

Corporate Responsibility

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We make responsible behavior an important part of our culture, identity and business practice. As a leading global financial services firm, we want to provide our clients with value-added products and services, promote a corporate culture that adheres to the highest ethical standards, and generate superior but sustainable returns for our shareholders. We are committed to being an equal opportunity employer, protecting the environment, adhering to high social standards, and contributing to the communities that we are a part of.

Behaving responsibly can sometimes mean moving beyond solely profit-oriented considerations and legal requirements when doing business. For us, that translates into four broad fields of action:

- we aim to provide a working environment that is based on the values of equal opportunity, diversity and meritocracy
- we uphold high ethical standards when dealing with our clients and suppliers
- we have a global environmental management process in place to make sure that in all our business dealings we act in an environmentally responsible manner
- we support the communities we are a part of both through

donations and by giving our employees the opportunity to engage in volunteer work.

Since 2000, UBS has been a participating member of the UN Global Compact, a United Nations platform that encourages and promotes good corporate practice in the areas of human rights, labor, and the environment. By adhering to its principles, we contribute to the betterment of the communities and societies we work and live in – while also creating sustainable value for our shareholders.

We were also one of the first parties to sign the United Nations Environment Program's Bank Declaration (UNEP bank declaration) in 1992, which committed us to integrating appropriate environmental measures in our activities. Beyond that, our internal professional environmental management system is regularly certified to the ISO 14001 standard.

Our efforts are widely recognized. We have been a component of the Dow Jones Sustainability Indexes since their inception in 1999. The indexes track the financial performance of the leading sustainability-driven companies worldwide. We are also included in the FTSE4Good Index, which meas-

Corporate responsibility in UBS guidelines and policies

The importance we attach to responsible corporate behavior is reflected in the various documents and policies defining the rules and principles that we apply to UBS employees globally.

Our **Vision and Values** state that we are a member of the global community and should behave as a responsible corporate citizen. Our firm and its employees should conduct themselves in a manner that is above reproach, as preserving our integrity is vital to our most valuable asset – our reputation.

The **Code of Business Conduct and Ethics of UBS** sets forth the policies and practices which we expect all

employees of UBS to follow. It outlines the required standards of fairness, honesty, and integrity in a general manner. It is the basis for all UBS policies.

Employment of staff

UBS provides equal employment and advancement opportunities for all our employees, regardless of gender, ethnicity, race, nationality, age, disability, sexual orientation, or religion.

Whistleblowing protection

We have a whistleblowing policy to encourage employees to report any breach of law, regulations or codes of ethics to the appropriate senior manager without fear of retaliation.

Conflicts of interest

UBS is committed to ensuring fair treatment of all its stakeholders, whilst recognizing that conflicts of interest cannot always be avoided. We have therefore established guiding principles that outline our approach in properly identifying and managing conflicts of interest. In addition, various other policies address situations in which a conflict of interest might potentially arise, such as personal account dealing, or the providing and receiving of gifts. UBS's Investment Bank also has specific conflict of interest policies for its research activities.

ures the performance of global companies in the areas of environmental sustainability, stakeholder relations and support for human rights.

Our corporate responsibility processes

In 2001, we created a Corporate Responsibility Committee (CRC). It assesses how to meet the evolving expectations of our stakeholders related to our corporate conduct. If the committee concludes that there is a gap between what stakeholders expect and what we practice – and that this gap represents either a risk or an opportunity to the firm – the CRC suggests appropriate measures to management.

The committee is chaired by Marco Suter, Executive Vice-Chairman of UBS and Group Environmental Representative, and includes one other member of the Board of Directors and eight senior UBS executives representing our businesses, as well as a number of corporate functions, including legal and communication.

The committee's work is supported by a working group that comprises representatives from all our Business Groups, as well as functional experts. It evaluates any new issues potentially related to corporate conduct, and ensures that all are brought to the attention of the committee.

Neither the committee nor the working group runs ongoing operational processes related to corporate responsibility;

rather they ensure that UBS aligns business practices with changing societal expectations.

Contributing to society – preventing money laundering

Extensive and constant efforts to prevent money laundering and terrorist financing are important contributions to society. The integrity of the financial system is the responsibility of all those involved in it. We take our duties extremely seriously – in protecting both the system at large and our own operations. Our stakeholders expect us to be at the forefront of developing strategies and implementing measures necessary to achieve these objectives. The threats posed by money laundering and terrorism are real, and we all have a role in contributing to the fight against them as effectively as possible.

