

# UBS and Society

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

We succeed as an organization by generating long-term, sustainable and measurable benefits for our clients, shareholders and communities. Our thinking and acting in this regard are embedded in one of our firm's Principles, namely sustainable performance, and we focus on ensuring that our investment-related activities take into consideration long-term sustainability and the broader perspective.

We are continuously looking for better ways to do business and support our clients and communities. Our concept of stewardship goes beyond our clients' assets, to encompass taking care of what we leave behind for future generations. This means that we also measure our performance relating to the environment, good governance, our social impact and other key components of sustainability. To this end, we assess our progress against the following overarching aims:

## UBS and Society overarching aims and selection of key targets

- 1 Making sustainability the everyday standard** across the firm
  - Retain favorable position of UBS in key ESG ratings
- 2 Making sustainable performance part of every client conversation**
  - Conduct conversations with key institutional clients about ESG themes and expectations
- 3 Supporting clients in channeling a growing portion of their assets** toward addressing societal challenges, including through innovative financial mechanisms
  - Business divisions and areas to explore and launch innovative financial products and services
- 4 Training** employees on sustainability
  - Execute divisional trainings in order to support implementation of Mainstreaming Sustainable Performance initiative
- 5 Creating a credible sustainability approach**
  - Execute action plans for integrating ESG factors across UBS's core investment processes
  - Further moving UBS Annual Review toward integrated reporting
- 6 Measuring the impact** of our **community investment** activities
  - Track and monitor data set showing impact of Community Affairs-related activities / projects
- 7 Supporting the transition to a low-carbon economy** through our comprehensive climate change strategy
  - Execute on 2020 greenhouse gas reduction target and operational environmental targets, including the execution of the RE100 plan
  - Investigate emerging methodologies and forward-looking climate change disclosure

We organize UBS and Society via three pillars: how we do business, how we support our clients and how we support our communities.

→ Refer to [www.ubs.com/ubsandsociety](http://www.ubs.com/ubsandsociety) for more information

**How we do business**

Strong, well-understood principles and policies are the foundation for empowering our people to operate in a manner that meets the expectations of our stakeholders. We also recognize that we have a role to play in leading debates on important societal topics and in collaborating to set high standards in and beyond our industry.

**Governance**

Our Board of Directors’ (BoD’s) Corporate Culture and Responsibility Committee (CCRC) monitors the current state and implementation of the Group’s programs and initiatives pertaining to corporate culture and corporate responsibility. It also regularly reviews stakeholder expectations and concerns about UBS’s societal performance and corporate culture. The CCRC’s function is forward-looking in that it monitors and reviews societal trends and transformational developments and assesses their potential relevance to the Group. The Group Chief Executive Officer (Group CEO) and the Global Head of UBS and Society are permanent guests of the committee. In 2016, the regional Presidents attended two of the six yearly CCRC meetings as guests.

The Global Head of UBS and Society leads the execution and further development of UBS and Society.

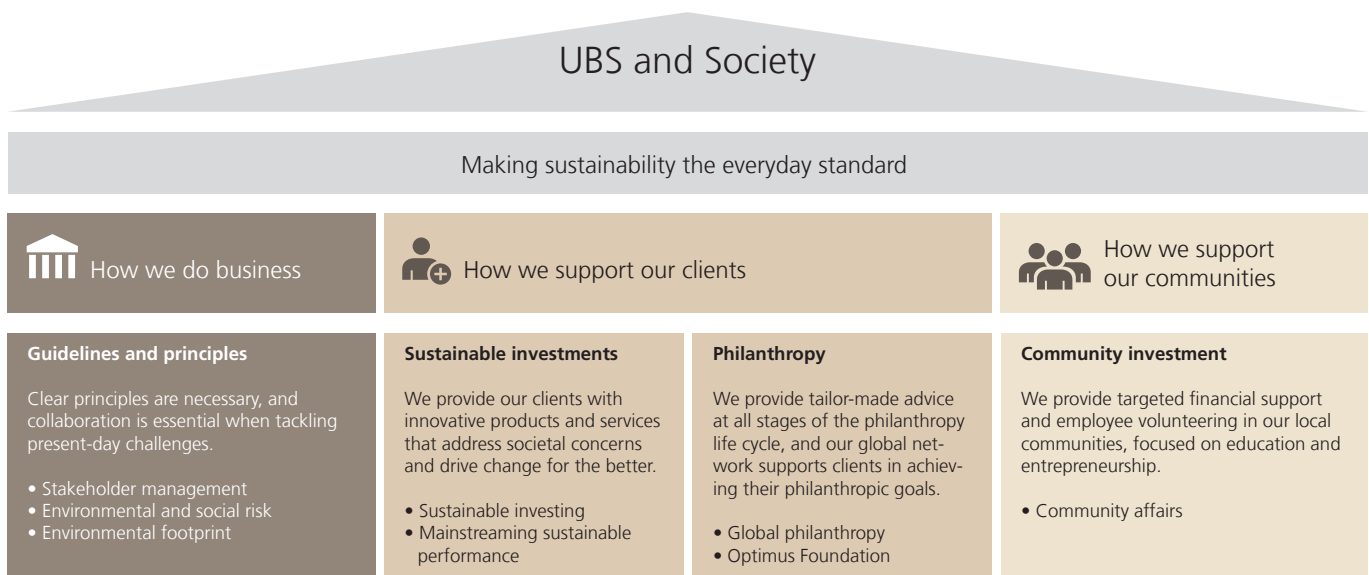
The UBS and Society Operating Committee oversees and coordinates the execution of UBS and Society at Group Executive Board (GEB) level. In 2016, the committee was chaired by the Wealth Management and Asia Pacific Presidents.

