

UBS employees

# UBS employees

- UBS invests in its employees – increasing their value to both the firm and its clients
- Business operations are supported by high-quality people management processes
- UBS places importance on skill-development and career-building opportunities
- Employees are appropriately rewarded for their performance, results and commitment

## Strategic focus

UBS relies on the skill and dedication of its employees to deliver the solutions and service its clients demand.

The firm continually invests in its people and ensures organization-wide processes are in place to support this.

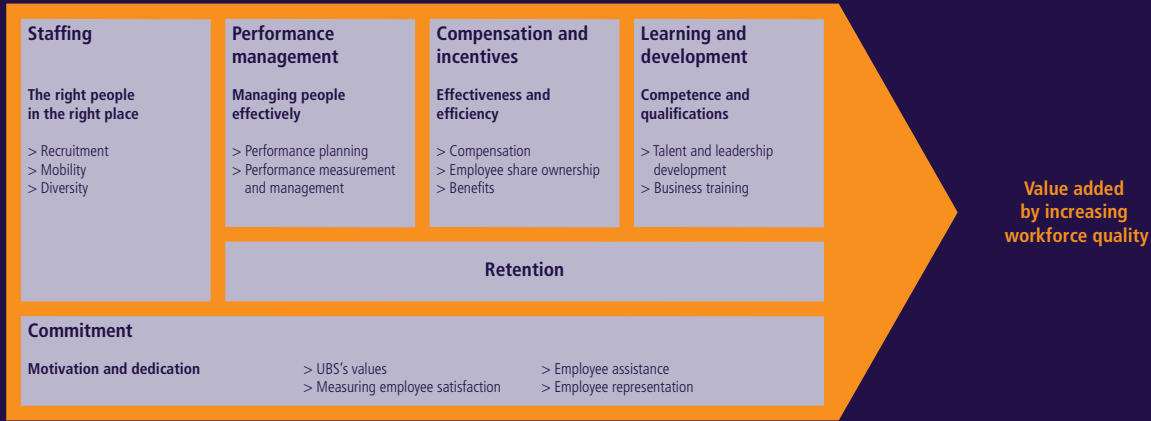
Increases in employee skill and productivity over time will support the growth of UBS's businesses. To drive business growth from within, UBS seeks to retain and develop its own workforce, as illustrated by the firm's staffing, people management, training and compensation policies and practices. The chart "Investing in employees" on the opposite page illustrates this.

Collaboration and respect underpin the firm-wide culture of valuing individual contributions and excellence. UBS fosters a performance-oriented environment, in which pay is linked to performance and compensation is linked to the achievement of business objectives.

## Developments in 2007

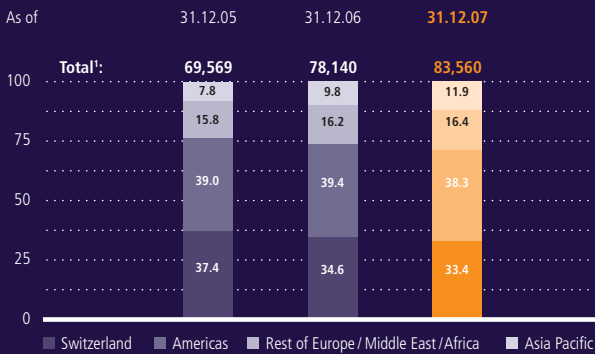
- The UBS workforce (in terms of total full-time equivalents) grew to 83,560, up 5,420, or 7%, from 78,140 on 31 December 2006
- Global Wealth Management & Business Banking accounted for more than half of the growth, with 3,056 new staff
- Graduate recruiting remained strong; hiring increased about 10% from 2006
- This growth occurred despite the difficult market conditions and related staff reductions of about 900 in the Investment Bank
- Other significant achievements included: opening the Singapore-based UBS Wealth Management Campus – Asia Pacific, the launch of the "UBS Career Comeback" program, allowing people to resume their career in financial services after a break, and ongoing external recognition as an excellent employer

## Investing in employees



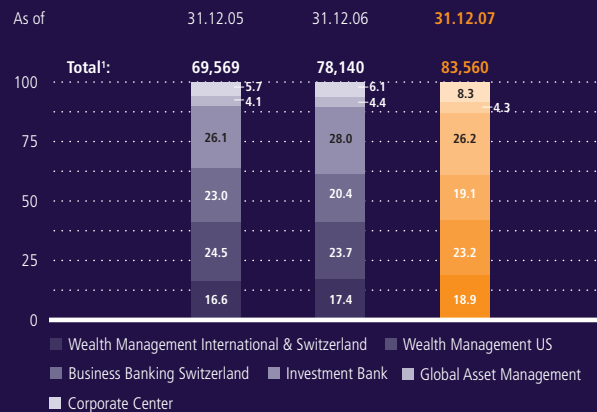
## Financial businesses personnel Regional distribution

in %, except where indicated



## Business unit distribution

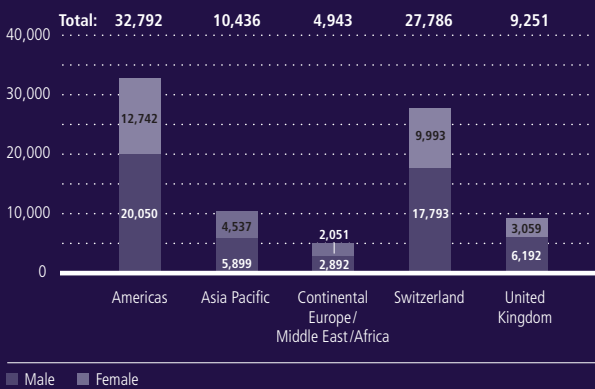
in %, except when indicated



<sup>1</sup> Total full-time equivalents (FTE).

## Gender distribution by region<sup>1</sup>

As of 31.12.07



<sup>1</sup> Calculated on the basis that a person (working full-time or part-time) is considered one headcount in this graph only. This accounts for the total UBS end-2007 employee number of 85,208 in this graph. Excludes staff from UBS card center, Hotel Seepark Thun, Wolfsberg and Widder Hotel.

# UBS employees

## Investing in UBS employees

UBS relies on the expertise and commitment of its employees to deliver the solutions and the quality of service demanded by its clients. "Human capital return on investment" is used by UBS as an indicator of the increase in skill and productivity of its workforce, in combination with financial performance. In 2007, UBS's human capital return on investment showed a decrease for the year. As shown in the graph at the right, following a steady increase from 2002 until the first half of 2007, its return on investment declined in the second half of 2007. This decrease is principally the result of a continued investment in the bank's workforce despite the quick and steep deterioration in market conditions in the second half of 2007. This investment, however, should prove to be central to UBS's ability to grow when market conditions stabilize.

The firm invests in developing and motivating its employees, whether they are new hires, seasoned employees, key talent or senior managers. The graph below highlights the most important factors driving the value created by UBS personnel.

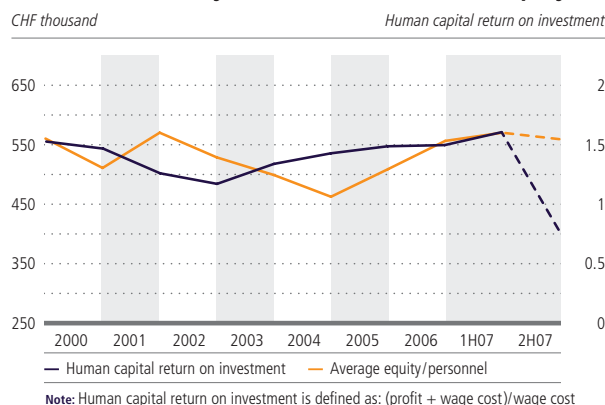
## Staffing

### UBS workforce

The number of people employed in the financial businesses was 83,560 on 31 December 2007, up 7%, or 5,420, from 78,140 at the end of 2006. Staff levels increased in all UBS businesses over the course of the year.

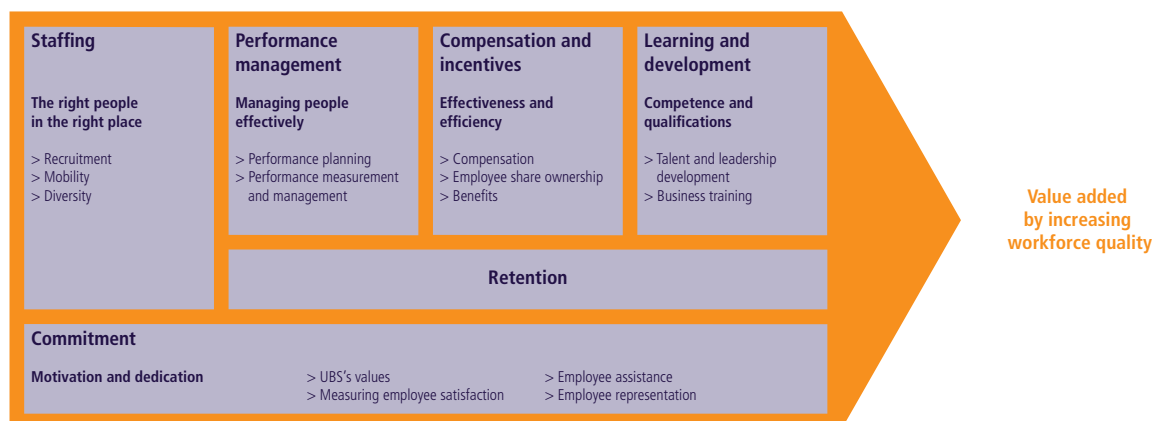
In the Swiss and international wealth management business, where personnel increased by 2,247, investment contin-

## The value added by UBS's investment in its employees



ued in growth markets such as Asia Pacific and Europe. The number of client advisors in Switzerland also increased. Staff levels in the US-based wealth management business rose by 790, after the February 2007 integration of the McDonald Investments private client network and related hiring (in support of divisional and home office growth initiatives). This was partly offset by staff reductions in certain business areas, mainly IT and operations. The Swiss commercial and retail banking business increased personnel numbers by 19, as more IT staff were required to support both growing business volumes and new hires in the Swiss domestic banking business. The asset management business raised staff levels across all areas, hiring a total of 189 new employees in the context of business growth and acquisitions. The increase was partly offset by declines re-

## Investing in employees



lated to the closure of Dillon Read Capital Management (DRCM) in second quarter 2007. The Investment Bank's staff levels were essentially flat year-on-year, only increasing by 33. As announced in October, the Investment Bank reduced its personnel levels by 901 people during fourth quarter and informed around 430 employees that they will have to leave the bank in the course of first quarter 2008. This decrease was offset by the annual intake of graduates and reintegration of DRCM staff. In Corporate Center, personnel numbers were up by 2,142, mainly a result of converting former Perot staff members to permanent IT Infrastructure employees. Demand for offshoring services increased as well, driving up staff levels in the UBS Service Centre in Hyderabad.

In 2007, UBS personnel worked in more than 50 countries, with about 38% of staff employed in the Americas, 33% in Switzerland, 16% in Europe, the Middle East & Africa and 12% in Asia Pacific. Growth continued to be strongest in Asia Pacific, where staff levels rose 31% in 2007, following a 41% rise in 2006.

Internal job mobility, across both businesses and regions, drives business innovation and individual career development. The exchange of knowledge and experience benefits employees and their teams, allowing UBS to better implement and benefit from its integrated "one-firm" approach. In 2007, 1,062 employees moved to roles in a different region. The highest number of employees transferred from Switzerland, with 125 going to the Americas, 107 to Asia Pacific, 67 to the UK and 53 to locations in Europe, the Middle East & Africa. Overall, mobility in the businesses was slightly lower in 2007 than in 2006, with 903 employees transferring from one business group to another during the course of the year, versus 909 in 2006. The highest number of transfers (at 184 employees) were between the Investment Bank and Global Wealth Management & Business Banking.

