

## **UBS AG – UN Global Compact Communication on Progress**

### *1. Introduction*

Detailed information relating to the Global Compact principles can be found in the "Corporate responsibility" and "Our employees" sections of the UBS Annual Report 2011 (Section 4: Corporate governance, responsibility and compensation, pages 222 – 241, see <http://www.ubs.com/2/e/epaper/Annual-report-2011.html>).

This information together with additional detail pertaining to the Global Compact principles can be accessed on the UBS Corporate Responsibility website ([www.ubs.com/responsibility](http://www.ubs.com/responsibility)).

### *2. UBS Sustainability Disclosure*

For its 2011 reporting year, UBS commissioned Ernst & Young to conduct an independent limited assurance of its GRI based Sustainability Disclosure. Content of the UBS 2011 Annual Report sections "Corporate responsibility" and "Our employees" were reviewed by Ernst & Young Ltd against the GRI Sustainability Reporting Guidelines for application level A+, as evidenced in the Ernst & Young assurance report on pages 240–241 of the UBS 2011 Annual Report. The assurance by Ernst & Young also covered relevant text and data in other sections of the Annual Report 2011 and on the website of UBS which is referenced in the GRI Index ([www.ubs.com/gri](http://www.ubs.com/gri)). The Ernst & Young assurance report is also published on the UBS Corporate Responsibility website:

[http://www.ubs.com/1/e/about/corp\\_responsibility/commitment\\_strategy/reporting\\_assurance.html](http://www.ubs.com/1/e/about/corp_responsibility/commitment_strategy/reporting_assurance.html)

In the UBS GRI index ([www.ubs.com/gri](http://www.ubs.com/gri)) the following GRI indicators relate directly to the principles of the Global Compact (according to Annex A of the 2007 report "Making the connection; The GRI Guidelines and the Global Compact Communication on Progress"):

### **Human Rights**

*Principle 1* – EC5, LA4, LA6–9; LA13–14, HR1–9, SO5, PR1–2, PR8

*Principle 2* – HR1–9, SO5

### **Labor**

*Principle 3* – LA4–5, HR1–3, HR5, SO5

*Principle 4* – HR1–3, HR7, SO5

*Principle 5* – HR1–3, HR6, SO5

*Principle 6* – EC7, LA2, LA13–14, HR1–4, SO5

### **Environment**

*Principle 7* – EC2, EN18, EN26, EN30, SO5

*Principle 8* – EN1–30, SO5, PR3–4

*Principle 9* – EN2, EN 5–7, EN 10, EN 18, EN 26–27, EN30, SO5

### **Anti-Corruption**

*Principle 10* – SO2–6

3. *Statements on UBS's commitment to the Global Compact and its principles*

a. *Continued support for the Global Compact*

*Statement by Kaspar Villiger, UBS Chairman (see*

[http://www.ubs.com/1/e/about/corp\\_responsibility/commitment\\_strategy/chairman\\_statement.html](http://www.ubs.com/1/e/about/corp_responsibility/commitment_strategy/chairman_statement.html)):

I see all this recognition as good evidence of the comprehensive range of valuable activities our firm engages in under the collective heading of corporate responsibility. They also serve as clear evidence of our commitment to the corporate responsibility principles set out in the UN Global Compact. As one of the original signatories of the Compact, which fosters adherence to ten principles covering the areas of human rights, labor standards, the environment and anti-corruption, we continue to consider it as an important reference point for our corporate responsibility efforts. Since 2000, we have provided evidence for this in many ways. Key examples include our leading role in the issuance of the first global anti-money laundering principles in 2000 and the subsequent introduction of our policy against corruption, the launch of our internal Diversity Initiative in 2002, the implementation of our climate change strategy in 2006, the introduction of the UBS Statement on Human Rights and of our responsible supply chain standard introduced in 2006 and 2008, respectively.

*Reference to UN Global Compact in Corporate responsibility section in UBS Annual Report 2011:*

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).

b. *Human Rights and Labor Standards:*

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. The implementation of its human rights statement is supported by a responsible supply chain guideline, by the UBS position on controversial activities, and by industry sector guidelines supporting the consistent identification and assessment of environmental and social (including human rights) risks in the firm's banking activities.