The Global Environmental & Social Risk Committee, at GEB level, defines the environmental and social risk (ESR) framework and independent controls that align UBS’s ESR appetite with UBS and Society. It is chaired by the Group Chief Risk Officer, who is responsible for the development and implementation of principles and appropriate independent control frameworks for ESR within UBS.

The business divisions set, develop and execute relevant annual objectives for UBS and Society initiatives. Corporate Center defines the annual objectives related to in-house environmental and responsible supply chain management. Objectives related to Community Affairs are developed and executed at regional level, within the global framework of the UBS and Society program.

- Refer to “Board of Directors” in the “Corporate governance” section of this report for more information
- Refer to the Organization Regulations of UBS Group AG at [www.ubs.com/governance](http://www.ubs.com/governance) for the charter of the CCRC
- Refer to the 2017 GRI objectives of UBS at [www.ubs.com/gri](http://www.ubs.com/gri) for more information

**UBS and Society**



### Key principles and policies

The principles and standards set out in our Code of Conduct and Ethics (Code) apply to all aspects of our business and the way we engage with our stakeholders. The Code aims to support a culture where ethical and responsible behavior is ingrained. All employees have to confirm annually that they have read the Code and other key documents and policies. In 2016, we continued training and raising employee awareness of the Code, including through a mandatory conduct and culture training module.

The CCRC oversees the annual review of the Code by the GEB and the BoD. Following the 2015/2016 review, the current Code was published in mid-2016.

→ Refer to the **UBS Code of Conduct and Ethics at [www.ubs.com/code](http://www.ubs.com/code) for more information**

The Code incorporates key components of UBS and Society, notably managing environmental and social risks, investing sustainably, and contributing to the well-being of our local communities to promote our goal of generating long-term, sustainable and measurable benefits for our clients, shareholders and communities.

The scope, principles, responsibilities and structure of UBS and Society are set out in more detail in our UBS and Society policy.

→ Refer to **[www.ubs.com/ubsandsociety-policy](http://www.ubs.com/ubsandsociety-policy) for more information**

### Stakeholder relations and employee engagement

The activities we describe in this section are designed to identify and enable us to address the key points at which UBS is able to exert a positive impact on society and the environment. Our regular engagement with a wide range of stakeholders and many significant external organizations and initiatives supports us in this important process.

In addition, our annual UBS Materiality Assessment, as defined by the Global Reporting Initiative (GRI), helps us capture the views of our stakeholders on the topics they regard as most relevant to our firm.

Our GRI-based Materiality Assessment draws on formal and informal monitoring, from our dialog with stakeholders and from relevant external studies and reports. The results of the assessment are captured in a GRI-based materiality matrix that distills the views of the stakeholders with whom we interact. It covers 25 topics, the top-rated being, as in 2015, “conduct and culture,” “client protection” and “financial stability and resilience.”

Actively engaging employees is a critical factor in the successful execution of the UBS and Society strategy. This ranges from sustainability-related training and awareness raising activities, including on sustainable investing to about 1,200 employees in our wealth management businesses in 2016, to the Grand Challenge, a major UBS and Society initiative, in which more than 1,200 employees took part and came up with 245 proposals for innovative financial solutions to help address some of society's biggest challenges.