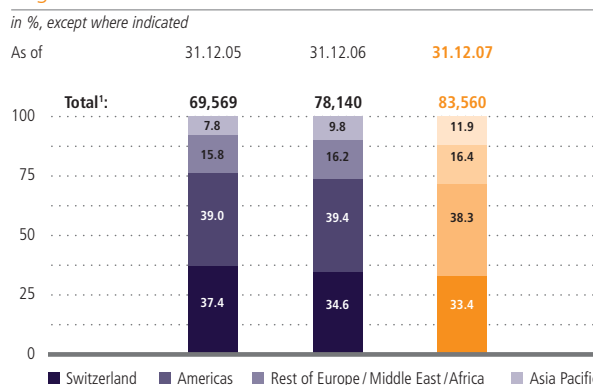
#### Recruiting staff

Recruiting efforts aim at hiring highly qualified people in order to maintain and expand UBS's long-term position as a major global financial services institution. In 2007, the firm significantly increased recruitment in the key markets in which it operates and sought to recruit specialists in non-traditional markets such as India and Poland.

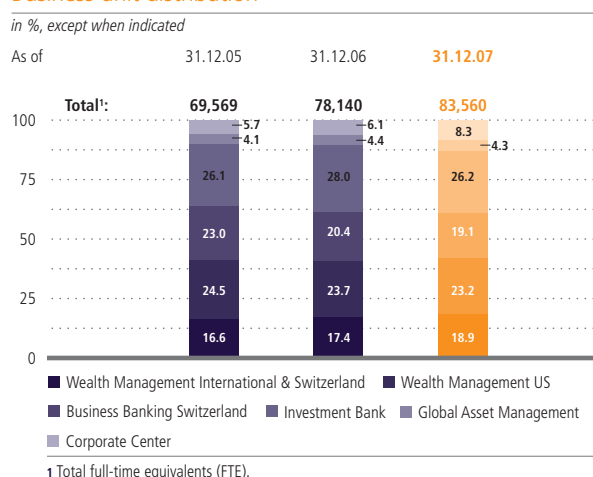
The number of university graduates UBS hired for its undergraduate and MBA training programs across the firm was over 1,000 in 2007, an increase of about 10% from 2006. In Asia Pacific, where the business grew strongly last year, the number of undergraduate, MBA and intern hires rose by 52%. In Switzerland, the UBS apprenticeship program (for students in secondary schools specializing in banking or IT) hired 286 apprentices in 2007, 26 more apprentices than in 2006, bringing the total number of apprenticeship positions

### Financial businesses personnel

#### Regional distribution



#### Business unit distribution



to 830. In total, around 1,900 young people participated in vocational training in Switzerland in 2007.

UBS also remained one of the top-ranked employers for university graduates in Switzerland, with global consultant Universum ranking UBS number one for business students in Switzerland for the third straight year. In the UK, UBS was the 24th "most ideal employer" among business students, up from forty-first two years earlier. In the US, *BusinessWeek* magazine named UBS among the top 50 places to launch a career in 2007.

A new service for all new employees, both graduates and professional hires, was the introduction of the "New Joiner Experience" in 2007. Its core is a series of locally customizable online guides to allow new employees to gain an overview of UBS's global organization and culture and to settle quickly into their role. It also includes networking and information events, as well as a survey and measurement framework.

### Gender distribution by employee category<sup>1</sup>

As of 31.12.07	Officers		Non-officers		Total	
	Number	%	Number	%		
Male	34,622	73.5	18,204	47.8	<b>52,826</b>	<b>62.0</b>
Female	12,496	26.5	19,886	52.2	<b>32,382</b>	<b>38.0</b>
<b>Total</b>	<b>47,118</b>	<b>100.0</b>	<b>38,090</b>	<b>100.0</b>	<b>85,208</b>	<b>100.0</b>

<sup>1</sup> Calculated on the basis that a person (working full-time or part-time) is considered one headcount in this table only. This accounts for the total UBS end-2007 employee number of 85,208 in this table. Normally, UBS expresses employee numbers in terms of full-time equivalents (FTEs), which is measured as a percentage of the standard hours normally worked by permanent full-time staff. When calculated according to full-time equivalents, the end-2007 total is 83,560.

Developing and sustaining a diverse workforce  
 UBS considers diversity to include the recognition and appreciation of multiple backgrounds, cultures and perspectives. Citizens from 154 countries comprise the UBS workforce. The largest number of employees, as measured by primary citizenship, hold US or Swiss citizenship (34% and 27%, respectively), followed by British citizenship (9%).

Over the past five years, UBS has promoted diversity in three stages. At the start of this program, a focus was placed on raising basic awareness of diversity, its meaning and its implications. UBS concentrated on developing policies, creating teams and building senior management commitment. The second phase integrated diversity into UBS's working practices, such as recruiting, performance management and talent development. In 2007, the third phase was launched, in which diversity will ultimately become a self-sustaining part of UBS's culture. This will require personal ownership, line manager accountability and successfully linking diversity to revenue generation.

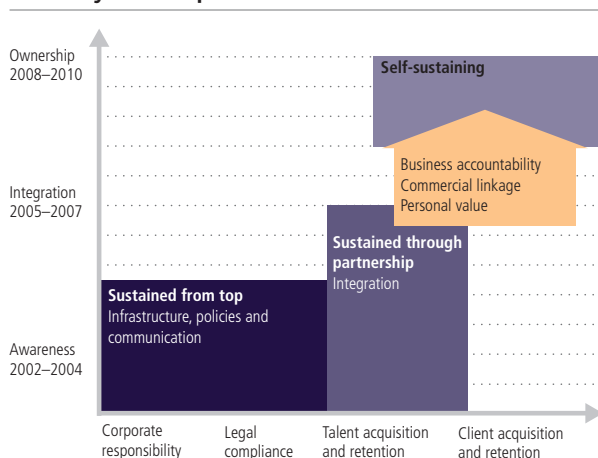
In 2007, UBS also continued to build a diverse workforce through a variety of programs and processes across the organization. Managing and executive directors were asked to set personal diversity objectives in the performance management system. Additionally, since 2005, more than 3,000 se-

nior managers have attended actor-based diversity training sessions that give them demonstrated behavioral options to handle potential issues within teams. In 2007, online diversity training was rolled out to Investment Bank, Global Asset Management and operational Corporate Center staff to provide basic diversity education and extend the actor-based training concepts to a wider audience. Approximately 10,000 employees took the training in the first three months. Global Wealth Management & Business Banking employees were offered access to the training in early 2008.

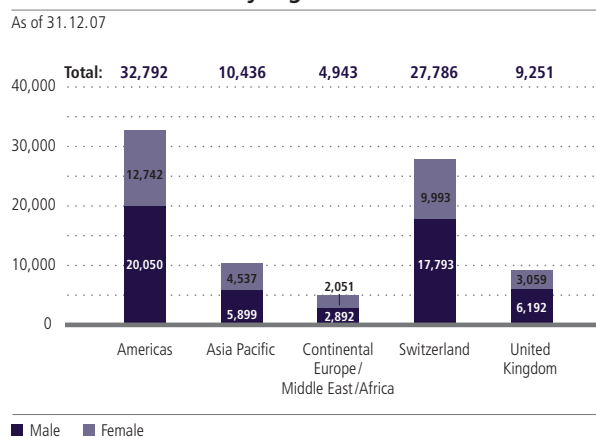
New programs and policies were introduced in 2007 that help employees better manage their work and personal lives. In the UK for example, the maternity support program aims to prepare employees for maternity or adoption leave, as well as training line managers in the handling of related issues. In the US, UBS introduced two annual paid family care days in 2007, available in addition to regular vacation and personal days. UBS also has over 20 employee networks addressing cultural awareness, disability, family, heritage, sexual orientation, gender and other aspects of diversity, which provide a forum for employees' involvement in diversity-related activities.

Efforts aimed at external audiences in 2007 included "UBS Career Comeback", a new program targeting professional

### Diversity roadmap



### Gender distribution by region<sup>1</sup>



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## Composition of UBS's workforce by citizenship<sup>1</sup>

As of 31.12.07

Country	Number	% change from 2006	Total % of citizenship
USA	29,019	(1.5)	34.1
Switzerland	23,412	(1.6)	27.5
United Kingdom	8,008	(0.2)	9.4
Germany	3,669	0.3	4.3
India	2,422	1.1	2.8
Australia	1,865	0.0	2.2
Italy	1,794	0.0	2.1
Singapore	1,536	0.2	1.8
France	1,372	0.1	1.6
Hong Kong	1,329	0.2	1.6
Japan	1,163	0.1	1.4
China	921	0.5	1.1
Canada	799	0.0	0.9
Spain	762	0.0	0.9
Russia	452	0.0	0.5
Taiwan	451	0.1	0.5
Ireland	339	0.0	0.4
Austria	298	0.0	0.4
Malaysia	259	0.0	0.3
Belgium	226	0.0	0.3
Other countries	5,112	0.6	6.0
<b>Total</b>	<b>85,208</b>		<b>100.0</b>

<sup>1</sup> As measured by primary citizenship. Calculated on the basis that a person (working full-time or part-time) is considered one headcount in this table only. This accounts for the total UBS end-2007 employee number of 85,208 in this table. Normally, UBS expresses employee numbers in terms of full-time equivalents (FTEs), which is measured as a percentage of the standard hours normally worked by permanent full-time staff. When calculated according to FTEs, the end-2007 total is 83,560.

women, and in some instances men, who had left the workforce and now would like to return to professional employment in the financial industry. Participants must have a minimum of five years of relevant work experience and be seeking to return to the workforce after an 18-month to seven-year period away from the industry. In March 2007, the program was launched with the Wharton School (of business) of the University of Pennsylvania. Three months later, 28% of the 60 participants were working either full-time or part-time at various companies, including UBS. The program was expanded to Hong Kong and Sydney in November 2007 and to London in March 2008.

### Diversity and clients

UBS believes cross-cultural, diverse teams generate new ideas and creative solutions for its increasingly diverse client base. And, as clients come to recognize the positive influence of diversity on business success, the issue is becoming an increasingly important topic for them. As a result, UBS actively targets a broad range of clients and prospects in marketing its services.

In 2007, UBS hosted the second annual Women's Leadership Conference in Zurich, which attracted nearly 2,000 professional women and men who were either UBS clients or

employed in the financial services industry. In addition, the UBS Women's Conference Monaco, designed exclusively for existing and prospective high net worth European women clients, drew nearly 100 attendees, while a UBS Diversity Conference, attended by more than 160 clients and representatives from financial institutions, universities and government, was held in Hong Kong in March 2007.

### Employee retention

A number of factors influence employee retention. These include compensation, and incentives, performance management and learning and development opportunities. UBS manages these elements at all levels and offers targeted career development opportunities to talented employees across the company. The retention of key staff is also tracked. Among the Group Executive Board (GEB), Group Managing Board (GMB) and managing director (MD) populations, 87% have been with the firm three years or more, 26% have worked at UBS between five and ten years, 34% between 11 and 20 years, and 19% have been with the firm for 21 years or more. 128 of the 188 managing directors hired in 2004 or 2005 were still employed at the end of 2007.

UBS grew significantly in 2006 and 2007 in certain geographical regions and business areas (Asia Pacific and wealth management, for example). This is visible in the number of staff hired, including hiring to replace staff who left UBS during that time. As of the end December 2007, 14.5% of UBS staff had between one and two years of experience at UBS. Due to the net hiring of staff, this is an increase from 11.6% in 2006. In Asia Pacific, 32.8% of staff have less than one year experience with UBS, while 23.4% have between one and two years of experience at UBS.

### Performance management

The skills, expertise and ambition of UBS employees, together with a business culture that values meritocracy, are essential to achieving results for both clients and UBS alike. Performance management processes throughout the year support staff development, reinforce the firm's core values and help ensure employees have the skills necessary to implement the long-term strategy of taking advantage of the global trend of wealth creation.

