

lar through their volunteering activities. In 2011, 11,678 employees spent 105,000 hours volunteering. We support their commitment by offering up to two working days a year for volunteering efforts, and also match employee donations to selected charities.

In Switzerland, our community investment efforts are also advanced by the UBS Culture Foundation, the UBS Foundation for Social Issues and Education, and the association "A Helping Hand from UBS Employees". In 2011, these organizations have

Examples of UBS's community investment activities across the globe

Americas – In 2011, we developed a unique community partnership with artist Stephen Wiltshire and student artists from The Children's Aid Society, The Harlem School of the Arts, and the YMCA of Greater New York. *New York City: Through our eyes* was a special exhibition focusing on the New York City skyline from varying perspectives. It was used as a foundation for the young artists to reflect on their own feelings about their community. The program allowed students to draw their own interpretation of the skyline as a way to learn and engage in discussions about 9/11 and their neighborhoods in general. The main feature of the exhibition is Wiltshire's intricate panorama of the New York City skyline. This panorama can be seen on a 160-foot long UBS billboard greeting passengers arriving at the JFK International Airport terminal. To commemorate the 10th anniversary of 11 September 2001, UBS published *Reflections of Recovery and Resurgence: UBS 9/11 Humanitarian Relief Fund*, a booklet which highlights the firm's commitment and support of the National September 11 Memorial & Museum. Immediately following the events of 9/11, UBS created

the UBS 9/11 Humanitarian Relief Fund to provide assistance to victims as well as long-term grants for the children of victims. This booklet also provides helpful information related to support groups, guidance for talking to your family about 9/11, and other resources.

Our *mentor programs*, which operate in four US cities, continue to be our main volunteer initiatives. In 2011, employees volunteered to become mentors to hundreds of children – helping students build the confidence and skills they need for future success. Our mentor programs empower students of all ages and range from the Power Lunch reading program designed to increase elementary school literacy through to college preparatory and career skills development for high school students through our iMentor program.

To encourage the development of quality education, the Americas region is supporting innovative and collaborative *after-school programs for Beacon centers* in New York City. These high school after-school programs aim to integrate children's learning experiences in and

outside the classroom as well as offering career skills development, job training and computer literacy that contribute to greater opportunities for success after graduation.

Asia Pacific – The *Community Leadership Experience*, developed in partnership with Charities Aid Foundation India, was held in June 2011 in Mumbai. It focused on women leaders and the 20 participants came away with fresh perspectives on how to tackle the challenges of leading and managing a not-for-profit organization in India. Launched in 2008, the annual three-day program has been welcomed by the non-profit sector as a much-needed platform to bring leaders together. Participants get to share and learn from each other and help to improve their own organization's capacity to deliver services to their own community. Across the Asia Pacific region, UBS employees continued to volunteer in record numbers and, in 2011, significantly increased the number of hours contributed to our community partners. In Japan, volunteers from the Investment Bank worked with Social Venture Partners Tokyo to develop financial accounting

again made valuable contributions to important social causes, including fostering the humanities and the creative arts, supporting communities in need, and helping disabled and disadvantaged people.

Client foundation

The UBS Optimus Foundation is one of Switzerland's largest charitable foundations. It is a non-profit organization which offers UBS clients a broad range of opportunities to improve the lives of

children around the globe and has contributed over CHF 118 million to 250 projects in 73 countries since its foundation. Employing the highest standards of quality when selecting or monitoring its projects and project partners, the Foundation plays a key role in bringing about positive social change in the areas in which it targets, including healthcare, education and child protection. As UBS bears all the administrative costs related to the UBS Optimus Foundation, clients can be sure that 100% of every donation goes directly to the projects themselves.

processes for 10 new start-up not-for-profit organizations. In Singapore, more than 200 employees and interns helped to organize the International Association for Volunteer Effort's biannual World Volunteer Conference which attracted more than 1,000 participants from around the globe. At this event, UBS continued its support for a unique program which aims to increase the capability of not-for-profit organizations to secure funding from the private sector. Called "The Pitch", five finalists taken from more than 100 applicants from around the globe competed before a live audience and panel of expert judges to secure funding for innovative volunteer management projects.

Europe, Middle East and Africa –

Throughout the region, we continue to support educational and entrepreneurial activities, particularly in areas close to where we conduct our business. We now have active Community Affairs programs in the UK, France, Italy, South Africa, Poland, UAE, Russia, Ireland and Jersey. The regional flagship program is our partnership with the *Bridge Academy*, a mixed, non-denominational school for

11–18 year olds in Hackney, one of the most deprived boroughs in London and adjacent to UBS's London base. In 2003, UBS agreed to sponsor a new secondary school under the UK government's "Academy" program. UBS volunteers helped develop the vision and plans for the development of the Bridge Academy which opened in 2007. A fundamental principle of the partnership is that all activity must directly improve student attainment and achievement. To date, 1,700 volunteers have contributed over 18,000 hours in a range of activities.

- Governance: five UBS Managing Directors form a majority on the governing body, contributing strategic expertise and taking responsibility for the Bridge Academy's direction and results
- Literacy and numeracy: intervention schemes involving 80 volunteers per week
- Work-related learning program: providing an introduction to the world of work, a focus on relevant skills and the motivation to think positively about the working world
- Bespoke activities range from designing a virtual trading project with 54

top maths students from the Academy working with equities traders, through to engaging with Stonewall and the UBS Pride Network to work with 180 students to help tackle homophobic bullying

- UBS volunteers provide support for Bridge staff learning and development, finance, operations, communications, fundraising and IT

Switzerland – During the European Year of Volunteering in 2011, UBS launched a unique national volunteering project to restore Swiss hiking trails. UBS employees replaced broken or inaccurate signposts, restored sections of the network of hiking trails and constructed new ones. Through their volunteering efforts UBS employees helped to ensure the continued quality and safety of the hiking trails. This, in turn, helps to ensure that hiking remains a popular and healthy leisure activity. The volunteering activities took place in six locations across Switzerland. In total, 319 employees participated in this important project volunteering 3,805 hours.

→ Refer to www.ubs.com/community