→ Refer to **[www.ubs.com/materiality](http://www.ubs.com/materiality) for the UBS 2016 GRI-based materiality matrix and for more information on the assessment process**

→ Refer to the **“Our employees” section of this report for more information on our firm's culture and employees**

### Advancing sustainability in the financial sector – UBS’s key activities in 2016

Initiative	Focus topic	Role/activity of UBS	Key outcome of initiative in 2016
<b>UN Global Compact (UNGC)</b>	Sustainable Development Goals (SDGs)	Keynote speech by UBS Chairman at UNGC Leaders Summit on the financial sector’s role in implementing the SDGs	Call to action for companies to integrate SDGs in their activities
<b>G20 Green Finance Study Group (GFSG)</b>	Green finance	UBS case study on climate change stress testing presented at GFSG meeting and included in input paper for G20 summit	Input paper <i>Environmental risk analysis by financial institutions – a review of global practice</i>
<b>UN Environment Programme (UNEP)</b>	Sustainable financial system	Member of Swiss team and contributor to Swiss report <i>Proposals for a Roadmap towards a Sustainable Financial System in Switzerland</i>	Report <i>UNEP Inquiry: Design of a Sustainable Financial System</i>
<b>Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD)</b>	Climate change	Member of TCFD and feedback provider on its draft reports	TCFD recommendations
<b>European Financial Services Round Table (EFR)</b>	Climate change	UBS Chairman signed the <i>Call for a strong, ambitious implementation of the Paris Agreement (Call)</i> UBS case study on climate change	<i>Call</i> document submitted for the 22nd Conference of the Parties (COP)
<b>Natural Capital Finance Alliance (NCFA)</b>	Natural capital	Project partner to pilot test drought scenarios in bank portfolios	Drought stress testing tool and report under development
<b>Natural Capital Finance Alliance (NCFA)</b>	Natural capital	Member of technical advisory panel	Project launch in Switzerland (hosted by UBS)
<b>National Action Plan (NAP) Switzerland</b>	Human rights	Participant in multi-stakeholder consultation process	Publication of NAP
<b>Thun Group of Banks</b>	Human rights	Convener of Group	Discussion paper on the implications of UN Guiding Principles 13 and 17 (January 2017)
<b>Organisation for Economic Co-operation and Development (OECD)</b>	Due diligence	Member of the advisory board of the OECD Responsible Business Conduct project	OECD paper on responsible business conduct for institutional investors
<b>Principles for Responsible Investing (PRI)</b>	Proxy voting	Co-lead of PRI collaboration platform <i>Exploring the proxy voting chain</i>	Publication of findings
<b>Policy Outlook (POLO) Platform</b>	Sustainability regulation	Co-convener of Platform	Platform’s first annual roundtable
<b>WWF Banking on World Heritage Sites</b>	UNESCO (natural) world heritage sites	Participant in WWF-organized workshops	Assessment of banks’ policies wording and implementation

## Environmental and social risk assessments

	GRI <sup>1</sup>	For the year ended			% change from
		31.12.16	31.12.15	31.12.14	31.12.15
<b>Cases referred for assessment<sup>2</sup></b>	FS2	<b>2,671</b>	2,192	1,812	22
<b>by region</b>					
Americas	FS2	<b>395</b>	295	354	34
Asia Pacific	FS2	<b>556</b>	520	317	7
Europe, Middle East and Africa	FS2	<b>341</b>	257	297	33
Switzerland	FS2	<b>1,379</b>	1,120	844	23
<b>by business division</b>					
Wealth Management	FS2	<b>429</b>	396	291	8
Wealth Management Americas	FS2	<b>20</b>	20	21	0
Personal & Corporate Banking	FS2	<b>1,226</b>	980	749	25
Asset Management	FS2	<b>2</b>	0	7	
Investment Bank	FS2	<b>971</b>	776	654	25
Corporate Center <sup>3</sup>	FS2	<b>23</b>	20	90	15

<sup>1</sup> Global Reporting Initiative (refer to [www.globalreporting.org](http://www.globalreporting.org)). FS stands for the performance indicators defined in the GRI Financial Services Sector Supplement. <sup>2</sup> Transactions and client onboarding requests referred to and assessed by environmental and social risk function. <sup>3</sup> Relates to procurement/sourcing of products and services.

### Management of environmental and social risks

We use our ESR framework to assess and manage potential adverse effects on the environment and on human rights, as well as any associated environmental and social risks to which our clients' and our own assets may be exposed. Our comprehensive ESR standards, which are regularly reviewed by our Global ESR Committee, govern client and supplier relationships and are enforced Group-wide.