As UBS believes employee-manager dialog underpins good performance management and demonstrable performance is the basis for meritocracy. All employees participate in a performance management process that assesses individual achievements against specific objectives. Implemented in 1996, the performance measurement and management (PMM) process specifies expectations for behavior and actions according to (and increasing with) experience and rank. As an example of this, evaluations for all employees include a "client focus" element, although the specific requirements to successfully fulfill this vary significantly according to their function or role.

Each employee and his or her evaluating manager agree upon specific performance objectives at the beginning of the year. These objectives relate to clients, people and team, economic goals and professional expertise. They can be updated in the PMM online application throughout the year. Then, in the fourth quarter, the employee's achievements are assessed against these previously defined targets – a process involving the employee, the line manager and, in many cases, peers, internal clients and direct reports.

This performance management framework allows UBS to target specific personnel development needs in its businesses and among specific types of employees. For example, in 2007, the PMM tool was used to support the building of staff development and management skills among the Global Wealth Management & Business Banking workforce, and also to design a training program targeted at first-level managers across the company to help them build a consistent set of management skills. The program was developed following a detailed analysis of UBS's management competency profile in the PMM system and is a focused solution for building relevant management capabilities among this population.

The PMM process for the executive members of the Board of Directors, members of the GEB and members of the GMB is broadly the same as for other employees. Achieving the financial targets set for both the Group and each business group plays a significant role. Leadership, cross-business cooperation, strategic thinking and cross-business group contribution are also evaluated.

The PMM assessment is one element defining individual incentive awards, with top performers receiving proportionately higher rewards. The total amount of money granted in incentive awards is determined by the financial performance of the firm and its individual businesses.

**Compensation and incentives**

To support its integrated business strategy, UBS endeavors to foster an entrepreneurial and performance-oriented culture. Compensation programs are results-oriented and market-focused. In the rigorous performance management process, total compensation is linked to stated business objectives, and pay and incentive programs are designed to pay for performance.

UBS's total compensation and benefits philosophy has five guiding principles. These require UBS to:

- use carefully selected performance measures, rigorous performance management and a strict pay-for-performance relationship to support UBS's business strategy;
- support the reward opportunities across the firm by consistently communicating the business strategy and promoting a meritocratic culture;
- provide competitive total compensation opportunities to enable UBS to attract and retain talent;
- balance the components of compensation to meet short-term needs while focusing on mid- to long-term objectives; and
- encourage employee share ownership to strengthen the alignment between employee and shareholder interests.

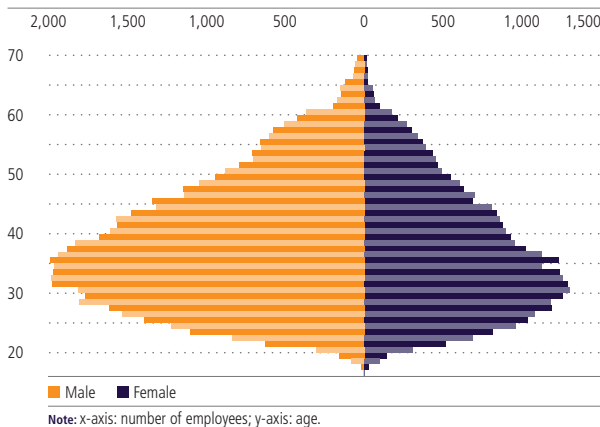
**→ A full discussion of UBS's compensation policy is available in Corporate Governance and Compensation Report 2007**

**Employee share ownership**

UBS is committed to the principle of employee share ownership throughout the organization. Accountability for long-term implications of decisions and actions is encouraged through equity-based awards that vest and/or become unrestricted over time. Positions with a large scope of responsibility and a significant potential impact on the firm have higher equity exposure.

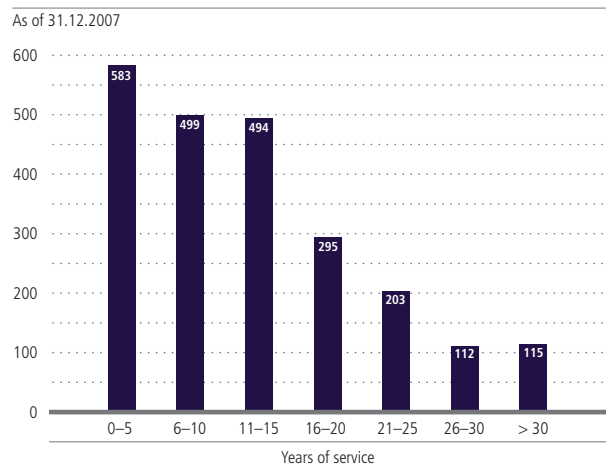
**Age distribution at UBS**

As of 31.12.2007



**Senior leadership years of service with UBS and predecessor firms (MDs, GMB/GEB members)**

Number of people





To align the interests of UBS's management with those of its shareholders, UBS has stringent share ownership guidelines for senior executives.

Moreover, a voluntary equity-based program offers employees the chance to purchase UBS shares at fair market value (on the purchase date) and generally receive two free UBS options for each share purchased. Staff with annual incentive awards above a certain threshold are awarded a component in UBS shares or notional shares instead of cash. Select high-performing employees are granted stock options with a strike price not less than the fair market value of the shares on the date the options are granted.

On 31 December 2007, current UBS employees held an estimated 6% of shares outstanding (including approximately 3% in unvested/blocked shares), based on all known share holdings from employee participation plans, personal holdings and individual retirement plans. Additionally, approximately 1% could be imputed for stock options (based on the options' intrinsic value) for a total of 7%. At the end of 2007, an estimated 52% of all employees held UBS shares, while 40% of all employees held UBS stock options through employee participation plans.

→ For a full discussion of UBS's equity plans, see Note 30 "Equity participation and other compensation plans", in *Financial Statements 2007*

## Learning and development

### Leadership development

UBS invests in the career and skill development of its people. The firm recognizes that maintaining its leadership capabilities is an important factor in ensuring its long-term success and therefore takes a structured approach to leadership development.

Leadership development activities target people in key positions, their succession candidates and high potential employees across the company. UBS has defined Group-wide criteria to help identify and manage these talent pools.

UBS is an integrated firm with diverse leadership development needs. Learning and development teams in the business groups and the Leadership Institute, which is responsible for Group-wide senior leadership development, work together to provide consistent leadership development offerings across the company.

The key Group-wide leadership programs are the "Accelerated Leadership Experience" and the "Global Leadership Experience". The Accelerated Leadership Experience is an 18-month process aimed at strengthening the capabilities of high-potential managers. A set of three Global Leadership Experience programs targets key position holders and focuses on understanding the organization, leveraging cross-busi-

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## Expansion and growth in Asia Pacific

Asia Pacific has produced UBS's highest growth rate over the past few years. Between 2004 and 2006, UBS's wealth management business in Asia Pacific doubled its invested assets to CHF 151 billion. As the leading wealth manager in the region, UBS has drawn accolades from the financial media in 2007 and was named best private bank in Asia for the sixth consecutive year. Additionally, *Dealogic* figures confirm UBS as the most profitable investment bank in the region in 2007. This business growth necessitated substantial recruitment, together with strong retention and development efforts for experienced UBS employees in the region. To retain and attract wealth management professionals, the UBS Wealth Management Campus - Asia Pacific was launched in Singapore in April 2007. Following Switzerland, Singapore is UBS's second largest

wealth management center for international clients, and this campus acts as the regional hub for employee and client education. Developed in close collaboration with Singapore's government, the campus is accredited by the Singapore Institute of Banking and Finance.

UBS anticipates that 5,000 wealth management staff will be trained at the campus by 2010. In addition to financial education, employees learn about the "UBS Client Experience" (a structured advisory process employed by client advisors), leadership principles, business strategy and values. Internal subject matter experts and external trainers deliver a comprehensive training offering with formal professional accreditation. Open dialog and constructive challenges foster the sharing of work experience and specialist knowledge. The campus

appeals to potential and existing employees who desire career advancement that is supported by well-structured learning pathways and curricula for competency development.

In addition, UBS's wealth management clients, their children and grandchildren are able to participate in a range of specifically developed programs to enable them to remain well informed in a fast changing market. The most recent event, delivered on campus in December 2007, was the "UBS Young Generation Seminar". It was the first of four modules designed to enhance clients' understanding of investment fundamentals and wealth planning in a fun and inspiring way. Clients are thus enabled to take better advantage of UBS's wealth management expertise and content, which, in turn, can deepen UBS's relationship with them over time.

ness group opportunities and building personal leadership capabilities. More than 2,400 leaders have participated in at least one of these programs since 1999.

Senior executives at UBS play a direct role in teaching and mentoring key talent. A structured, firm-wide program sees GEB members mentor GMB members, who in turn mentor people in key positions. Senior executives also participate in forums that enable them to develop a common understanding and goals, advance the firm's business agenda and learn from one another. In June 2007, the top 86 leaders participated in the Annual Strategic Forum to analyze factors shaping the firm's strategy. The Senior Leadership Conference in October 2007 brought 675 senior executives together to build a common understanding of the firm's key business goals.

Business group leadership development courses also play a role in developing the firm's leaders. An example is the intensive "Leading for Growth" program run by Global Wealth Management & Business Banking, where participants examine their personal leadership practices and are encouraged to use them to optimize performance in their teams. At the end of 2007, 77% of managing directors and 35% of executive directors had attended this program. At the Investment Bank, ASCENT, a 24-month mid-career program designed to expose high-potential employees to current business challenges and develop their client and leadership skills, has trained 750 people since 2005. SUMMIT was launched in 2007 to develop networks and partnerships among the Investment Bank's 1,400 managing directors. Global Asset Management's AMSLE program helps "managers of managers" strengthen their strategic leadership skills by focusing on both leadership and core technical skills. Over 100 managers have participated since 2005.

#### Business training

All employees have access to professional and personal skill development opportunities. As business or regulatory needs require, additional educational initiatives are developed to meet the training need. The promotion of cross-business collaboration is one example. A mandatory online course, "Introducing Global WM&BB to the IB", was introduced for Investment Bank employees in 2007 to strengthen participant understanding of UBS's wealth management business and highlight opportunities for cross-business group partnership.

For graduate trainees, the Investment Bank's new 18 to 24-month EXPLORE program combines tailored business-specific training with personal development initiatives and networking opportunities. Launched in 2007, the program helps graduate trainees develop a better understanding of the firm's business, culture and values. About 700 employees are part of the inaugural class.

Building a common people management culture across the firm is addressed by the "Essential Management Skills" program, which also focuses on developing fundamental

managerial skills among the firm's first-level line managers. 1,320 line managers across the company have participated in this program since its launch in late 2006.

Clients are the focus of the Client Leadership Experience, launched in February 2008 and consisting of 20 regional workshops focusing on specific client segments, including family offices, hedge funds or financial institutions. This Group-wide business development initiative allows senior client advisors to share opportunities to deliver all of UBS's capabilities to specific clients and thus enable UBS to increase its share of business with these clients.

#### Commitment

UBS's corporate values form the foundation of what the firm does and how it does it. These values are integrated into the commercial decision making process, management techniques and ways in which people interact with one another during the daily course of business. The implementation of this vision is underpinned by UBS's ethical beliefs of diversity, integrity and privacy, and corporate responsibility. Entrepreneurial leadership, partnership and meritocracy are the core competencies that help UBS succeed. And client focus is UBS's ultimate purpose.

#### Measuring employee satisfaction

Employee engagement is central to workforce retention and performance. An annual employee survey is used to assess the UBS corporate culture, engagement and the incorporation of its core values into daily business activities. While surveys are customized for each business group, a core set of questions and themes are the same in order to provide a comprehensive view of employee responses across UBS.