The Group Money Laundering Prevention Unit leads our efforts to fight money laundering, corruption, and the financing of terrorism. Its key task is to help employees to recognize, and then manage and report suspicious activities – in a way that neither treats all clients as criminals nor unduly hinders our normal banking business. While doing so, we remain completely committed to the respect and protection of our clients' privacy, a cornerstone of our firm's philosophy, which

Anti money laundering and bribery of public officials

We have committed ourselves to fighting money laundering, corruption and terrorist finance. To do that, we have a number of policies in place, an effective risk management framework, and an anti-money laundering unit. We aim to prevent bribery of public officials by requiring the pre-approval of any transfer of assets to a public official.

Memberships and donations

We have a policy governing the handling and uniform treatment of memberships and donations by UBS and its employees globally. It specifies that donations are goodwill payments

made to organizations whose activities serve (among others) non-profit, charitable, cultural and educational purposes.

New business initiatives

We have a control and governance structure across UBS and its businesses defining a process to ensure that new business initiatives and, where relevant, individual transactions are in line with our environmental, social and ethical standards.

Information security

UBS adheres to the highest standards of information security. It meets legal and regulatory requirements related to

information security, satisfying the obligations it has to customers, employees, and shareholders.

Environmental management

UBS is committed to integrating environmental considerations into all its business activities. Our environmental policy has put the practices prescribed by UNEP into operation in the areas of banking and in-house operations.

we integrate into our money laundering prevention structure to the best of our abilities.

The best way to achieve our goals is through a real spirit of partnership across the firm – between those who manage client relationships and the risk managers and controllers who support them. Our employees should be focused on really getting to know clients, understanding their needs – and then questioning things that do not make sense. In order to assist our employees in staying ahead of the curve in respect of their “know your customer” (KYC) skills and the identification of new trends in suspicious behavior, we ensure that they undertake regular training courses, both in the form of on-line training and seminars. In fact, we believe that one reason clients choose UBS is because they are confident of our first-class reputation for integrity.

To prevent money laundering, we take a risk-oriented approach that is tailored to our different business lines and their specific risks and exposures. This includes establishing, where applicable, consistent criteria by which a business relationship should be judged “higher-risk”. We utilize advanced technology to assist us in the identification of transaction patterns or unusual dealings.

We are also strongly committed to promoting stringent anti-money laundering standards for the financial industry as a whole. As a prime example of this, UBS was one of the driving forces behind the launch of the Wolfsberg Group and its issuance of global anti-money laundering principles in 2000. In subsequent years, we also strongly supported its efforts to suppress terrorism finance, its monitoring, screening, and searching guidelines, and its correspondent banking principles.

As part of the group, and at the request of Russian and Chinese banking authorities, we have held seminars in both countries on how to prevent money laundering. In addition

to the training programs accomplished within the context of the Wolfsberg Group, UBS frequently conducts, at the request of the Swiss Ministry of Foreign Affairs, training seminars for countries still developing anti money laundering or contra terrorist financing legislation. In 2005, we held training seminars in Morocco, Tunisia, Algeria, Uzbekistan, Tajikistan, Azerbaijan, and China.

Investing in our communities

The “raison d’être” behind our well-established program of community investment is the recognition that our success depends not only on the skills and resources of our people and the relationships we foster with clients, but also on the health and prosperity of the communities we work in. UBS supports communities in various ways: we make direct cash donations to selected organizations, match donations from our employees to most charities, and promote employee volunteering. Dedicated teams worldwide work closely with staff at all levels to build partnerships with organizations in the communities where we operate, focusing on education, regeneration and environmental projects.

Overall, in 2005, UBS donated more than CHF 46 million to support charitable causes and immediate disaster relief. Our employees, through their donations and volunteer efforts, make further significant contributions to the communities they live in, and, depending on location, UBS supports their commitment by offering up to two days per year for volunteering.

UBS has expanded its community affairs program around the globe. In 2005, a new community affairs coordination function for Switzerland was established. This recently created function coordinates all charitable activities by UBS and its staff

Disaster relief support

In the past year, we have witnessed a number of major natural catastrophes – the tsunami that hit Southeast Asia at the end of 2004, Hurricane Katrina in the US, and the Pakistani earthquake – all of which called for immediate disaster relief. In these cases, as well as others, UBS and its employees stepped in and supported the communities affected in several ways.