We have set ESR standards in product development, investments, financing and for supply chain management decisions. As part of our due diligence process we engage with clients and suppliers to better understand their processes and policies and to explore how any environmental and social risks may be mitigated. We avoid transactions, products, services, activities or suppliers if they are associated with material environmental and social risks that cannot be properly assessed or mitigated. Our ESR standards include the description of controversial activities and other areas of concern we will not engage in, or we will only engage in under stringent criteria, as outlined below. We will not do business with a counterparty or an issuer that in our judgment does not address environmental or social issues in an appropriate and responsible manner.

Our standard risk, compliance and operations processes involve procedures and tools for identifying, assessing and monitoring environmental and social risks. These include client onboarding, transaction due diligence, product development and investment decision processes, own operations, supply chain management and portfolio reviews. These processes are geared toward identifying clients, transactions or suppliers potentially in breach of our standards or otherwise subject to significant environmental and human rights controversies. Advanced data analytics on companies associated with such risks is integrated into the web-based compliance tool we use before we enter into a client or supplier relationship, or transaction. The systematic nature of this tool significantly enhances our ability to identify potential risk. In 2016, 2,671 referrals were assessed by our environmental and social risk unit, of which 83 were rejected or not further pursued, 258 were approved with qualifications and 26 were pending.

→ Refer to [www.ubs.com/esr](http://www.ubs.com/esr) for more information

**We will not do business if associated with severe environmental or social damage to or through the use of:**

- UNESCO world heritage sites
- Wetlands, endangered species
- High conservation value forests, illegal logging and use of fire
- Child labor, forced labor, indigenous peoples' rights

**We will only do business under stringent criteria in the following areas:**

- Soft commodities: palm oil, soy, timber
- Power generation: coal-fired power plants, large dams, nuclear power
- Extractives: hydraulic fracturing, oil sands, arctic drilling, coal mining, precious metals, diamonds

### Climate change strategy

Our climate change strategy is part of the UBS and Society governance, overseen by the CCRC. We focus on risk management, investments, financing, research and our own operations. We identify and manage climate-related risks and opportunities as part of our ISO 14001-certified environmental management system. At portfolio level, we regularly review sensitive sectors and activities, and we also estimate our firm's vulnerability to climate change risks using scenario-based stress testing approaches and other forward-looking portfolio analyses.

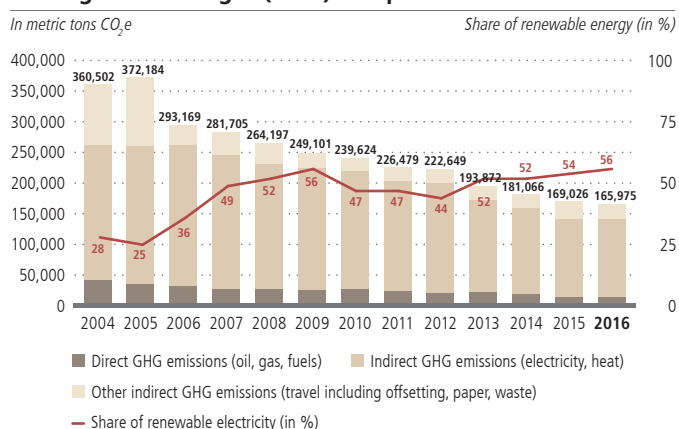
In December 2016, the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) provided its guidance on climate-related disclosures, which UBS welcomes and supports. While we will fully evaluate the TCFD's recommendations for our 2017 disclosure, our climate change strategy already encompasses the four thematic areas covered by the TCFD's recommendations, namely governance, strategy, risk management, and metrics and targets.

→ Refer to [www.ubs.com/climate](http://www.ubs.com/climate) for more information on our climate change strategy

### In-house environmental management

We manage our environmental program through an environmental management system in accordance with the ISO 14001 standard. In addition, our greenhouse gas (GHG) emissions data is externally verified on the basis of ISO 14064 standards. Our environmental program encompasses investments in sustainable real estate and efficient information technology, energy and water efficiency, paper and waste reduction and recycling, the use of environmentally friendly products, such as renewable energy or recycled paper, and business travel and employee commuting reduction.

### UBS's greenhouse gas (GHG) footprint



We set quantitative targets to reduce UBS's Group-wide CO<sub>2</sub> emissions and the environmental impact of our operations. In support of our commitment to RE100, a global initiative that encourages multinational companies to make a commitment to using 100% renewable power by 2020, we have committed to sourcing 100% of the firm's electricity from renewable sources by 2020. This will reduce the firm's GHG footprint by 75% by 2020 compared with 2004 levels.