47,468 employees took the survey in May 2007, and overall, 80% were satisfied with UBS as a place to work. This compared with the MIDAS industry benchmark of 73% (MIDAS is a consortium of financial services companies). Additionally, 83% agreed they were highly motivated to contribute to the success of the firm beyond what is expected. 76% of employees said that diverse perspectives were valued in their team (the MIDAS benchmark is 73%), while 79% felt encouraged to come up with new ways to do things (the MIDAS benchmark is 76%).

Each business group, and the individual businesses within them, take the results seriously. Clear processes exist to review and manage results. For example, following feedback that more dialog on career development was desirable, Global Wealth Management & Business Banking invited employees and managers to hold development discussions in mid-2007, supported by the PMM process, so as to agree on individual career development activities.

#### Employee assistance

UBS is committed to being a conscientious employer. The firm supports its employees during all stages of their careers.

The employee assistance programs (EAPs) and the COACH program are examples of this commitment.

UBS offers EAPs in a number of locations to provide employees with confidential support to help balance work, family and personal issues. The US EAP provides a wide range of services on issues such as personal conflicts, depression, grief and work performance issues. It also provides information, referrals and ongoing support for child care, academic services and elder care issues. The EAP program in the UK is part of a wider health and wellbeing program that includes onsite medical specialists and emergency childcare, in addition to counseling and referral services.

In Switzerland, UBS offers professional assistance for current and retired employees, as well as their family members, through its HR Social Counseling service. A new online Health Portal gives employees direct access to the many health management offerings for staff in Switzerland.

The COACH transfer and severance process was launched in early 2003 to help staff in Switzerland who lose their jobs in a restructuring. It advises employees and supports them in finding new jobs in UBS or externally. Employees who have been dismissed as a result of restructuring have their standard notice term extended by two months in addition to the period stipulated in the employment contract. They also retain full salary and benefits during this time and receive counseling and support to help them apply for new jobs. Financial assistance is available for job-related training, if applicable. To date, more than 2,150 staff have enrolled in COACH.

#### Employee representation

Established in February 2002, the UBS Employee Forum facilitates the exchange of information between employees and management on pan-European issues with the potential to impact the performance and prospects of UBS and, in particular, its operations in Europe. This forum fulfills the obligations contained in EU Directive 94/45 on the establishment of a European Works Council.

A UK Employee Forum meets on a bi-annual basis to discuss topics like health and safety issues, changes to workplace conditions, pension arrangements and collective redundancies.

Employee representation in Switzerland is led by the Employee Representation Committee (ERC). This group of elected, internal representatives represents the interests of employees whose work contracts are governed by Swiss law and the Agreement on Conditions of Employment for Bank Staff. The ERC is the partner of UBS management in the annual salary negotiations and is involved in employee matters, including health and safety issues, social security and pension issues. The ERC also monitors and encourages communication between management and employees.

#### Selected 2007 awards

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**Top 10 Companies for Working Mothers in the US**  
(Working Mother magazine, US)

**Top 50 Best Places to Launch a Career**  
(Business Week)

**Top 50 Best Workplaces in the UK**  
**Top 100 in Europe**  
(Financial Times)

**No.2 Employer in Japan**  
(Hewitt Associates)

**Top Leadership Award for Learning Programs**  
(Corporate University Xchange)

**Corporate Equality Index (Perfect Score)**  
(Human Rights Campaign Foundation, US)



# Corporate responsibility

# Corporate responsibility

- Corporate responsibility is integral to the way UBS does business
- UBS helps clients consider corporate responsibility opportunities and risks, by providing relevant research, advisory services and product offerings
- UBS actively maintains its strong track-record in managing environmental challenges
- The firm seeks to positively influence the well-being of its local communities

## UBS's commitment

### **Active advancement of corporate responsibility:**

UBS has participated in the UN Global Compact initiative since its inception and is a long-standing member of the UNEP Finance Initiative, a founding member of the Carbon Disclosure Project and a founding financial partner of the Energy Efficiency Building Retrofit Program (a project of the Clinton Climate Initiative)

**Prevention of financial crime:** a founding member of the Wolfsberg Group, UBS maintains an effective risk-based approach to anti-money laundering

**Established environmental management:** ISO 14001 certified for its environmental management system since 1999, UBS set a group-wide CO<sub>2</sub> emission reduction target in 2006, a 40% reduction of 2004 levels by 2012

**Respect of human rights:** UBS adopted its own statement on human rights in 2006 – a clear indication that the firm recognizes the significance of promoting and respecting human rights in its sphere of influence

**Assisting local communities:** the firm has established partnerships in the communities where it does business, focusing on the key themes of "Empowerment through education" and "Building a stronger community"

**External recognition of corporate responsibility activities:** UBS is a component of the Dow Jones Sustainability Indexes, the FTSE4Good Index and the Climate Leadership Index

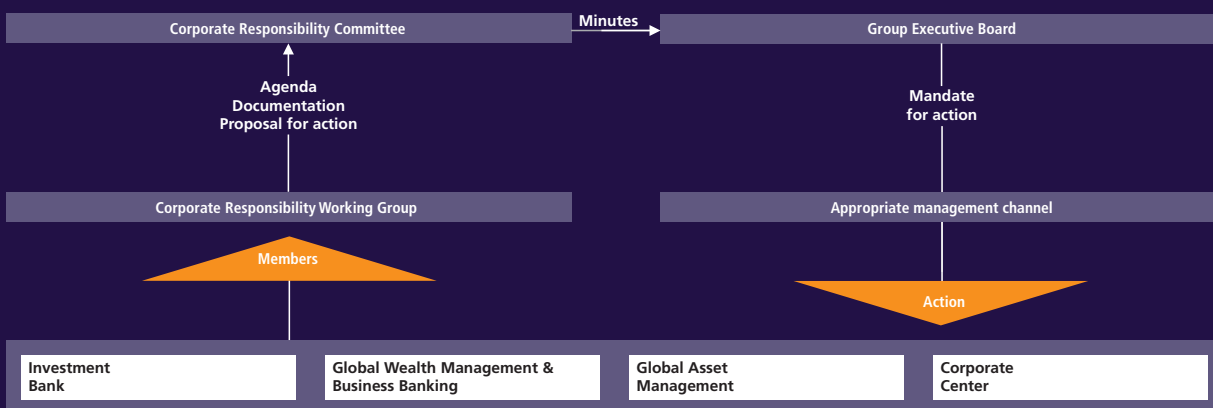
## Milestones 2007

- **Socially Responsible Investments (SRI):** SRI invested assets increased by 116% (to CHF 38.9 billion) in 2007. UBS launched new SRI products in Japan and Taiwan and launched strategy certificates for climate change, water and demographics
- **Climate Change:** UBS reduced its own CO<sub>2</sub> emissions by 22% from 2004, provided financial and advisory services to companies in renewable energy sectors, published major research reports on the impacts of climate change on companies and sectors and launched the UBS Global Warming Index and the UBS Greenhouse Index
- **Wolfsberg Group's statement against corruption:** UBS actively participated in the drafting and release of this statement, which clarifies the link between financial institutions and international corruption fighting efforts and outlines ways financial institutions can prevent both corruption and the misuse of their operations in relation to corruption
- **More than CHF 46 million contributed to charitable causes around the globe:** nearly 8,000 employees spent over 80,000 hours in volunteering services

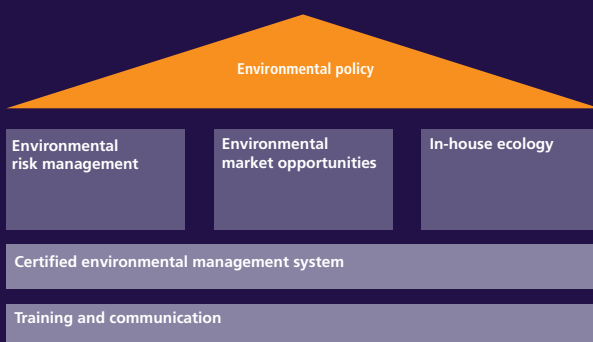
## Operational corporate responsibility



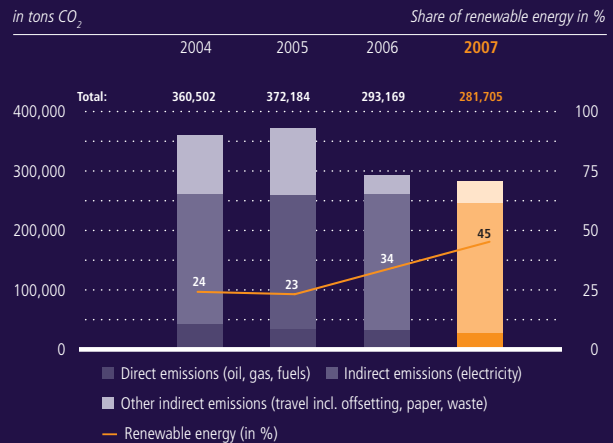
## Corporate responsibility structure and process at UBS



## Five principles of UBS's environmental policy



## CO<sub>2</sub> footprint



# Corporate responsibility

As a leading financial services firm, one of UBS's main purposes is to create long-term value. UBS believes this can be best achieved by providing clients with value-added products and services and by promoting a corporate culture that adheres to high ethical standards. The firm also firmly believes that, for any business, long-term value creation is also dependent on what it does above and beyond what laws and regulations require. It is why UBS dedicates itself to creating a working environment based on the values of equal opportunity, diversity and meritocracy.

UBS has adopted measures to protect the environment, is committed to affirmative social standards and contributes to the communities it is a part of. All of the firm's activities are underpinned by its governance structure and are implemented along existing business processes.

→ For more on UBS's workforce, see the "UBS employees" section in this report

→ For more on governance, see *Corporate Governance and Compensation Report 2007*

## Adherence to the UN Global Compact initiative

In 2000, UBS was one of the first companies to join the UN Global Compact, which comprises ten principles covering the areas of human rights, labor standards, environment and corruption. Its geographic reach is now global, with over 3,700 business participants from 120 countries adhering to it at the end of 2007. Although it is an important component in any discussion with the public about the role of business in society, it is ultimately aimed at concrete actions. Key among these, from UBS's point of view, is the "Who cares wins" initiative which, initiated by 20 financial institutions in June 2004, maps the progress made by different actors in

integrating environmental, social and governance issues into mainstream investment decisions. UBS has been involved in this initiative since its inception and also participates in other Global Compact-related endeavors, including the Swiss network, which was established in 2006.

## Labor standards and human rights

UBS has recognized human rights issues for many years. Indeed, human resource policies addressing employment, diversity, equal opportunity and discrimination, by definition, also tackle human rights issues, as can policies relating to health and safety practices. UBS has well-established human resources policies and practices in these areas and they are regularly reviewed to ensure that labor standards are respected.

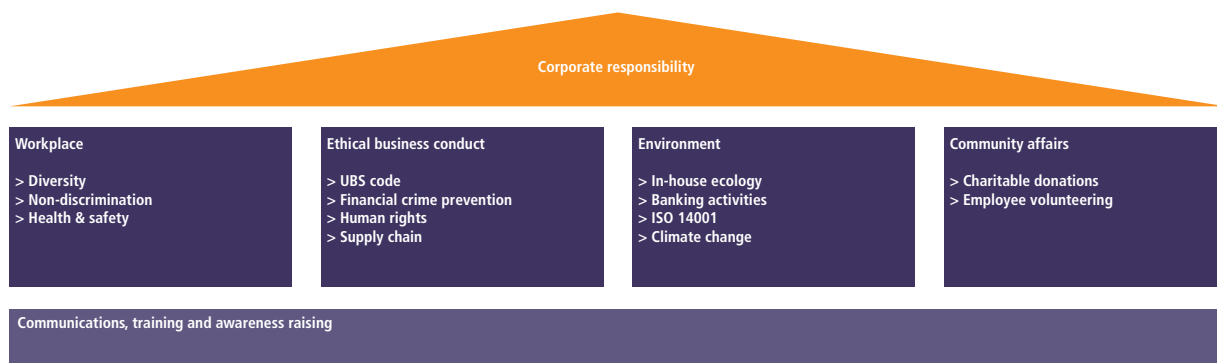
In 2006, UBS adopted a statement supporting basic human rights, signaling to employees, clients and society that the firm recognizes the significance of promoting and respecting human rights in its sphere of influence. The "UBS Statement on Human Rights" both sets out the firm's position and embraces key issues in a single document.