UBS responded to the tsunami with a USD 3 million donation for immediate relief. It also established the UBS Tsunami Relief Fund to provide long-term assistance. Amounting

to over CHF 4 million the fund comprises employee donations and matched givings by UBS. With these contributions UBS supports 14 projects in the disaster-struck regions.

We are confident that the projects we have chosen are both legitimate and genuinely in need of funds, and we have conducted extensive due diligence to ensure that our employees’ donations reach the communities most in need. By focusing on medium to long-term relief, we have ensured that selected projects complement our ongoing programs in the region and that, consequently,

the partnerships will be managed closely throughout their duration. Detailed information on the UBS Tsunami Relief Fund is available on the web at www.ubs.com/tsunamirelief

In addition, we donated CHF 1 million for Hurricane Katrina relief work, CHF 1 million for reconstruction in areas damaged or destroyed by last summer’s floods in Switzerland. We also supported relief efforts following the Pakistani earthquake by matching the donations made by employees in the UK and APAC.

across all Business Groups in Switzerland and is also responsible for the newly introduced employee volunteering program as well as the matched giving program in Switzerland.

Besides the engagement of the firm and its employees, we also give our clients the opportunity to contribute to charitable causes. The UBS Optimus Foundation invests donations from our clients into a number of programs and organizations that focus on children and 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 in full by UBS, so that the full contribution from our clients reaches the projects. In December 2005, we started issuing a new credit card, the UBS Optimus Foundation Charity Card, to give clients the benefits of a normal credit card while allowing them to make charitable contributions in a simple and effective way. Every year, UBS will donate 0.5 % of the combined turnover and a portion of the annual fees received from all Charity Cards to the UBS Optimus Foundation.

A glimpse of what we do

Despite the significant donations to disaster relief efforts in 2005, we also continued to support our ongoing, well-established community affairs programs around the world. The following provides a brief glance at some of our activities:

In the UK, we are the first financial firm to sponsor a new secondary school under the UK government's 'Academy' program in Hackney, London. We are making a financial contribution of GBP 2 million to the project – half of which is being provided by a private client – but expect to make an even more valuable long-term investment through the skills and commitment of our employee school volunteers. The school will educate 1,150 students when completed and specialize in maths and music.

In the Americas, the Junior Achievement program explains the role of business and economics in society from elementary school level through to high school. To complement the financial contributions we make, employees engage in unique volunteer initiatives and offer "real-world" experience to the subjects that are taught. Examples include so-called "Job Shadow" days, teaching classes, and the "Company Program", a three-month evening program for high school students in which employees work with a team of students to start a business, and develop and market a product. In 2005, nine employees served on the boards of JA Chapters in the US.

In Asia Pacific, UBS is continuously expanding its community affairs program. In the Philippines, UBS launched its community affairs efforts in 2005 with a project coordinated with the Association of Mouth and Foot Painting Artists (AMFPA), an organization that supports severely disabled artists. With the assistance of the sales, presentation and marketing ex-

pertise of all employees of the UBS Securities Philippines office, AMFPA organized an exhibition where artists could display and promote their work. Through this event, the organization was able to sell paintings, hundreds of Christmas cards, children's books and puzzles.

With the launch of a community affairs program *in Switzerland* last year, UBS intensified its charitable activities. In Zurich, UBS employees joined mentally handicapped persons in baking and selling Christmas cookies. Proceeds benefited the organization "Insieme", which organizes among other things, recreational activities for disabled people. In Basel, we started a mentoring program for young adults together with public teachers. UBS employees helped students find a workplace or a position as an apprentice.

Moreover, besides direct donations from our business, UBS has established a number of independent foundations and associations that donate money to worthy causes in Switzerland. One, called "A Helping Hand from UBS Employees", assists disabled and disadvantaged people to lead active, independent lives. We encourage employee involvement by matching some of the funds raised. We also have endowed two independent charities with our money. The first, called the UBS Cultural Foundation, fosters creativity, appreciation of different cultural expression, and contact between artists and society. The foundation financially supports fine arts, film, literature, music, preservation of historic buildings, archaeological projects and studies in history and philosophy in Switzerland.

In similar fashion, the purpose of the second, 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.

Socially Responsible Investments

UBS has strong expertise in incorporating environmental and social aspects into its research and advisory activities. In addition to financial considerations, socially responsible investments (SRI) put special focus on environmental, social, or ethical criteria.