In 2016, we further reduced UBS's GHG emissions by 1.8%, or 2.8% per full-time employee, year on year. We recorded a total reduction of 54% from baseline year 2004. In 2016, we reduced our energy consumption by more than 14% compared with 2012, thus outperforming our target of a 10% reduction by 2016. In 2016, 55.6% of UBS's worldwide electricity consumption was sourced from renewable energy.

→ Refer to [www.ubs.com/environment](http://www.ubs.com/environment) for more information on our environmental targets and performance

### Responsible supply chain management

We aim to reduce negative environmental and social effects of the goods and services UBS purchases, and we engage with suppliers to promote responsible practices. Our responsible supply chain management (RSCM) principles embed UBS's ethics and values in our interactions with our suppliers, contractors and service partners. We apply an RSCM framework to identify, assess and monitor supplier practices with regard to human and labor rights, the environment, health and safety, and anti-corruption principles. In 2016, remediation measures were requested for 40% of suppliers of newly sourced goods and services with potentially high impact to improve their adherence to UBS's RSCM standards.

→ Refer to [www.ubs.com/rscm](http://www.ubs.com/rscm) for more information

## Sustainability ratings and recognitions<sup>1</sup>

Ratings and recognitions	Scope	UBS result
<b>Dow Jones Sustainability Indices (DJSI)</b>	Environmental, Social and Governance (ESG) performance	Industry Group Leader Index member of DJSI World and DJSI Europe
<b>FTSE4Good Index</b>	ESG performance	Index member
<b>CDP</b>	Climate change	Climate A List
<b>Sustainalytics</b>	ESG performance	ranked eighth among 249 sector peers
<b>MSCI</b>	ESG performance	BBB score
<b>STOXX ESG Leaders Index</b>	ESG performance	Index member
<b>Oekom</b>	ESG performance	Corporate responsibility prime status
<b>GRESB</b>	Sustainability assessment of real estate (RE) equity and RE debt funds	<ul style="list-style-type: none"> <li>– Green Star status for 14 AM Global equity funds</li> <li>– Highest rating (five stars) for 7 out of 14 funds</li> </ul>
<b>GRESB</b>	Sustainability assessment of infrastructure funds	<ul style="list-style-type: none"> <li>– UBS International Infrastructure Fund (IIF I) ranked first for infrastructure funds globally</li> <li>– IIF I and IIF II top-ranked in Management &amp; Policy rankings</li> </ul>
<b>Bloomberg New Energy Finance</b>	Ranking of global renewable energy and cleantech financing	<ul style="list-style-type: none"> <li>– ranked third in the Public Markets co-lead manager category</li> <li>– ranked fifteenth in the M&amp;A financial adviser category</li> </ul>
<b>UK Stewardship Code</b>	Quality of asset manager's reporting as regards the UK Stewardship Code's seven principles and supporting guidance	Tier 1 signatory
<b>Better Society Award (UK)</b>	Partnership with a national charity	Winner
<b>National CSR Award (UK)</b>	Best Community Development	Winner
<b>Company for Good</b>	Driving corporate giving in Singapore	Founding Member (status by invitation only)

<sup>1</sup> All information provided is as of 31 December 2016.

### Ratings and recognitions

Our commitment and progress in the area of sustainability are reflected in important external ratings, rankings and recognitions. In 2016, our firm maintained its leadership position in the Diversified Financials industry group of the Dow Jones Sustainability Indices (DJSI), the most widely recognized sustainability rating. The DJSI evaluates companies' sustainability practices and recognizes the best performers. The Industry Group Leader report for UBS explains that, through the implementation of UBS and Society, UBS ensures that it fulfills its commitment to provide consistent and sustainable returns to its clients, while also promoting ethical practices for the common good. It highlights innovative financial products launched by UBS, cites the firm as exemplary in social and environmental reporting practices and emphasizes UBS's impressive progress in mitigating risk.

### How we support our clients

In 2016, we made a commitment to ensure that all of our investment activities take into consideration long-term and broader perspectives that can be relevant for investment performance.

Our clients increasingly want financial advice as well as the right products in order to use their resources to address societal issues. As the world's largest wealth manager, we are well placed to provide this support, based on a consistent Group-wide approach.

### Sustainable investments

As of 31 December 2016, sustainable investments increased to CHF 976 billion compared with CHF 934 billion as of the end of 2015, representing 35% of our total invested assets. Major increases in relative terms were observed among our integration and impact investments, which increased 64% and 228%, respectively, compared with 2015.