The firm is in the process of implementing initiatives relating to the statement's focus on employees, suppliers and clients. In 2007, it continued to build a diverse UBS workforce through a variety of programs.

→ For more on labor standards and diversity programs, see the "UBS employees" section of this report

Responsible procurement is a key aspect of UBS's approach to human rights and the environment. In the past few years, UBS has established processes to manage environmental and human rights issues in key areas of its supply chain (such as client gifts, IT equipment and energy sourcing). For example,

## Operational corporate responsibility





after UBS's encouragement five years ago, the supplier of UBS's branded umbrellas started to take account of environmental and labor rights concerns in its production facilities in Guangzhou, China. In the meantime, this supplier has developed a positive reputation in the area of corporate responsibility and this has helped attract new clients that are concerned about environmental and human rights issues in their own supply chain. In order to further incorporate these issues into procurement processes, UBS has developed a supply chain guideline that provides guidance for identifying, assessing and monitoring environmental and human rights risks of suppliers and in support of consistent decision-making throughout all business groups and regions. This guideline focuses on high risk suppliers and contractors with whom UBS has influence through direct contractual agreements.

A number of industry sectors with higher potential environmental and social risks have also been identified, and UBS is developing sector guidelines for assistance and guidance when doing business with clients in these environmentally and socially sensitive industry sectors.

#### Environment

UBS was one of the first signatories of the United Nations Environment Program's Bank Declaration (UNEP) in 1992, which committed the firm to integrating appropriate environmental measures within its activities. Today, the efforts of UBS to protect the environment, which started in the 1970s, have grown into a well-developed, global environmental management system certified to the ISO 14001 standard covering banking activities and in-house operations. UBS considers efficient and sustainable management of the firm's energy requirements, and the measures it is taking to reduce its carbon emissions, as an important factor in being a responsible corporation. With this in mind, the firm set a target in February 2006 to reduce its carbon emissions in 2012 by 40% from 2004 levels. UBS acknowledges that climate change represents one of the most significant environmental challenges of current times. It will have wide-ranging effects on ecosystems, societies and economies worldwide. To support its clients in responding to these challenges, UBS incorporates climate change issues into its research, advisory services and product offerings.

**→ For more information on the environment, see the end of this section and [www.ubs.com/environment](http://www.ubs.com/environment)**

#### Fighting corruption

UBS has long been committed to assisting in the fight against money laundering, corruption and terrorist financing by operating an effective and dynamic risk-based approach to its internal anti-money laundering (AML) process. In early 2007, the Wolfsberg Group, of which UBS is a founding member, released a statement against corruption. It describes the role of the Wolfsberg Group and financial institutions more generally in support of international efforts to fight corruption and identifies some of the measures finan-

cial institutions may consider to prevent corruption in their own business and protect against the misuse of their operations in relation to corruption.

**→ For more information on UBS's AML activities, please see the next page**

#### External recognition

The firm's corporate responsibility work has been widely recognized, and UBS has been included in many indexes that track such efforts, including being 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. UBS is also included in the FTSE4Good Index, which measures the performance of global companies in the areas of environmental sustainability, stakeholder relations and support for human rights. The firm has been a member of the Climate Leadership Index (CLI) since its launch in 2004. The CLI discloses to investors which FT500 companies have the most comprehensive climate-change disclosure practices in place, judged on the basis of each company's individual response to the Carbon Disclosure Project (CDP) questionnaire.

#### Corporate responsibility governance

The Corporate Responsibility Committee, a Board of Directors (BoD) committee, was created in 2001 and assesses how to meet the evolving expectations of UBS's stakeholders in relation to the firm's corporate conduct. If the Corporate Responsibility Committee concludes that there is a gap between what stakeholders expect and what UBS practices – and that this gap represents either a risk or an opportunity to the firm – it suggests appropriate actions to the Group Executive Board (GEB).

The Corporate Responsibility Committee is chaired by Stephan Haeringer, Executive Vice-Chairman of UBS. It includes another member of the BoD, eight senior UBS executives representing UBS businesses, and a number of corporate functions, including legal and communications. The committee meets two to three times a year. It is supported by a working group that comprises 22 functional experts from all UBS business groups and is chaired by the firm's Chief Communication Officer, a member of the Corporate Responsibility Committee.

Neither the Corporate Responsibility Committee nor the working group runs operational processes related to corporate responsibility; it is the GEB that has overall responsibility for corporate responsibility strategy and that decides on specific corporate responsibility measures. The implementation of these measures is then undertaken within existing processes in the different business groups.

For example, the GEB is responsible for UBS's environmental policy and nominates a Group Environmental Representative. Each business group also nominates a representa-

tive, and together with the Group Representative, they form a committee that oversees the implementation of UBS's environmental policy. This committee also provides guidance to the different business groups in their implementation of "UBS's Statement on Human Rights". It is chaired by the Group Chief Credit Officer and is supported by coordinators and functional units across the business groups.

**Corporate responsibility: training and raising awareness**

It is important that employees are aware of UBS's corporate responsibility efforts and processes. Apart from the general information published on the firm's intranet and website, in 2007, UBS directly provided nearly 3,000 employees in all businesses with information on the approach taken by the firm towards corporate responsibility through a range of training and awareness-raising activities. They extended from short presentations, in particular at new employee induction events, to longer presentations and workshops. In Global Wealth Management & Business Banking, for example, a module on ethics, corporate and personal responsibility forms part of the business group's management training program.

Training is also integral to the more specialized areas of environmental management and anti-money laundering (AML). AML and compliance staff have to complete mandatory training every two years, and all new joiners go through an AML and compliance induction training. In 2007, 6,000 employees participated in training on environmental issues.

**Contributing to society – preventing money laundering, corruption and terrorist financing**

Extensive and constant efforts to prevent money laundering, corruption and terrorist financing are important contributions

to society. The integrity of the financial system is the responsibility of all those involved in it. UBS takes its duties extremely seriously – in protecting both the overall financial system and its own operations. The threats posed by money laundering and terrorism are real, and everyone has a role in contributing to the fight against them as effectively as possible.

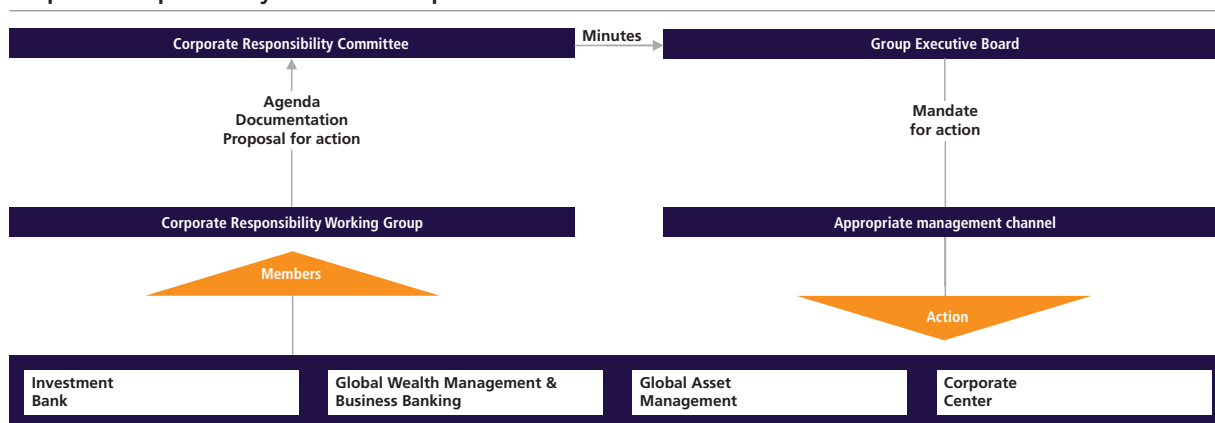
UBS's Group Money Laundering Prevention Unit leads its efforts to fight money laundering, corruption and the financing of terrorism. Its key task is to help employees to recognize and then manage and report suspicious activities – in a way that neither treats all clients as criminals nor unduly hinders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

The best way to achieve such goals is through a spirit of partnership across the firm – between those who manage client relationships and the risk managers and controllers who support them. Employees should be focused on really getting to know clients, understanding their needs – and then asking questions when things do not make sense. To assist employees in their "know your customer" (KYC) skills and the identification of new trends in suspicious behavior, employees undertake regular training courses, both in the form of on-line training and seminars.

To prevent money laundering, UBS takes a risk-oriented approach that is tailored to its different business lines and their particular risks and exposures. This includes establishing consistent criteria by which a business relationship should be judged "higher-risk" from an AML perspective. UBS also utilizes advanced technology to assist the firm in the identification of transaction patterns or unusual dealings.

A particular focus in the last few years has been on enhancing UBS's controls around dealings with regimes and countries with heightened risks. This included establishing

**Corporate responsibility structure and process at UBS**



and implementing an approach where UBS decided to exit commercial and client business dealings with a limited number of countries – reflecting increasing international concern and a commitment by UBS to actively managing its global security risk, notwithstanding that its legacy involvement was in any event very small. Countries involved included Iran, Myanmar, North Korea and Sudan.

In 2007, UBS continued to work with the public sector to better define how and in what areas financial institutions can contribute to the wider efforts of society against money laundering. In particular, as regulators continue to shift from the traditional “rule-based” approach to AML regulation to “principle-based” regulation (including the so-called “risk-based” approach), the firm actively contributed to the Financial Action Task Force’s (FATF) development of their “Guidance on the Risk-Based Approach to Combating Money Laundering and Terrorist Financing”. The “risk-based” approach requires UBS to continue to reassess its own policies and procedures, focusing on the firm’s particular risks, and continually develop its own risk-based models, something that UBS did throughout 2007. Where possible, UBS seeks to streamline and increase consistency between business groups in their AML/KYC policies and procedures using consistent methodologies and tools (for example, the creation of a consistent country risk framework for identifying sensitive countries).

UBS remains strongly committed to promoting the development and implementation of AML standards for the financial industry as a whole. As an example of this, UBS was one of the driving forces behind the launch of the Wolfsberg Group, which issued its first global AML principles in 2000. In subsequent years, UBS has contributed substantially to other guidances, including on corruption; correspondent banking; mutual funds and investment and commercial banking. Most recently, during 2007, UBS has played an active role in the work undertaken by the Wolfsberg Group and the Clearing House Association to develop and issue a statement endorsing measures to enhance the transparency of international wire transfers to promote the effectiveness of global AML and anti-terrorist financing programs.

### **Community investment**

In addition to the economic impact generated through its business activities, UBS, together with its employees, seeks to have a positive influence on the social and environmental well-being of local communities in which it is active. The firm does this through its well established community affairs program.

This program encompasses activities such as direct cash donations to selected organizations, employee volunteering,

matched-giving schemes, in-kind donations, disaster relief efforts, and/or partnerships with community groups, educational institutions and cultural organizations. Dedicated teams around the world work closely with staff at all levels to build partnerships with organizations in the communities, focusing on the key themes of “Empowerment through education” and “Building a stronger community”.

Overall, in 2007, UBS and its affiliated foundations donated more than CHF 46 million to support charitable causes. UBS employees, through their donations and volunteer efforts, make further significant contributions to the communities they live in. Last year, almost 8,000 employees spent over 80,000 hours volunteering. UBS supports their commitment by matching their donations and offering, depending on location, up to two working days a year for volunteering efforts.