Our Global Asset Management business offers a wide range of SRI products to both private and institutional investors. In Switzerland and Japan, we use an approach that actively selects the best performers in each industry on environmental and social criteria. A new SRI Responsibility Fund umbrella was created last year composed of a global SRI fund, a European SRI fund, and a Global Innovators fund. The latter mainly invests in small companies with products that have significant potential in the areas of renewable energy, water management, food, healthcare and mobility. The newly launched European SRI fund uses both our SRI and mainstream research platforms to construct a concentrated port-

SRI invested assets

CHF billion, except where indicated	GRI ¹	For the year ended			% change from 31.12.04
		31.12.05	31.12.04	31.12.03	
UBS		2,652	2,217	2,098	20
Socially Responsible Investments					
Positive criteria	F9	1.05	0.78	0.71	34
Engagement ²	F9	38.90	31.60		23
Exclusion criteria	F9	10.73	7.32	8.95	47
Third-party ²	F9	0.61	0.29		109
Total SRI assets	F9	51.29	39.99		28
Proportion of invested assets (%) ³		1.93	1.80		
Performance of UBS's SRI Funds (%)					
Absolute performance Eco Performance ⁴		21.79	4.66	15.90	
Relative performance Eco Performance vs. MSCI ⁵		(5.72)	(1.30)	(3.74)	

¹ Global Reporting Initiative (see also www.globalreporting.org). F stands for the Environmental Performance Indicators defined in the GRI Financial Services Sector Supplement ² Figures for 2003 not available due to revised definition. ³ Total socially responsible investments/invested assets. ⁴ Eco Performance = UBS (Lux) Equity Fund-Eco Performance B. ⁵ Benchmark: MSCI World (r).

Positive criteria: applies to the active selection of companies, focusing on how a company's strategies, processes and products impact its financial success, the environment and society.

Engagement: investors enter into a dialogue with boards or management of companies with the aim of influencing corporate behavior and policies, if appropriate, in relation to environmental, social or ethical issues.

Exclusion criteria: companies or sectors are excluded based on environmental, social or ethical criteria, e.g. companies involved in weapons, tobacco, gambling, or with high negative environmental impacts.

Third-party: UBS's open product platform gives clients access to SRI products from third-party providers.

folio of leading SRI stocks. We are currently able to offer global, European, and Japanese equity products; all benchmarked against MSCI or Topix indices. In the US, Global Asset Management manages various institutional accounts that exclude certain companies or sectors using "negative" screening criteria. In the UK, Global Asset Management seeks to influence corporate responsibility and corporate governance performance of the companies it invests in. UBS also offers SRI products from third party providers.

In the Investment Bank, UBS has established a Socially Responsible Investment (SRI) research team to produce original research on areas of increasing or diminishing risk. It also monitors ratings provided by external SRI agencies, organizes collaborative research by analysts about emerging SRI themes, and writes about and advises on quantifying the effects on share prices of companies with exposure to such issues. A Socially Responsible Investment page is now available to UBS's institutional clients on UBS's Research Web. The Global Wealth Management & Business Banking Business Group decided to increase the awareness of SRI initiatives and products internally following interviews with client advisors and detailed market research that showed increased interest and sensitivity in applying social responsibility criteria when planning investment decisions. As a result, an awareness campaign was launched in Switzerland in 2005 to sensitize client advisors to SRI and to support them in the analysis and understanding of the respective client needs.

Environmental management

Our commitment to the environment is underpinned by a global environmental management system certified under the ISO 14001 standard. The system covers both banking activities and in-house operations and was successfully re-certified in 2005 by our auditors SGS.

We remain committed to integrating environmental considerations into all our business activities. Our environmental policy is based on five principles:

- we seek to consider environmental risks in all our businesses, especially in lending, investment banking, advisory and research, and in our own investments.
- we seek to pursue opportunities in the financial market for environmentally friendly products and services, such as Socially Responsible Investments.
- we are committed to actively seeking ways to reduce our direct environmental impact on air, soil and water from in-house operations, with a primary focus on reducing greenhouse gas emissions. We will also seek to assess the environmental impact of our suppliers' products and services.
- we ensure efficient implementation of our policy through a global environmental management system certified according to ISO 14001 – the international environmental management standard.
- we invest in know how and integrate environmental considerations into internal communications and training.

The Group Executive Board is responsible for approving UBS's environmental policy and for nominating a Group environmental representative to guide UBS's environmental strategy and raise relevant environmental concerns with the Corporate Responsibility Committee. The primary responsibility for implementing environmental policy as stipulated by ISO 14001 lies within the Business Groups.