### Key sustainable investing products and services in 2016 (select)

Product / service	Business division	Key features
<b>UBS Oncology Impact Fund<sup>1</sup></b>	Wealth Management (WM)	<ul style="list-style-type: none"> <li>– Aimed at developing new and innovative treatments for one of the most prominent challenges in health care: cancer</li> <li>– Closed at USD 471 million</li> </ul>
<b>UBS Loans for Growth<sup>1</sup></b>	WM	<ul style="list-style-type: none"> <li>– Provides innovative debt-based funding to emerging markets financial intermediaries, which in turn lend to small and medium-sized companies to support local economic development</li> <li>– USD 50 million impact fund</li> </ul>
<b>Sustainable investing research<sup>1</sup></b>	WM, Wealth Management Americas (WMA), Investment Bank (IB)	<ul style="list-style-type: none"> <li>– Sustainable value creation in emerging markets; Doing well by doing good: impact investing; Gender diversity matters; Green bonds are investable; Going Further – a philanthropic health portfolio</li> <li>– 38 ESG Industry Postcards</li> </ul>
<b>UBS Long Term Themes Equity Fund<sup>1</sup></b>	WM, Asset Management (AM)	<ul style="list-style-type: none"> <li>– Invests in companies, which are solution providers for challenges, including water scarcity, emerging market infrastructure, waste management and recycling and emerging market health care</li> </ul>
<b>ESG Portfolio Analyzer<sup>1</sup></b>	WMA	<ul style="list-style-type: none"> <li>– Provides transparency and analysis of ESG topics in client portfolios</li> </ul>
<b>Philanthropy advisory<sup>1</sup></b>	WM, WMA	<ul style="list-style-type: none"> <li>– A total of over 400 ultra high net worth individuals or philanthropists attended UBS Philanthropy Forums in the Americas, Asia and Switzerland</li> <li>– Substantial advisory services for nearly 1,000 clients</li> </ul>
<b>UBS Optimus Foundation<sup>1</sup></b>	WM	<ul style="list-style-type: none"> <li>– CHF 59 million raised in donations</li> <li>– CHF 59 million grants to partners approved</li> </ul>
<b>Actively managed funds<sup>1</sup></b>	AM	<ul style="list-style-type: none"> <li>– Launched in 2016: US Corporate Bond Sustainable, US Enhanced Sustainable Equity, Switzerland Enhanced Sustainable</li> </ul>
<b>Voting (on behalf of clients)<sup>1</sup></b>	AM	<ul style="list-style-type: none"> <li>– Provided instructions (based on AM's corporate governance principles) to vote on 97,670 separate resolutions, at 9,895 company meetings</li> </ul>
<b>Renewable energy and cleantech financing<sup>1</sup></b>	IB	<ul style="list-style-type: none"> <li>– Participation in significant renewables and cleantech deals globally, for both established utilities clients and innovative growth stage companies</li> </ul>
<b>Green Bonds<sup>1</sup></b>	IB	<ul style="list-style-type: none"> <li>– Participation in three major Green Bond issuances</li> </ul>
<b>Energy check-up for SMEs<sup>2</sup></b>	Personal & Corporate Banking (P&C)	<ul style="list-style-type: none"> <li>– UBS SME efficiency bonus for energy reduction plan with overall energy savings of 20,452 MWh/a, equivalent to the annual energy consumption of approximately 1,000 single-family homes</li> </ul>
<b>Preferred strategic partner for advisory and financing transactions related to Switzerland's energy strategy 2050<sup>1</sup></b>	P&C	<ul style="list-style-type: none"> <li>– Supports energy utilities in raising capital on international capital markets to progress their quest for renewable energy</li> <li>– 13 strategic transactions executed for Switzerland's five large energy utilities</li> </ul>

<sup>1</sup> All information provided is as of 31 December 2016. <sup>2</sup> Information provided is as of 31 December 2015.

In Wealth Management, we aim to systematically include a sustainable investing (SI) optionality in our mandate offerings, and to provide our clients with impact investing products and sustainable mutual fund solutions. In 2016, we further expanded the SI optionality to core affluent and high net worth clients from Global Emerging Markets, Germany and Italy. UBS Manage™ offerings with SI focus are constructed with a focus on investing in instruments with a favorable SI rating, while staying in line with our Chief Investment Office House View. On average one in five UBS Manage™ Advanced [CH] clients chooses the SI focus for their newly opened mandate. We also arrange platforms, roundtables and networking events for our clients to exchange ideas and gather know-how.

Asset Management offers a range of SI funds that combine material sustainability factors with a rigorous fundamental investment process. We apply the concept of shared value, according to which companies pursue sustainability practices and create value not only for the shareholder but also for a wider range of stakeholders. Our investment themes include renewable energy, environmental stewardship, social integration, healthcare, resource efficiency, and demographics. We continue to work on a cutting-edge, multi-year mandate from a large pension fund to build a global impact equities portfolio with measureable societal impact. Once developed and vetted, the social impact metrics arising from the mandate will help influence Asset Management's investment strategies.



