

# UBS Group AG – UN Global Compact Communication on Progress

## 1. Introduction

Detailed information relating to all Global Compact principles can be found in the "UBS and Society" and "Our employees" sections of the UBS Annual Report 2016 (Section 4: Corporate governance, responsibility and compensation, pages 239 – 255 see [www.ubs.com/annualreport](http://www.ubs.com/annualreport)). This information together with additional detail pertaining to the Global Compact principles can be accessed on the UBS and Society website ([www.ubs.com/ubsandsociety](http://www.ubs.com/ubsandsociety)).

Note: The components of this CoP have been linked to pertinent Sustainable Developments Goals (SDGs), where appropriate.

## 2. UBS Sustainability Disclosure

For its 2016 reporting year, UBS commissioned Ernst & Young Ltd. (EY) to conduct an independent limited assurance of its GRI-based Sustainability Disclosure. Content of the sections "UBS and Society" and "Our employees" was reviewed by EY against the GRI Sustainability Reporting Guidelines. This content has been prepared in accordance with the comprehensive option of GRI G4 as evidenced in the EY assurance report. The assurance by EY also covered other relevant text and data, which is referenced in the GRI Content Index ([www.ubs.com/gri](http://www.ubs.com/gri)). The contents of the index relate directly to the principles of the Global Compact (as set out in "Using the GRI G4 Guidelines to Communicate Progress on the UN Global Compact Principles").

[SDG 12 – Responsible consumption and production](#)

## 3. Overarching statement

As a leader in sustainability in the financial industry, we focus on the long term and work to create value for our stakeholders. We are committed to promoting the common good by being proactive, purposeful and accountable. Our UBS and Society organization coordinates all our activities and capabilities in sustainable investing (SI) and philanthropy, environmental and human rights policies governing client and supplier relationships, our own environmental footprint, as well as our firm's community investment.

[SDG 12 – Responsible consumption and production](#)

Our performance and success in the area of sustainability is reflected in important external ratings, rankings and recognitions. We received "Industry Leader, Gold Class distinction" for our excellent sustainability performance in 2017, as determined by our score in RobecoSAM's annual Corporate Sustainability Assessment. RobecoSAM, together with S&P Dow Jones Indices, also publishes the Dow Jones Sustainability Indices (DJSI), the most widely recognized sustainability rating. In 2016, our firm also maintained its leadership position in the Diversified Financials industry group of the DJSI. The DJSI evaluates companies' sustainability practices and recognizes the best performers. The Industry Group Leader report for UBS explains that, through the implementation of UBS and Society, UBS ensures that it fulfills its commitment to provide consistent and sustainable returns to its clients, while also promoting ethical practices for the common good. It highlights innovative financial products launched by UBS, cites

the firm as exemplary in social and environmental reporting practices and emphasizes UBS's impressive progress in mitigating risk.

See [www.ubs.com/ubsandsociety](http://www.ubs.com/ubsandsociety) for more information

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

##### 4.1. Continued support for the Global Compact

In our 2016 sustainability disclosure we demonstrate our commitment to the UN Global Compact in the context of our Chairman's interview on corporate culture and responsibility (text below appears on [http://www.ubs.com/global/en/about\\_ubs/corporate\\_responsibility/commitment\\_strategy/chairman\\_statement.html](http://www.ubs.com/global/en/about_ubs/corporate_responsibility/commitment_strategy/chairman_statement.html))

*UBS was among the first companies to sign the Global Compact in 2000. We are also a member of the UN Global Compact Network Switzerland. As reflected in detail in our 2016 sustainability disclosure (in Annual Report, Annual Review, and on [www.ubs.com/ubsandsociety](http://www.ubs.com/ubsandsociety)), we have a comprehensive set of commitments and activities in place pertaining to the principles of the Compact.*

[SDG 17 – Partnerships for the goals](#)

##### 4.2. Labor Standards

Our ability to deliver on our business strategy is closely linked with the quality and commitment of our employees. Our human resource (HR) strategy therefore seeks to ensure that we hire, support, develop and engage employees at all levels who have the diverse backgrounds, skills and experience to advise our clients, navigate volatile markets, develop new products, embrace innovation and manage both risk and evolving regulations. We invest in our employees and support initiatives that build engagement and strengthen our corporate culture, based on our belief that the right strategy and a strong, cohesive culture drive excellent performance.

[SDG 8 – Promote inclusive and sustainable economic growth, employment and decent work for all](#)

Having a strong culture is vital to our sustained success. In 2013, we introduced the three keys to success – our Pillars, Principles and Behaviors. They help us achieve our vision, execute our strategy and determine how we work together. Since then, we have continuously focused on driving cultural change and on embedding our core values more deeply into the identity of the firm. In 2016, we continued our large-scale culture change program, with over 200 ongoing initiatives at all levels of the organization: Group, divisional and regional.

We aim to be a high-quality employer, with our identity and our values embedded into all of our people management practices. We offer competitive benefits to all employees, which may include insurance, pension, retirement and personal leave. These benefits often go beyond market practice or legal requirements. For example, we offer employees up to two days each year to volunteer in local communities. We also support flexible working arrangements, including telecommuting, part-time roles, job sharing and partial retirement.