UBS has also established a number of foundations and associations that donate money to worthy causes in Switzerland. The association “A Helping Hand from UBS Employees” assists disabled and disadvantaged people to lead active, independent lives. UBS encourages this employee involvement by matching the funds raised in 2007. The UBS Cultural Foundation fosters creativity, appreciation of different forms of art, 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 UBS Foundation for Social Issues and Education is to support deprived communities in Switzerland in various forms. Non-profit, charitable organizations, projects and initiatives aiming at improving social welfare receive monetary assistance from these funds.

### **Client foundation**

Besides the engagement of the firm and its employees, UBS also provides its clients with the opportunity to contribute to charitable causes. The UBS Optimus Foundation invests donations from UBS clients into a number of programs and organizations, focusing on the key themes of 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 by UBS, so that the full contribution from the firm’s clients reaches the projects. In 2007, UBS Optimus Foundation spent almost CHF 11 million supporting 55 projects in Africa, Asia Pacific, Europe and North and South America.

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## Examples of UBS's 2007 global community affairs activities

In the **Asia Pacific** region, UBS supports the Child Welfare and Holistic Organization for Rural Development (CHORD) in Hyderabad, India. The organization provides a bridge education program and emotional support to child workers, helping them to return to normal schooling. As part of a "buddy" program, UBS employees assist the children with their schoolwork, and act as mentors, guiding them in their development and their efforts to return to school. Over the past year, the UBS India Service Centre (ISC) has organized a "Fun Day" for 420 CHORD children, a "Teachers' Day" at the CHORD school as well as a field visit to the ISC itself, giving many students their first look inside a large corporation. One of the students at the CHORD school said: "I was working in a shop previously. I have seen many customers and many faces. But no one ever bothered about me and my feelings. After I joined CHORD school I had the privilege of interacting with UBS. They bring smiles back on our sad faces."

In the **UK**, UBS is working in partnership with two other City firms to support the regeneration of Shoreditch. Situated in East London, Shoreditch is one of the most deprived areas in the UK with 82% of its population living in social housing and more than 30% of school leavers unable to find a job. Working directly with government and non-profit social regeneration agencies, the corporate collaboration known as Project Shoreditch focuses on matching the skills, expertise and enthusiasm of UBS employees to the needs of Shoreditch organizations. Since the project's inception in April 2005, over 1,500 UBS volunteers have

supported a wide variety of Shoreditch-based community groups, charities and schools, through team challenges, business planning, mentoring, training, web design, workplace visits, the provision of employment advice and fundraising. Volunteers provide direct support for Shoreditch-based organizations while also assisting with the regeneration of the area. In 2007, Project Shoreditch was awarded the "Positive Impact on London" Award from Business in the Community.

In **Switzerland**, a notable volunteering project is the support of business training for students called "Fit for business". The training is aimed at young people aged 14 to 16. UBS employees conduct the training sessions and support students with career guidance, help them write job applications and give them advice in managing their own money. UBS makes direct donations to charitable projects such as Swiss mountain aid, an organization that tries to stop the significant population outflows from poor mountainous areas in Switzerland by financing projects and businesses that help alpine communities achieve or maintain sustainable rates of economic subsistence. In addition, UBS helps Swisscontact, a Swiss foundation for technical cooperation, to give young girls and boys in Benin, Africa, training in various professions including carpentry, tailoring and hairdressing. The youths participating in the program learn how to read and write and are informed about important health issues they face, including AIDS and how to prevent it.

In the **Americas**, the wealth management business launched a new philanthropic focus "Education as a Pathway to a Better Future", concen-

trating its charitable activities in the US on improving the education of students in kindergarten, elementary and high school in low-income areas. In conjunction with the new focus, a national volunteer initiative, called "Building Brighter Futures", was launched in October 2007 with the goal of cultivating community, school and civic collaboration to help paint, garden and liven up schools and organizations related to education. During the month, over 2,100 UBS employees, family and friends volunteered in over 90 projects across the country. The Investment Bank launched a pilot education program in conjunction with Earthwatch International, a non-profit organization that engages people worldwide in scientific field research and education to promote the understanding and action necessary for a sustainable environment. Six UBS employees were selected as Earthwatch Fellows together with three public school teachers to participate in climate change expeditions in the northern reaches of Canada and on the coast of central Mexico. After the eight-day expeditions, the Fellows returned to share their experiences with colleagues and students from Medill Elementary school in Chicago, Illinois, the Hart Magnet School in Stamford, Connecticut; and the Manhattan Center for Science and Math in New York City. In 2008, the program will be expanded to include other UBS business areas in the Americas as employees work with their local schools to increase awareness of global environmental issues.

→ For more information on UBS's community affairs program, see [www.ubs.com/corporateresponsibility](http://www.ubs.com/corporateresponsibility)

## UBS and the environment

UBS's commitment to the environment is underpinned by a global environmental management system certified under the ISO 14001 standard since 1999. The system covers both banking activities and in-house operations and was successfully re-certified in 2005 by the firm's auditor, SGS.

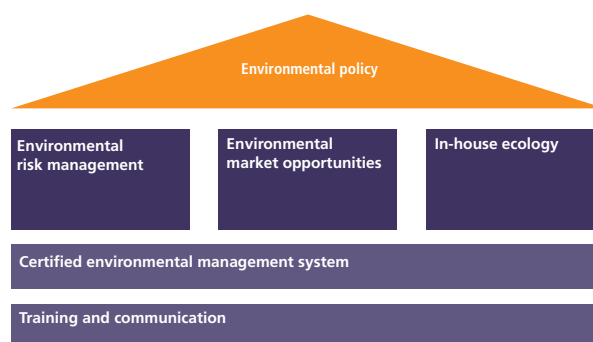
The firm remains committed to integrating environmental considerations into all its business activities. Its environmental policy is based on five principles:

- seeking to consider environmental risks in all UBS businesses, especially in lending, investment banking, advisory and research, and its own investments;
- seeking to pursue opportunities in the financial market for environmentally friendly products and services, such as socially responsible investments;
- seeking ways to reduce UBS's direct environmental impact on air, soil and water from in-house operations, with a primary focus on reducing greenhouse gas emissions. UBS will also seek to assess the environmental impact of its suppliers' products and services;
- ensuring efficient implementation of UBS's policy through a global environmental management system certified according to ISO 14001 – the international environmental management standard; and
- integrating environmental considerations into internal communications and training.

## Environmental performance indicators

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

## Five principles of UBS's environmental policy



dustry standards such as the Global Reporting Initiative (GRI), the Greenhouse Gas Protocol and ISO 14064.

The management indicators below provide an overview of the firm's environmental management system.

## Environmental market opportunities

UBS has strong expertise in incorporating environmental and social aspects into its research and advisory activities. A socially responsible investments (SRI) team was established in Global Asset Management as early as 1996. Socially responsible investments are sustainable investments that take ecological and social criteria into account alongside classical financial analysis. Today, SRI teams operate in all business groups and regions, allowing UBS to produce original SRI research and to offer a broad range of SRI investment products. Furthermore, the Investment Bank actively pursues related market opportunities, for example by trading emissions on behalf of clients, or by arranging finance and providing advisory services to re-

## Environmental management indicators

Full-time equivalent, except where indicated	GRI <sup>1</sup>	For the year ended			% change from
		31.12.07	31.12.06	31.12.05	
<b>Financial businesses personnel<sup>2</sup></b>		<b>83,560</b>	78,140	69,569	7
In specialized environmental units <sup>3</sup>		<b>38</b>	30	25	28
<b>Environmental awareness raising</b>					
Employees trained	F5	<b>5,090</b>	2,489	2,251	104
Training time (hours)	F5	<b>2,133</b>	1,498	1,214	42
<b>Specialized environmental training</b>					
Employees trained	F5	<b>976</b>	977	1,010	0
Training time (hours)	F5	<b>1,420</b>	1,758	2,066	(19)
<b>External environmental audits<sup>4</sup></b>					
Employees audited	F6	<b>37</b>	30	147	23
Auditing time (days)	F6	<b>8</b>	6	17	40
<b>Internal environmental audits<sup>5</sup></b>					
Employees audited	F6	<b>121</b>	154	216	(21)
Auditing time (days)	F6	<b>38</b>	44	39	(15)

<sup>1</sup> Global Reporting Initiative (see also [www.globalreporting.org](http://www.globalreporting.org)). F stands for the Environmental Performance Indicators defined in the GRI Financial Services Sector Supplement. <sup>2</sup> All employment figures represent the state as of 31 December 2007. <sup>3</sup> 2007: 32 UBS and six external employees (FTE). <sup>4</sup> Audits carried out by SGS Société Générale de Surveillance SA. Surveillance audits took place in 2006 and 2007. The more comprehensive Re-Certification Audit was done in 2005. <sup>5</sup> Audits/reviews carried out by specialized environmental units. The implementation of environmental risk policies is also audited by Group Internal Audit.

newable energy companies. Finally, Global Wealth Management & Business Banking has decided to integrate SRI into the UBS Client Experience framework by adapting relevant client profiling tools, adding new proprietary and selected third-party products to its SRI offering and enhancing internal platforms that provide information and sales documentation. These measures should help client advisors identify, understand and meet client demand for SRI products more effectively. After a successful pilot in Switzerland in 2007, which contributed to the overall increase of SRI invested assets, this approach will also be rolled out to the other regions.

#### Investment products and advisory

UBS's asset management business is rapidly expanding its offering in the area of SRI to respond to growing demand from a number of markets. In 2007, for example, UBS launched SRI products in Japan and Taiwan. The SRI offering is diversified and includes products managed according to "best-in-class" practice and theme-based approaches. "Best-in-class" is an active equity management approach based on stock selection of companies that generate above-average environmental, social and economic performance and offer significant growth potential. The "best-in-class" offering includes a Global fund, a European fund, a Japanese fund and a Taiwanese fund. The theme-based approach focuses investment around particular issues and themes such as energy, water and demographics. Products offered include a Global Innovators fund and segmented Climate Change, Water and Demographics strategies.

Additionally, the Global Asset Management offering comprises customized client portfolios in the form of segregated mandates/institutional accounts based on "negative" screening, which is the exclusion or avoidance of certain stocks or sectors from the portfolio based on their perceived negative social or environmental impact by the client. UBS's global platform and investment research enable the firm to offer such tailor-made solutions to meet its client needs.

In the UK, the asset management business seeks to influ-

ence the corporate responsibility and corporate governance practices of the companies it invests in.

UBS also offers structured products that take into account environmental and social topics, such as the UBS Climate Change Strategy Certificate and UBS Water Strategy Certificate.

In the Investment Bank, the UBS Global Warming Index, the UBS Greenhouse Index and other index-linked products have been introduced to clients. The SRI Equity Sales team provides stock broking and account management services to alternative energy and SRI fund managers.

UBS's open architecture also allows clients to invest in SRI products from third-party providers.

#### Investment Bank: sell-side research

In 2004, the Investment Bank created an SRI team of sell-side analysts (sell-side analysts write recommendations and reports for professional investors) in its equity research area. Among other things, these sell-side analysts research areas of increasing or diminishing risk. Many SRI issues cannot easily be quantified, but, where possible, the team leverages UBS standard models, such as the Value Creation Analysis Model, to analyze the potential effects of social and environmental issues on companies' share prices. Identifying the material SRI issues presents challenges as, essentially, three things help determine which environmental and social issues are critical: what society sees as important; the nature of the competitive pressures facing firms in an industry; and how costs and benefits are (or will be) distributed between stakeholders.

Since the team was established, client interest in some aspects of SRI – most notably climate change – has grown, and so has research coverage. The SRI team regularly collaborates with analysts in sector teams to write about emerging SRI themes, and relevant research content is regularly published by a growing number of specialists within the mainstream research effort. An SRI page is available to UBS's institutional clients on UBS's Research Web. This brings together publications of the SRI team, as well as relevant sector reports from other teams.