The Investment Bank provides capital-raising and strategic advisory services globally to companies offering products that make a positive contribution to climate change mitigation and adaptation, including those in the solar, wind, hydro, energy efficiency, waste and biofuels, and transport sectors. In 2016, the total deal value in equity or debt capital market services relating to these areas was CHF 59.8 billion, and CHF 106.3 billion in financial advisory services.

Personal & Corporate Banking clients have access to appropriate products from Asset Management and Wealth Management and are participating in our Group-wide approach to sustainable investing. We also support Swiss small and medium-sized enterprises (SME) in their energy-saving efforts. As promoted by the Swiss Energy Agency's SME model, clients benefit from the

agency's "energy check-up for SMEs" at reduced costs and are granted UBS cash premiums for committing to an energy reduction plan within the scheme.

Having the financial expertise, networks and access to the capital required to build or support innovative financial products, we are committed to introducing novel financial solutions that can be replicated and scaled. With our Oncology Impact Fund and the Loans for Growth impact fund, we confirmed our leading position in the impact investing space.

As of 31 December 2016, we also held green bonds in the amount of CHF 460 million in our high-quality liquid assets portfolios under the management of Corporate Center – Group Asset and Liability Management.

→ Refer to [www.ubs.com/sustainableinvesting](http://www.ubs.com/sustainableinvesting) for more information

## Sustainable investments<sup>1</sup>

CHF billion, except where indicated	GRI <sup>2</sup>	For the year ended			% change from
		31.12.16	31.12.15	31.12.14	31.12.15
<b>UBS total invested assets</b>		<b>2,821</b>	2,689	2,734	5
<b>Core SI products and mandates</b>	FS11	<b>145.43</b>	138.45	110.21	5
Integration <sup>3</sup>	FS11	<b>5.53</b>	3.37	2.62	64
Integration/RPI <sup>4</sup>	FS11	<b>54.60</b>	49.06	34.66 <sup>5,10</sup>	11
Impact investing <sup>6</sup>	FS11	<b>2.49</b>	0.76		228
Exclusionary screening <sup>7</sup>	FS11	<b>76.11</b>	79.20	68.60	(4)
Third-party <sup>8</sup>	FS11	<b>6.70</b>	6.06	4.34 <sup>10</sup>	10
<b>Norms-based screening<sup>9</sup></b>	FS11	<b>830.35</b>	795.07	466.52 <sup>10</sup>	4
<b>Total sustainable investments</b>	FS11	<b>975.79</b>	933.53	576.73 <sup>10</sup>	5
SI proportion of total invested assets (%)	FS11	<b>34.59</b>	34.72	21.09	

<sup>1</sup> All figures are based on the level of knowledge as of January 2017. <sup>2</sup> FS stands for the performance indicators defined in the Global Reporting Initiative Financial Services Sector Supplement. <sup>3</sup> 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, thematic investments or the systematic and explicit inclusion of environmental, social and governance (ESG) factors into traditional financial analysis. <sup>4</sup> UBS Asset Management Responsible Property Investment (RPI) strategy. <sup>5</sup> Invested assets, subject to RPI strategy in 2014, were restated. <sup>6</sup> Impact investments are targeted investments with a financial return and a clear social and/or environmental return objective. No data available for 2014. <sup>7</sup> Includes customized screening services (single or multiple exclusion criteria). <sup>8</sup> SI products from third-party providers applying either integration, impact investing and/or exclusionary approach. <sup>9</sup> Reporting scope expanded in 2015 to include all actively managed discretionary segregated mandates. Duplication with other SI categories was subtracted to avoid double counting. <sup>10</sup> Due to changes in reporting scopes in 2015, comparability with 2014 data is limited.

**Sustainable investing** is an approach that seeks to incorporate environmental, social and/or governance considerations into investment decisions. SI strategies seek to achieve one or several of the following objectives: achieve a positive environmental or social impact, align investments with an investor's personal values or improve portfolio risk and return characteristics.

**Core SI** includes all SI products that involve a strict and diligent asset selection process including exclusions and/or different types of positive selection such as best-in-class, thematic or ESG integration and impact investing.

**Norms-based screening** includes all assets that are subject to restrictions under UBS policy on the prohibition of investments in companies related to anti-personnel mines and cluster munitions (includes all actively managed discretionary segregated mandates and all actively managed retail and institutional funds).