[SDG 5 – Gender equality](#)

[SDG 8 – Promote inclusive and sustainable economic growth, employment and decent work for all](#)

We have established procedures in every region to help us resolve any employee grievances, and employees are strongly encouraged to speak with their line manager or HR about any concerns. Likewise, our whistleblowing policy and procedures offer multiple channels for staff to raise concerns, either openly or anonymously, about suspected breaches of laws, regulations, rules and other legal requirements to which the Group is subject, or of our Code, policies or relevant professional standards.

As a responsible employer, we maintain an open dialog with our employee representation groups. The UBS Employee Forum for Europe includes representatives from 16 countries and considers pan-European issues that may affect our performance, prospects or operations. Similar forums in Switzerland and the UK address topics such as health and safety, changes to workplace conditions, pensions, redundancies and business transfers.

[SDG 8 – Promote inclusive and sustainable economic growth, employment and decent work for all](#)

[SDG 10 – Reduced inequality](#)

#### 4.3. Environment and human rights

Our industry is playing an increasingly active role in addressing global issues such as the protection of human rights and the environment. Growing environmental and human rights concerns have resulted in a fast-changing regulatory and competitive landscape that affects our firm, our suppliers and our clients. In response to these emerging risks and opportunities, we are shaping appropriate commitments and solutions.

We use our environmental and social risk (ESR) framework to assess and manage potential adverse effects on the environment and on human rights, as well as any associated environmental and social risks to which our clients' and our own assets may be exposed. Our comprehensive ESR standards, which are regularly reviewed by our Global ESR Committee, govern client and supplier relationships and are enforced Group-wide. We have set ESR standards in product development, investments, financing and for supply chain management decisions. As part of our due diligence process we engage with clients and suppliers to better understand their processes and policies and to explore how any environmental and social risks may be mitigated. We avoid transactions, products, services, activities or suppliers if they are associated with material environmental and social risks that cannot be properly assessed or mitigated. Our ESR standards include the description of controversial activities and other areas of concern we will not engage in, or we will only engage in under stringent criteria, as outlined below. We will not do business with a counterparty or an issuer that in our judgment does not address environmental or social issues in an appropriate and responsible manner.

[SDG 8 – Promote inclusive and sustainable economic growth, employment and decent work for all](#)

[SDG 12 – Responsible consumption and production](#)

[SDG 13 – Climate action](#)

[SDG 14 – Life below water](#)

[SDG 15 – Life on land](#)

Our long-standing involvement in the UNEP Finance Initiative reflects our commitment to managing our environmental footprint. We manage our environmental program through an environmental management system in accordance with the ISO 14001 standard. In addition, our greenhouse gas (GHG) emissions data is externally verified on the basis of ISO 14064 standards. Our environmental program encompasses investments in sustainable real estate and efficient information technology, energy and water efficiency, paper and waste reduction and recycling, the use of environmentally friendly products, such as renewable energy or recycled paper, and business travel and employee commuting reduction. We set quantitative targets to reduce UBS's Group-wide CO2 emissions and the environmental impact of our operations. In support of our commitment to RE100, a global initiative that encourages multinational companies to make a commitment to using 100% renewable power by 2020, we have committed to sourcing 100% of the firm's electricity from renewable sources by 2020. This will reduce the firm's GHG footprint by 75% by 2020 compared with 2004 levels.

[SDG 6 – Clean water and sanitation](#)

[SDG 7- Affordable and clean energy](#)

[SDG 9 – Industry, innovation and infrastructure](#)

[SDG 12 – Responsible consumption and production](#)

[SDG 13 – Climate action](#)

[SDG 17 – Partnerships for the goals](#)

#### 4.4. Anti-Corruption / Combating financial crime

A major focus of government policy relating to financial institutions in recent years has been combating money laundering and terrorist financing. The US Bank Secrecy Act and other laws and regulations applicable to UBS require the maintenance of effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of our clients. Failure to maintain and implement adequate programs to prevent money laundering and terrorist financing could result in significant legal and reputational risk. We are subject to laws and regulations in jurisdictions in which we operate, including the US Foreign Corrupt Practices Act and the UK Bribery Act, prohibiting corrupt or illegal payments to government officials and others. We maintain policies, procedures and internal controls intended to comply with these laws and regulations.

We take a rigorous risk-based approach in our commitment to combatting money laundering, corruption and terrorist financing. We are also committed to complying with sanctions laws. Our policies and procedures are designed to detect and mitigate financial crime-related risks. We adhere to strict know-your-client rules and use advanced technology to help identify suspicious transaction patterns. If suspicious activities are discovered, they are promptly escalated to independent control units and external authorities, as required by law. We assess annually the money laundering, bribery and corruption and sanctions risks associated with all our business operations against our control framework, and take actions to further mitigate that risk.

We are a founding member of the Wolfsberg Group, an association of global banks that aims to develop financial services industry standards for policies on preventing money laundering and terrorist financing, and on know-your-client principles. Together with the other members of the Group we work closely with the Financial Action Task Force (FATF), an inter-governmental body that helps develop national and international policies on preventing money laundering and terrorist financing through consultation with the private sector. The Wolfsberg Group continued to influence anti-money laundering (AML) through its annual forum and regional reach-out meetings with banks globally. It continues to work on guidance papers in key areas of AML.

[SDG 16 – Peace, justice and strong institutions](#)