### Socially responsible investments invested assets

CHF billion, except where indicated	GRI <sup>1</sup>	For the year ended			% change from
		31.12.07	31.12.06	31.12.05	31.12.06
<b>UBS</b>		<b>3,189</b>	2,989	2,652	7
<b>UBS socially responsible investments (SRI) products and mandates</b>					
Positive criteria	F9	<b>5.42</b>	1.84	1.05	194
Exclusion criteria	F9	<b>32.06</b>	16.17	10.73	98
<b>Third-party</b>	F9	<b>1.38</b>	N/A	0.61	N/A
<b>Total SRI invested assets</b>	F9	<b>38.86</b>	18.01	12.39	116
Proportion of total invested assets (%) <sup>2</sup>		<b>1.22%</b>	0.60%	0.47%	

<sup>1</sup> Global Reporting Initiative (see also [www.globalreporting.org](http://www.globalreporting.org)). F stands for the Environmental Performance Indicators defined in the GRI Financial Services Sector Supplement. <sup>2</sup> Total socially responsible investments / UBS's invested assets.

**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. This includes "best-in-class" or thematic investments.

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

**Third-party:** UBS's open product platform gives clients access to SRI products from third-party providers. This includes both positive and exclusion criteria.

#### Global Asset Management: buy-side research

In the asset management business, an SRI buy-side (internal proprietary research) team was established in Switzerland in 1996 and has expanded to the US and Singapore. The team carries out in-depth, theme-based research in the areas of climate change, water and demographics. It also leverages the asset management business's research platform of more than 100 analysts to construct all of its SRI portfolios. The internal research is complemented by specialized rating agencies. An academic board of experts also provides strategic support.

#### Global Wealth Management & Business Banking: secondary research

The secondary research team in UBS's wealth management business helps private investors navigate large volumes of global financial data. It monitors and interprets research information on most traded asset classes. The team established an SRI competence center in 2007 in order to provide sound advice to clients. It publishes in-depth studies of emerging socio-economic and environmental trends such as climate change by assessing their potential impact on investment markets.

#### Financing and advisory services

UBS's renewable energy investment banking business arranges financing and provides strategic and financial advisory services for companies in the biofuels, solar, wind, wave and other renewable energy sectors. Since 2006, UBS has led over 20 financing transactions, raising over USD 5 billion for renewable energy companies worldwide and winning a top-five ranking two years in a row (including the prestigious "Top Underwriter" award in 2006) from New Energy Finance, a specialist provider of financial information and analysis to investors in clean energy. UBS provides advice on a number of high-profile strategic combinations including the merger between US BioEnergy Corporation and VeraSun Energy Corporation, the largest transaction of its type in the history of the biofuel sector.

UBS is also a founding financial partner in the Clinton Foundation's Climate Initiative (CCI), Energy Building Retrofit Program. The program, which includes five other major financial institutions, four of the world's largest energy service companies and 15 large cities, is designed to reduce energy consumption in existing buildings. Under the program, participat-

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## Engaging investors in climate change issues

As a leading wealth and asset manager, UBS wants to help investors evaluate risks and opportunities presented by climate change in their investments. To do so, the firm produces relevant research and raises investors' awareness by hosting dedicated conferences and seminars. It also seeks to increase the availability of data by collaborating in the Carbon Disclosure Project.

At the end of January 2007, the research team in the wealth management business published a report examining the scientific, technological and economic effects of climate change. Its authors argued that climate change will have far-reaching implications for the global economy and the worldwide investment climate and concluded that measures to combat global warming will increasingly influence people's behavior, the risk profiles of certain industries and prospects for investment. The analysis

suggests that products and processes that improve energy efficiency, as well as the development of renewable or low-CO<sub>2</sub> energy sources, have great potential to slow climate change.

In the Investment Bank, over 60 analysts were involved in collaborative work on climate change in 2007.

The utilities team wrote on the link between CO<sub>2</sub> and the share price of utilities since 2004. This team also now writes on and forecasts the CO<sub>2</sub> price traded on carbon exchanges. Elsewhere, sector teams cover photovoltaics, wind and other alternatives, as well as energy efficiency.

In addition to producing research on the effects of climate change on certain companies and sectors, UBS regularly invites institutional investors and other clients to attend conferences focusing on these topics. In 2007 alone, UBS hosted eight conferences and seminars featuring distinguished speakers on climate

change related topics in London, Tokyo, Hong Kong, Amsterdam, Stockholm, Paris and New York. For example, the UBS Global Alternative Energy Conference in New York City is one of the largest of its kind and represents an opportunity to meet investors and executives from leading companies in the sector.

UBS is a founding member of the Carbon Disclosure Project. In collaboration with other institutional investors, it seeks information from the world's largest companies concerning the business risks and opportunities presented by climate change and greenhouse gas emissions data. In 2007, unlike in previous years, responding companies appear to have moved beyond awareness and have implemented carbon strategies: 76% of respondents disclosed existing greenhouse gas emissions reduction efforts with targets and timelines. This marks a significant shift from 48% in 2006.

ing city governments and local building owners will retrofit buildings for increased energy efficiency. Participating cities include London, Paris, New York, Mexico City and Tokyo, among others. UBS has committed expertise and other resources to create financial structures capable of delivering capital effectively to public and private projects in this program.

#### Carbon trading

UBS is an active participant in emissions trading markets and is a member of the Intercontinental Exchange (ICE), an electronic marketplace for energy and emissions trading in conjunction with the European Climate Exchange (ECX). In "cap and trade" emissions markets, such as the EU Emissions Trading Scheme, companies are issued with permits that limit, or cap, their emissions. Companies who are able to reduce their emissions at low cost have the ability to sell their unused permits to other companies requiring them, thereby creating an emissions allowances market and ensuring that emission reductions are achieved in a cost-effective manner. Through the use of carbon financial instruments UBS is able to help clients manage their exposure to the emissions markets.

#### Environmental risk management

For UBS, it is important to identify, manage and control environmental risks in its business transactions. An example of such a risk is 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 environmentally unsound collateral onto its own books.

UBS has a long track record in managing environmental risks: an environmental credit assessment procedure was introduced for Swiss corporate clients as early as 1994, and the Investment Bank's first environmental guideline was issued in 1999. Since then, UBS has constantly sought to adapt and refine its environmental risk framework.

The general approach to managing environmental risks is derived from the methodology of the ISO 14001 standard: the first step is to assess and rate the potential for material environmental risks arising in the various products and services offered by the bank. The result of this analysis is reviewed every year and currently shows that the potential for material risk is greater within the context of lending and capital markets practices for commercial lending, investment banking and direct infrastructure investments. In a second step, for each product and client segment rated with high potential risk, UBS designs environmental procedures and tools that are adapted to their specific risk profile and integrated into existing processes, such as due diligence on transactions or investments and ongoing risk management.

#### Global Wealth Management & Business Banking

Environmental risks are assessed in a three-stage process in the Global Wealth Management & Business Banking business group. The 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 competence center. In 2007, 36 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 dialog about possible remedial action, or it may decline the transaction altogether.

#### Investment Bank

The Global Environmental Risk Guidelines apply to all transactions, services and activities within the Investment Bank. This requirement is supported by an Environmental Risk Framework that is integrated into the Investment Bank's due diligence and approval processes. Investment Bank staff identify potential environmental risks in the initial due diligence phase and alert the Investment Bank's Environmental Risk Group (ERG) of significant potential risks. Assessments by lawyers and/or external consultants are routinely sought for certain sectors and products. The ERG works with the relevant business and control functions to assess the risks, determine any mitigating measures and direct further due diligence, as required, so that the relevant senior business committee may fully consider the potential environmental risk in the course of its review of the transaction and/or client. The ERG reinforces this requirement with training and awareness raising activities. In 2007, the ERG provided sector-specific training on the Environmental Risk Framework to 500 bankers and support functions and high-level training to a further 600 employees and advised on environmental issues in 108 transactions.

#### Global Asset Management

The formal environmental risk matrix introduced in 2004 within Global Asset Management, which assesses the reputation and environmental risks that investments on behalf of its clients might imply, is reviewed annually for applicability and comprehensiveness. It forms part of the environmental management system employed within the business group.



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

The firm directly impacts the environment in a number of ways. Its 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 the use of these resources can boost operating margins and enhance environmental performance and, therefore, UBS has a series of measures that manage its environmental impact efficiently.

UBS has a long track record for managing its environmental impact and CO<sub>2</sub> footprint, with the first energy unit having been established in the 1970s.

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

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

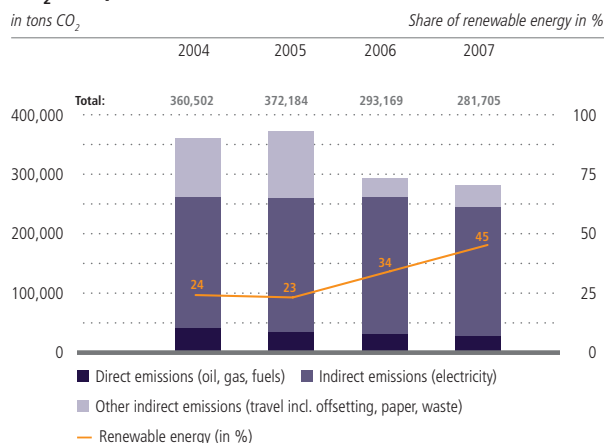
- in-house energy efficiency measures that reduce energy consumption in buildings it operates in;
- increasing the proportion of renewable energy to avoid emissions at source; and
- offsetting and neutralizing emissions that cannot be reduced by other means.

These measures allowed UBS to reduce its CO<sub>2</sub> emissions by 22% compared with 2004, an important step toward achieving the 40% reduction target by 2012.

### Energy consumption and energy efficiency

Energy represents an important environmental impact area for UBS and is a major contributor to its overall greenhouse gas emissions. Energy efficiency measures are therefore an important component of UBS's program for achievement of the Group-wide CO<sub>2</sub> emission reduction target. Measures include investments in energy-efficient technology and encouraging good housekeeping measures. In 2007, UBS was awarded the "Energy Model Zurich" trophy for the firm's achievements in improving its energy efficiency in Switzerland by 17% since 1997. The firm's newly renovated offices in Stamford, Connecticut, were awarded the Silver Standard

## CO<sub>2</sub> footprint



by the US Green Building Council's Leadership in Energy and Environmental Design (LEED). The building incorporates many energy optimizing features, such as light harvesting where sensors detect levels of sunshine, and the building automatically adjusts interior lighting depending on the level of exterior light. Going forward, UBS has adopted a technical standard supporting worldwide oversight of measures taken to improve energy efficiency in fields such as building operation, replacement investments and rehabilitations.

### Renewable energy

In addition to its energy efficiency programs, UBS seeks to improve the energy mix it purchases towards a higher proportion of renewable energy. The percentage of renewable energy and district heating purchase rose from 24% in 2004 to 45% in 2007.

In 2007, UBS signed a new agreement (roughly 210 GWh per year) under which 90% of the electricity supply for its buildings in Switzerland now comes from renewable sources, such as water and solar power stations. In addition, UBS purchases Renewable Energy Credits (RECs) in the US electricity markets, which accounted for 10% of its electricity consumption in the US in 2007.

## Environmental indicators per full-time employee (FTE)

	Unit	2007	Trend	2006	2005
Total direct and intermediate energy	kWh/FTE	11,942	↘	12,736	12,925
Total indirect energy	kWh/FTE	20,391	↓	23,974	26,024
Total business travel	Pkm/FTE	12,685	→	12,544	10,659
Total paper consumption	kg/FTE	190	→	188	197
Total waste	kg/FTE	299	→	303	325
Total water consumption	m <sup>3</sup> /FTE	26.7	→	26.0	26.0
Total environmental footprint	kWh/FTE	32,530	↓	38,148	41,129
CO <sub>2</sub> footprint	t/FTE	3.43	↓	3.93	5.24

Legend: kWh = kilowatt hour; Pkm = person kilometer; kg = kilogram; m<sup>3</sup> = cubic meter; t = ton

Both these initiatives are a continuation of the renewable energy purchasing that began in 2000 in Switzerland and 2003 in London and represent an improvement on the previous contracts in terms of the increased volume derived from renewable sources.