Environmental performance indicators

Every year, we provide a detailed description of our environmental performance using key performance indicators (KPIs), which allow for annual comparisons. They are based on in-

Management indicators for environmental performance

Full-time equivalent, except where indicated	GRI ¹	For the year ended			% change from 31.12.04
		31.12.05	31.12.04	31.12.03	
Personnel financial businesses²		69,569	67,407	65,879	3
In specialized environmental units ³		25.3	22.0	16.4	15
Environmental awareness raising					
Employees trained	F5	2,251	1,664	1,377	35
Training time (hours)	F5	1,214	2,124	1,857	(43)
Specialized environmental training					
Employees trained	F5	1,010	602	1,106	68
Training time (hours)	F5	2,066	1,932	2,548	7
External environmental audits⁴					
Employees audited	F6	147	11	26	1,236
Auditing time (days)	F6	17	2	3	750
Internal environmental audits⁵					
Employees audited	F6	216	148	171	46
Auditing time (days)	F6	39	29	37	34

¹ Global Reporting Initiative (see also www.globalreporting.org). F stands for the environmental performance indicators defined in the GRI Financial Services Supplement ² All employment figures represent the state as of 31 December 2005. ³ 2005: 21.8 UBS and 3.5 external employees (FTE) ⁴ Audits carried out by SGS Société Générale de Surveillance SA. Surveillance audits took place in 2003 and 2004. The more comprehensive re-certification audit was done in 2005. ⁵ Audits/reviews carried out by specialized environmental units. The implementation of environmental risk policies is also audited by Group Internal Audit.

dustry standards such as the Global Reporting Initiative (GRI) and VfU (both include environmental performance indicators tailored to financial institutions).

The management indicators above provide an overview of our environmental management system at Group level.

Managing environmental risks in our business transactions

For UBS, it is key to identify, manage, or control environmental risks in our business transactions. An example of such risks might be when a counterparty's cash flow or assets are impaired by environmental factors such as inefficient production processes, or polluted or contaminated property. Another is liability risk, such as when a bank takes over collateral onto its own books.

Investment Bank

Our Investment Bank has a global environmental risk policy which applies to all transactions, services and activities it performs. The depth of an environmental analysis is based in part on risk classification, on UBS's familiarity with the counterparty, and on comfort with the contents of any prospectus provided by the client. In the initial due diligence phase, environmental factors are screened by Investment Bank staff. If there are indications of significant environmental risk, an internal environmental competence center may be contacted to provide a more detailed environmental assessment. In 2005, 36 such detailed assessments were completed by the competence center.

Global Wealth Management & Business Banking

The environmental risk policy of Global Wealth Management & Business Banking applies to all credit transactions of this Business Group. The policy ensures, firstly, that portfolios with significant exposure to environmental risk are identified and monitored. Secondly, the policy specifies a generic procedure for managing environmental risk in the credit process. The actual environmental assessments are integrated into these processes and tailored to client segments, transaction size and risk exposure. This generic environmental risk assessment involves a three-step procedure. The responsible client advisor carries out a first screening, covering financial risks linked to environmental aspects such as compliance with environmental legislation, workplace safety, contaminated sites and natural hazards. 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 third step, a detailed environmental assessment – a service provided by the Business Group's environmental risk unit. In 2005, 34 such detailed assessments took place. If a transaction poses substantial environmental risks, the bank can take several courses of action. It can adapt the terms of the loan contract, it may engage the client in a dialogue about possible remedial action, or it may decline the transaction altogether.

Global Asset Management

In 2004, Global Asset Management introduced a formal environmental risk matrix that assesses the reputation and

environmental risks that its investments might imply. In this review, investments were reviewed according to business areas and the results of the audit were presented to the ISO 14001 re-certification auditors. This risk matrix now forms part of the environmental management system employed within Global Asset Management.

Environmental and CO₂ footprints

We directly impact the environment in a number of ways. Our businesses consume electricity, employees travel for business purposes, they use paper and generate waste in the course of their work, and offices require heating and cooling systems. Improving our use of these resources can boost our operating margins and enhance environmental performance and we have a series of measures that manage our environmental impact efficiently.