In 2011, UBS along with a number of universal banks considered the "Guiding Principles for the Implementation of the United Nations 'Protect, Respect and Remedy' Framework" on business and human rights. As a group ("Thun Group"), we initiated a process to interpret the Guiding Principles with specific reference to their application to the banking sector.

c. *Environment:*

The protection of our environment is one of the most pressing issues facing our world today. Climate change for instance, will have wide-ranging effects on ecosystems, on societies and on economies worldwide. The increasing awareness of environmental issues has resulted in a fast-changing regulatory and competitive landscape which is affecting UBS, our suppliers and our clients. In response to these emerging risks and opportunities, appropriate strategies are being shaped.

UBS was one of the first financial institutions to sign the United Nations Environment Programme's "Statement by Financial Institutions on the Environment and Sustainable Development" in 1992. UBS

was also among the first companies to endorse the UN Global Compact, is an original signatory of the Carbon Disclosure Project (CDP), and UBS Global Asset Management is an Investment Manager signatory to the UN Principles for Responsible Investment (UNPRI).

UBS is committed to observe international environmental standards in all that it does - not only with respect to its direct impact, but also when providing financial services to its clients, and when reporting its environmental performance to stakeholders. This commitment is underpinned with an ISO 14001 certified environmental management system and a third party assurance of the firm's sustainability reporting according to the Global Reporting Initiative (GRI).

In February 2006, the UBS Group Executive Board decided to establish a firm-wide CO2 emission reduction target of 40% below 2004 levels by 2012. We seek to achieve this target by implementing:

- \* in-house efficiency measures that reduce energy consumption of our buildings and data centers
- \* increasing the proportion of renewable energy used
- \* offsetting CO2 emissions that cannot be reduced by other means

As a result, we reduced further our 2011 CO2 emissions, with an overall global reduction of 39% below 2004 levels, close to achieving our 2012 target. Our company is among the few financial sector companies represented in two Carbon Disclosure Project (CDP) indices, Carbon Performance Leadership Index (CPLI) and the Carbon Disclosure Leadership Index.

*d. Anti-Corruption:*

In 2011, we continued to strengthen our efforts to both prevent and combat financial crime. By taking responsibility to preserve the integrity of the financial system and our firm, 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 correspond with those risks, and that relationships which are classified as higher risk are dealt with appropriately. We adhere to strict know-your-clients regulations, which do not, however, seek to undermine clients' legitimate right to privacy.

We undertake ongoing due diligence and monitoring to assist in the identification of suspicious activities, including using advanced technology to identify transaction patterns or unusual dealings which, if discovered, are promptly escalated to management or control functions. As part of our extensive and ongoing efforts to prevent money laundering, corruption and terrorist financing, enhancements to address more specific risks in relation to corruption and terrorist financing were implemented globally in 2011. During the year we worked closely with the Environmental and Social Responsibility group to create new opportunities to screen potential business partners, vendors to UBS and clients in respect of any potential issue regarding environmental risk.

In 2011, all business divisions were required to perform a legal and compliance risk assessment based on 2010 data. This comprehensive process, which included an assessment of corruption, sanction and AML risks, is also forward-looking with follow-up actions to highlight the priorities and objectives for each business division. The risk assessment did not show any significant incidents of non-compliance with our anti-corruption policy and other regulations related to anti-corruption.

As part of our extensive and ongoing efforts to prevent money laundering, corruption and terrorist financing, the internal Global AML policies were reviewed in 2011, and enhancements to address more specific risks in relation to corruption and terrorist financing were implemented globally. As part of our 2009 review of trade financing prohibitions regarding certain war materials, these were expanded from nuclear, biological and chemical weapons and antipersonnel land mines to include cluster bombs, depleted uranium for military purposes as well as components of all such weapons. During 2011 we took further steps to strengthen our Trade Finance control framework by enhanced transaction screening protocols.