#### Business travel and offsetting

Business travel is a significant contributor to UBS's greenhouse gas emissions. While the firm encourages its employees to use environmentally friendly alternatives to air and road travel, for example video conferences, travel is essential for a global financial services firm that strongly believes in personalized client relationships. Therefore, since 2006, UBS has decided to offset emissions from business related air travel, i.e. over 110,000 tons of CO<sub>2</sub>, representing about a quarter of its total CO<sub>2</sub> emissions. Offsetting means that UBS indirectly neutralizes its business air travel emissions

by investing in third-party projects that reduce an equivalent amount of greenhouse gas emissions. For 2007, UBS selected projects in Brazil, India, China and Germany, on the basis of their adherence to international quality standards and of their additional environmental and social benefits.

#### Paper and waste

UBS has agreed on new firm-wide targets for paper and waste. This includes the goal of reducing paper consumption per employee by 5% by 2009 when compared with 2006 levels. UBS also wants to have 20% of the paper it uses come from recycled sources. Across Europe, UBS has now switched to a 100% recycled paper for all internal printing. At the same time, the firm will be seeking to improve its environmental footprint by reducing waste (for example, plastic bottles or packaging) per employee by 10% and by sending 70% of waste to recycling sites.

→ **More detailed information on UBS's environmental management system is available at [www.ubs.com/environment](http://www.ubs.com/environment)**

## Environmental indicators<sup>1</sup>

		2007 <sup>2</sup>			2006 <sup>2</sup>		2005 <sup>2</sup>	
	GRI <sup>3</sup>	Absolute normalized <sup>4</sup>	Data quality <sup>5</sup>	Trend <sup>6</sup>	Absolute normalized <sup>4</sup>	Absolute normalized <sup>4</sup>	Absolute normalized <sup>4</sup>	Absolute normalized <sup>4</sup>
<b>Total direct and intermediate energy consumption<sup>7</sup></b>		<b>981 GWh</b>	<b>***</b>	<b>→</b>	<b>951 GWh</b>	<b>918 GWh</b>		
<b>Total direct energy consumption<sup>8</sup></b>	<b>EN3</b>	<b>130 GWh</b>	<b>**</b>	<b>↘</b>	<b>154 GWh</b>	<b>169 GWh</b>		
natural gas		83.3%	**	→	85.5%	86.0%		
heating oil		12.1%	***	→	11.8%	11.0%		
fuels (petrol, diesel, gas)		4.6%	***	↑	2.7%	3.0%		
renewable energy (solar power, etc.)		0.03%	***	↗	0.03%	0.02%		
<b>Total intermediate energy purchased<sup>9</sup></b>	<b>EN4</b>	<b>851 GWh</b>	<b>***</b>	<b>↗</b>	<b>797 GWh</b>	<b>749 GWh</b>		
electricity from gas-fired power stations		12.3%	**	→	13.2%	14.3%		
electricity from oil-fired power stations		4.2%	***	→	4.5%	4.3%		
electricity from coal-fired power stations		18.6%	**	↘	21.7%	22.9%		
electricity from nuclear power stations		13.6%	**	↓	20.5%	29.9%		
electricity from hydroelectric power stations		25.5%	***	↑	21.4%	12.1%		
electricity from other renewable resources		22.0%	***	↑	12.7%	11.1%		
district heating		3.8%	***	↓	6.0%	5.4%		
<b>Total indirect energy consumption<sup>10</sup></b>	<b>EN4</b>	<b>1,674 GWh</b>	<b>***</b>	<b>↘</b>	<b>1,790 GWh</b>	<b>1,849 GWh</b>		
<b>Total business travel</b>	<b>EN29</b>	<b>1,042 m Pkm</b>	<b>***</b>	<b>↑</b>	<b>936 m Pkm</b>	<b>757 m Pkm</b>		
rail travel <sup>11</sup>		3.3%	**	↘	4.1%	3.7%		
road travel <sup>11</sup>		0.5%	**	↓	0.6%	0.7%		
air travel		96.2%	***	→	95.3%	95.6%		
<b>Number of flights (segments)</b>		<b>446,274</b>	<b>***</b>	<b>↑</b>	<b>402,629</b>	<b>358,992</b>		
<b>Total paper consumption</b>	<b>EN1</b>	<b>15,593 t</b>	<b>***</b>	<b>↑</b>	<b>14,013 t</b>	<b>14,020 t</b>		
post-consumer recycled	EN2	10.5%	***	↑	6.2%	7.1%		
new fibers FSC <sup>12</sup>		10.7%	***	↑	0.0%	0.0%		
new fibers ECF + TCF <sup>12</sup>		78.6%	***	↓	93.8%	92.9%		
new fibers chlorine bleached		0.2%	**	↑	0.0%	0.0%		
<b>Total waste</b>	<b>EN22</b>	<b>24,589 t</b>	<b>***</b>	<b>↗</b>	<b>22,631 t</b>	<b>23,073 t</b>		
valuable materials separated and recycled		56.3%	***	→	58.2%	64.8%		
incinerated		15.8%	***	↑	12.7%	9.3%		
landfilled		27.9%	**	→	29.1%	25.9%		
<b>Total water consumption</b>	<b>EN8</b>	<b>2.19 m m<sup>3</sup></b>	<b>**</b>	<b>↗</b>	<b>1.94 m m<sup>3</sup></b>	<b>1.84 m m<sup>3</sup></b>		
<b>Total environmental footprint<sup>13</sup></b>		<b>2,671 GWh</b>	<b>**</b>	<b>→</b>	<b>2,848 GWh</b>	<b>2,922 GWh</b>		
<b>Total CO<sub>2</sub> footprint<sup>14</sup></b>		<b>281,705 t</b>	<b>***</b>	<b>→</b>	<b>293,169 t</b>	<b>372,184 t</b>		
Total direct CO <sub>2</sub> (GHG scope 1) <sup>15</sup>	EN16	26,701 t	***	↓	31,519 t	34,556 t		
Total indirect CO <sub>2</sub> (GHG scope 2) <sup>15</sup>	EN16	218,681 t	**	→	230,015 t	225,854 t		
Total other indirect CO <sub>2</sub> (GHG scope 3) <sup>15</sup>	EN17	149,323 t	***	↑	132,635 t	111,773 t		
Total CO <sub>2</sub> e offsets (business air travel) <sup>16</sup>		113,000 t	***	↑	101,000 t	-		

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

<sup>1</sup> All figures are based on the level of knowledge as of January 2008. <sup>2</sup> Reporting period: 2007 (1 July 2006–30 June 2007), 2006 (1 July 2005–30 June 2006), 2005 (1 July 2004–30 June 2005). <sup>3</sup> Global Reporting Initiative (see also [www.globalreporting.org](http://www.globalreporting.org)). EN stands for the Environmental Performance Indicators as defined in the GRI. <sup>4</sup> Non-significant discrepancies from 100% are possible due to roundings. <sup>5</sup> Specifies the estimated reliability of the aggregated data and corresponds approximately to the following uncertainty (confidence level 95%): up to 5% – \*\*\*, up to 15% – \*\*, up to 30% – \*. Uncertainty is the likely difference between a reported value and a real value. <sup>6</sup> Trend: at a \*\*\*/\*\*/\* data quality, the respective trend is stable (→) if the variance equals 5/10/15%, low decreasing/increasing (↘, ↗) if it equals 10/20/30% and decreasing/increasing if the variance is bigger than 10/20/30% (↓, ↑). <sup>7</sup> Refers to energy consumed within the operational boundaries of UBS. <sup>8</sup> Refers to primary energy purchased which is consumed within the operational boundaries of UBS (oil, gas, fuels). <sup>9</sup> Refers to energy purchased that is produced by converting primary energy and consumed within the operational boundaries of UBS (electricity and district heating). <sup>10</sup> Refers to primary energy, which is consumed to produce the electricity and district heating consumed by UBS. <sup>11</sup> Rail and road travel: Switzerland only. <sup>12</sup> Paper produced from new fibers. FSC stands for Forest Stewardship Council, ECF for Elementary Chlorine Free and TCF for Totally Chlorine Free. <sup>13</sup> 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 non-renewable energy consumed. <sup>14</sup> CO<sub>2</sub> footprint equals total CO<sub>2</sub> emissions (GHG scope 1, 2 and 3) minus CO<sub>2</sub>e offsets. <sup>15</sup> Refers to ISO 14064 and the "GHG (greenhouse gas) protocol initiative" ([www.ghgprotocol.org](http://www.ghgprotocol.org)), the international standards for CO<sub>2</sub> reporting: direct CO<sub>2</sub> (Scope 1) accounts for direct CO<sub>2</sub> emissions by UBS; indirect CO<sub>2</sub> (Scope 2) accounts for indirect CO<sub>2</sub> emissions associated with the generation of imported/purchased electricity, heat or steam; other indirect CO<sub>2</sub> (Scope 3) accounts for indirect CO<sub>2</sub> emissions associated with business travel, paper consumption and waste disposal. <sup>16</sup> Offsets from third-party GHG reduction projects measured in CO<sub>2</sub> equivalents (CO<sub>2</sub>e). These offsets neutralize CO<sub>2</sub> emission from our business air travel.

### Verification by SGS Société Générale de Surveillance SA

"We have verified the correctness of the statements in the 2007 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.

We have also conducted a third party verification of the CO<sub>2</sub> emissions in the years 2004 to 2007 against the principles of ISO 14064-1 (2006). In our opinion, the reported CO<sub>2</sub> emissions are fair, accurate, transparent and free from material errors or misstatements and meet the materiality threshold."

*Elvira Bieri, Dr Erhard Hug and Dr Jochen Gross, Zurich, February 2008*

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## Corporate responsibility in UBS guidelines and policies

The importance UBS attaches to responsible corporate behavior is reflected in the various documents and policies defining the rules and principles the firm applies to the behavior of its employees. These guidelines define the way UBS does business and the firm regularly monitors compliance.

UBS's **vision and values** state that the firm is a member of the global community and should behave as a responsible corporate citizen. The firm and its employees should conduct themselves in a manner that is above reproach, as preserving UBS's integrity is vital to its most valuable asset – its reputation.

The firm has a **code of business conduct and ethics**, which sets forth the policies and practices UBS expects all its employees to follow. The code 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 its employees, regardless of gender, ethnicity, race, nationality, age, disability, sexual orientation or religion.

### **Whistleblowing protection**

A whistleblowing policy allows employees to report any breach of law, regulations or codes of ethics to a senior manager without fear of retaliation.

### **Conflicts of interest**

UBS is committed to ensuring fair treatment of all its stakeholders, while recognizing that conflicts of interest cannot always be avoided. The firm has therefore established guiding principles outlining its approach to 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.

### **Anti-money laundering and bribery of public officials**

UBS is committed to fighting money laundering, corruption and terrorist finance. To do that, the firm has a number of policies in place, an effective risk management framework and a dedicated money laundering prevention unit. UBS aims to prevent

bribery of public officials by requiring the pre-approval of any transfer of value by UBS or any employee to a public official.

### **Memberships and donations**

A policy is in place to govern the handling and uniform treatment of memberships and donations by UBS globally. It specifies that donations are goodwill payments made to organizations whose activities serve (among others) non-profit, charitable, cultural and educational purposes.

### **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 clients, employees and shareholders.

### **Environmental management**

UBS is committed to integrating environmental considerations into all its business activities.

### **Human rights**

The "UBS Statement on Human Rights" sets out the firm's approach to promote and respect human rights standards within its sphere of influence.