Therefore, every year, we analyze our environmental and CO₂ footprints. The graph below shows the relative environmental and CO₂ footprints of our energy consumption, business travel, paper consumption and waste. It also breaks down our energy consumption according to source, and displays their related environmental and CO₂ footprints. This shows that the type of energy mix we purchase has a strong

Ratio Indicators per FTE

	Unit	2005	Trend	2004	2003
Total direct energy	kWh /FTE	13,891	→	13,924	14,706
Total indirect energy	kWh /FTE	27,907	→	25,970	29,723
Total business travel	Pkm /FTE	11,704	↗	10,563	7,831
Total paper consumption	kg /FTE	203	→	198	218
Total water consumption	m ³ /FTE	25.8	→	28.9	28.3
Total waste	kg /FTE	316	→	363	395
Total environmental footprint	kWh /FTE	43,251	↗	39,130	43,154
Total CO ₂ ¹	t /FTE	3.84	→	3.77	4.78
CO ₂ footprint ²	t /FTE	7.64	→	7.26	7.89

¹ Greenhouse gas scope 1 and 2. ² Greenhouse gas scope 1, 2 and 3.

influence on our overall environmental and CO₂ footprint. In 2005, 25% of the energy we consumed came from renewable energy sources and district heating.

Overall, our energy consumption in 2005 increased by 3% from a year earlier, which is roughly in line with our 3.2% head-count increase over the same period. CO₂ emissions directly and indirectly released by UBS (see CO₂ footprints in the table on page 146) increased by 8.6%. There are several reasons for this trend: UBS's strong growth in the Asia Pacific region and, to a

Addressing climate change

UBS acknowledges that climate change represents one of the most significant environmental challenges of our times. It will have wide-ranging effects on ecosystems, on societies and on economies worldwide. Business will be shaping innovative strategies in response to new regulations as well as emerging market risks and opportunities. So, how are we responding?

Reducing our direct impact

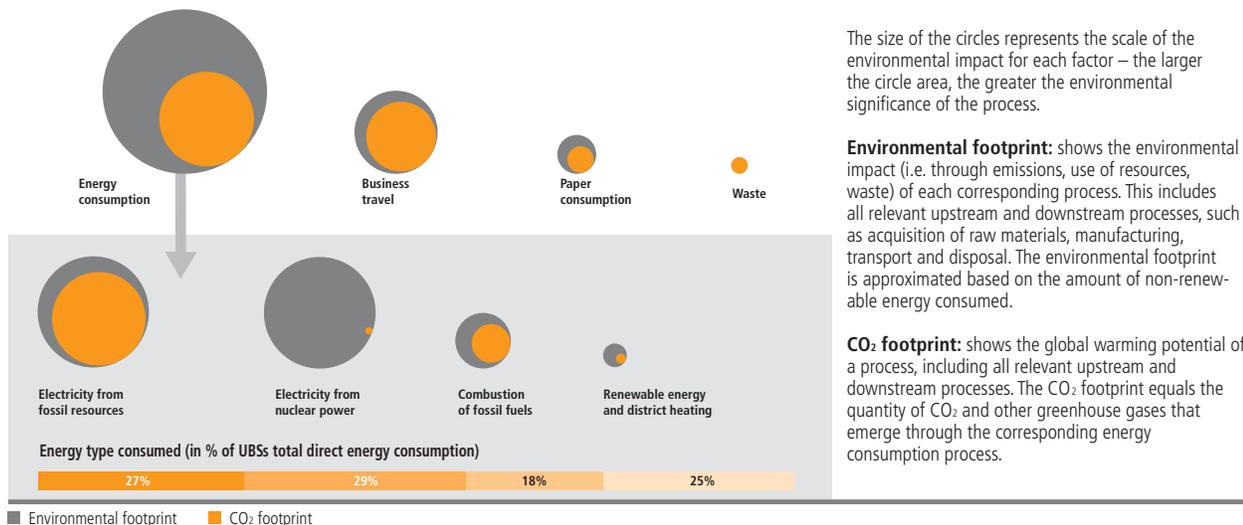
Although our direct contribution to climate change as a financial institution is rather small compared to other industries, UBS considers the efficient and sustainable management of energy and the reduction of its carbon emissions to be an important aspect of our corporate responsibility. UBS is determined to be ambitious in reduc-

ing this direct impact. The Group Executive Board has decided in February 2006 to set a group-wide carbon emission reduction target of 40% below 2004 levels by 2012. We will seek to achieve this target by increasing in-house energy efficiency whenever possible, by purchasing more green energy, and by offsetting emissions, including those caused by our business-related air travel.

Our past efforts in this area have already been highly recognized. For instance, *BusinessWeek*, in cooperation with 'The Climate Group' ranked UBS third on their 'Single-Year Percentage Leader' list for reductions in carbon emissions in 2004. Some examples of measures to that effect were:

- Our 'On Floor Control System' installed in London buildings detects the presence of people with sensors, eliminating wastage and delivering significant savings on the energy required for lighting and cooling.
- In order to reduce carbon emissions from air travel, UBS has implemented extensive video conference facilities in all major buildings worldwide. These range from boardroom videoconferences to desktop videos for individual interaction.
- In London, UBS purchases CCL-Free Electricity (Climate Change Levy exempt electricity) which is guaranteed to be generated from either renewable energy or good-quality combined heat and power.
- In Zurich, the renovation of a major building resulted in yearly savings of

Environmental and CO₂ footprints



lesser extent, in the US, where the electricity country mixes have higher carbon content than the cleaner energy mixes purchased in Switzerland and London. Our business growth in 2005 also led to more air travel, another major source of in-

creasing carbon emissions. UBS has recognized this trend, which is closely tied to its growth strategy, and has decided to address its CO₂ emissions in a systematic and comprehensive way. Our planned carbon strategy is detailed on page 144.

More detailed information on UBS's environmental management system is available on the internet: www.ubs.com/environment

3.5 GWh, which is 41% of its total annual energy consumption. The building's heating, cooling and lighting systems were entirely upgraded using state-of-the-art technology and operations.

UBS also supports climate change initiatives promoted by governmental authorities: in Japan, UBS Tokyo became part of the Tokyo metropolitan Government "CO₂ Emission Reduction Program" based on targeting business sites consuming large volumes of energy. Tokyo carried out an audit of their building and submitted a report. In Switzerland, UBS is a member of the Zurich Energy Model, an initiative launched in 1987 by twelve major energy consumers – among them UBS. Initially launched in the city of Zurich,

it now applies across Switzerland. Firms involved in the Model voluntarily commit to energy efficiency increases, and communicate innovative solutions to the general public.

Engaging investors and markets

UBS is a founding member of the Carbon Disclosure Project, through which it collaborates with other institutional investors to write to the 500 largest quoted companies in the world asking for information concerning their greenhouse gas emissions. The project asks companies to identify the business implications of their exposure to climate-related risks and explain what they are doing to address these risks. In 2005, over 90% of responding companies flagged climate change as posing commercial risks or opportunities to their

business, and 51% said they had implemented emission reduction programs.

UBS's dedicated SRI equity research team produces research that investigates the effects of climate change on certain companies and sectors. In 2005, the team was instrumental in organizing a UBS Climate Change Conference to discuss and assess climate change related risks for investors, with Sir David King, Chief Scientific Advisor to the UK Government, as the keynote speaker.

UBS is also a member of the Intercontinental Exchange (ICE), an electronic marketplace for energy and emissions trading in conjunction with the European Climate Exchange (ECX). UBS trades ECX carbon financial instruments on behalf of clients.

Absolute Indicators

Environmental Performance Indicators ¹	GRI ²	2005			2004	2003
		Absolute Normalized ³	Data Quality ⁴	Trend ⁵	Absolute Normalized ³	Absolute Normalized ³
Total direct energy⁶	EN3	966 GWh	**	→	939 GWh	970 GWh
Direct intermediate energy purchased⁷	EN3	790 GWh	**	→	751 GWh	771 GWh
electricity from gas-fired power stations		10%	**	↓	13%	19%
electricity from oil-fired power stations		5.8%	**	→	5.5%	5.5%
electricity from coal-fired power stations		18%	**	→	16%	20%
electricity from nuclear power stations		36%	**	↗	31%	30%
electricity from hydroelectric power stations		10%	**	↓	16%	17%
electricity from biomass and waste power stations		2.3%	**	↑	1.7%	1.3%
electricity from wind power stations		11.4%	**	↑	7.6%	1.5%
electricity from other renewable resources		2.9%	**	↓	4.6%	2.6%
district heating		3.8%	**	↘	4.6%	3.3%
Direct primary energy consumption⁸		177 GWh	**	→	188 GWh	199 GWh
natural gas	EN3	81%	**	→	83%	81%
heating oil	EN3	16%	**	↗	14%	15%
fuels (petrol, diesel, gas)	EN3	2.5%	**	→	2.6%	3.1%
renewable energy (solar power, bioorganic, etc.)		0.03%	***	↓	0.04%	0.10%
Total indirect energy⁹	EN4	1,941 GWh	**	↗	1,751 GWh	1,960 GWh
Total business travel	EN34	814 m Pkm	**	↗	712 m Pkm	516 m Pkm
rail travel		3.4%	*	↘	4.6%	5.0%
road travel		0.7%	*	↘	1.0%	1.5%
air travel		96%	***	→	94%	94%
Number of flights (segments)		373,950	***	↗	342,458	267,530
Total paper consumption	EN1	14,139 t	**	→	13,378 t	14,393 t
post-consumer recycled	(EN2) ¹⁰	6.9%	**	↘	8.3%	8.4%
new fibres ECF + TCF ¹¹		92.6%	**	→	91.5%	91.5%
new fibres chlorine bleached		0.4%	**	↑	0.2%	0.1%
Total water consumption	EN5	1.80 m m³	*	→	1.95 m m ³	1.86 m m ³
drinking water		100%	n.a.	→	100%	100%
Total waste	EN11	21,999 t	*	→	24,462 t	26,053 t
valuable materials separated and recycled		65%	*	→	70%	59%
incinerated		13.4%	*	↑	9.8%	7.8%
landfilled		21%	*	→	20%	33%
Total environmental footprint¹²		3,009 GWh	**	↗	2,638 GWh	2,845 GWh
Total CO₂ (GHG scope 1 and 2)¹³	EN8	267,159 t	**	→	254,273 t	315,188 t
Direct CO ₂ (GHG scope 1)	EN8	14%	**	→	16%	13%
Indirect CO ₂ (GHG scope 2)	EN8	86%	**	→	84%	87%
CO₂ footprint (GHG scope 1, 2 and 3)¹⁴		531,462 t	**	→	489,500 t	520,405 t

Legend: GWh = giga watt hour; Pkm = person kilometers; t = tons; m³ = cubic meters; m = million.

¹ All figures are based on the level of knowledge as of the end of February 2006. ² Global Reporting Initiative (see also www.globalreporting.org). EN stands for the Environmental Performance Indicators defined in the GRI. EN in brackets indicates a minor deviation from GRI that is commented. ³ Non-significant discrepancies from 100% are possible due to rounding errors. ⁴ Specifies the estimated reliability of the aggregated data and corresponds approximately to the following uncertainty: up to 5% – ***, up to 15% – **, up to 30% – *. Uncertainty is the likely difference between a reported value and a real value. ⁵ 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% (↑/↓). ⁶ Refers to energy consumed within the operational boundaries of UBS. ⁷ Refers to energy purchased that is produced by converting primary energy and consumed within the operational boundaries of UBS (electricity and district heating). ⁸ Refers to primary energy purchased which is consumed within the operational boundaries of UBS (oil, gas, fuels). ⁹ Refers to primary energy, which is consumed to produce the electricity and district heating consumed by UBS. ¹⁰ Differing from the GRI Guidelines, pre-consumer recycled paper is counted as paper coming from new fibers as a worst case approach. ¹¹ Paper produced from new fiber, which is ECF (Elementary Chlorine Free) or TCF (Totally Chlorine Free) bleached. ¹² Shows the environmental impact (through emissions, use of resources, waste) by a process including all relevant upstream and downstream processes. The environmental footprint is approximated using the equivalent of nonrenewable energy consumed. ¹³ Refers to the "GHG (greenhouse gas) protocol initiative" (www.ghgprotocol.org), an international standard for CO₂ reporting. Scope 1 accounts for direct greenhouse gas emissions by UBS. Scope 2 accounts for indirect greenhouse gas emissions associated with the generation of imported/purchased electricity, heat or steam. ¹⁴ Represents the total global warming potential from all linked relevant upstream and downstream processes. It equals total CO₂ emissions according to the GHG standard (scope 1, 2 and 3).

Validation by SGS Société Générale de Surveillance SA

"We have verified the correctness of the statements in the 2005 Environmental Report of UBS AG and, where necessary, have requested that proof be presented. We hereby confirm that the report has been prepared with the necessary care, that its contents are correct with

regard to environmental performance, that it describes the essential aspects of the environmental management system at UBS AG and that it reflects the actual practices and procedures at UBS AG."
Elvira Bieri and Dr. Erhard Hug, Zurich, February 2006