## Research

In response to growing client demand, we research the impact of environmental, social and governance (ESG) issues on various sectors and companies. Our specialized teams regularly publish research on topics that we believe will shape our future. Our experience and sector knowledge help us determine what is material by raising questions about the effects of ESG issues on the competitive landscape in the global sectors that we cover, as well as about how companies are affected in relative terms.

Our Chief Investment Office Wealth Management (CIO) regularly translates key societal and environmental concerns into investment themes as part of its Longer Term Investments series and global Research-based Advice. In 2016, some notable examples of this were sustainable value creation in emerging markets, gender diversity and energy efficiency.

For our sustainability-specific strategies in Asset Management, we have developed a cutting-edge database of fundamental sustainability data, at firm and industry group level. It is used alongside valuation data from our analysts to rank the investment universe on both fundamental and sustainability attractiveness. The database mirrors the approach taken by the Sustainability Accounting Standards Board in building its Materiality Matrix™. We believe that this sustainability key performance indicator database gives us a significant proprietary edge in integrating fundamental and material sustainability data into the investment processes. It allows us to ensure that valuation and sustainability factors are taken into account and receive equal weighing in the decision-making process.

### Philanthropy

Building on our award-winning track record and 12 years' experience, we have a global team of in-house experts in place who specialize in all areas of philanthropy and strategic charitable giving. We support clients as they develop their own philanthropic approach from offering objective, independent and tailored advice, to providing them with the opportunity to attend important events and access a global network of likeminded individuals with whom to collaborate and share their ideas and knowledge.

→ Refer to [www.ubs.com/philanthropy](http://www.ubs.com/philanthropy) for more information

### Optimus Foundation

UBS Optimus Foundation is an award-winning, expert grant-making foundation that helps our clients use their wealth to drive positive and sustainable social change for children. The foundation connects clients with inspiring entrepreneurs, new technologies and proven models that help children to survive and thrive. It selects and continuously monitors programs that improve children's health, education and protection and that have the potential to be transformative, scalable and sustainable. As UBS covers all of the foundation's administrative costs, it guarantees that 100% of all donations go to the support programs that deliver such benefits for children. In 2016, we helped improve the well-being of 1.6 million children globally. Effective philanthropy is about more than simply funding existing programs. It is also about long-term thinking. That is why, in certain instances, Optimus supports partners in building their capacities, enabling them to reach more children more efficiently, funds research to better understand the issues that prevent children from thriving and undertakes advocacy efforts to promote wider adoption of the most promising programs.

→ Refer to [www.ubs.com/optimus](http://www.ubs.com/optimus) for more information

### How we support our communities

We have a responsibility toward the communities in which we operate. We therefore have a long-standing global Community Affairs strategy, executed through regional programs focused on two key themes: education and entrepreneurship. Through these programs, we build sustainable partnerships with non-profit organizations and social enterprises to overcome disadvantages in our local communities, thus ensuring we make a lasting impact. Some examples include:

- Project Entrepreneur, an initiative to increase female-founded high-growth start-ups in the US
- Young Enterprise Switzerland, including hosting a very successful company competition for students
- Halogen Foundation's Network For Teaching Entrepreneurship in Singapore dedicated to teaching disadvantaged youths leadership, entrepreneurial skills and financial literacy
- The Bridge Academy secondary school in London, supporting students from disadvantaged backgrounds to achieve best-ever exam results

We engage beyond financial support – our employees are key to the success of our community programs. We encourage employees to support our local communities by:

- facilitating employee volunteering,
- offering employees up to two days a year to volunteer, and
- matching employees' donations to charities.

By providing diverse opportunities for our employees to volunteer their time and skills in support of our community partners, we seek to align our community program with our core business.

Since 2014, we have enhanced our focus on measuring the impact of our community programs by using the London Benchmarking Group's standard model for measuring and reporting on our community investment globally. This framework, together with global coordination of reporting, allows us to effectively evaluate and focus our programs.

### Community investment 2016

In 2016, we strengthened our strategic focus on education and entrepreneurship through increased global measurement and coordination and by enhancing existing and new partnerships in our local communities. We also launched UBS Social Innovators, a UBS and Society initiative to help build further alignment with our business. A search to identify and support high-potential social enterprises that are delivering innovative solutions to society's most pressing challenges culminated in the selection of 12 regional finalists and three UBS Social Innovators from over 1,200 expressions of interest from 96 countries. The program will increasingly build upon existing regional Community Affairs programs to support social enterprise skills, such as our partnerships with Social Entrepreneurship Impact & Finance (seif) in Switzerland and the Foundation for Young Australians' Young Social Pioneer Program in Australia.

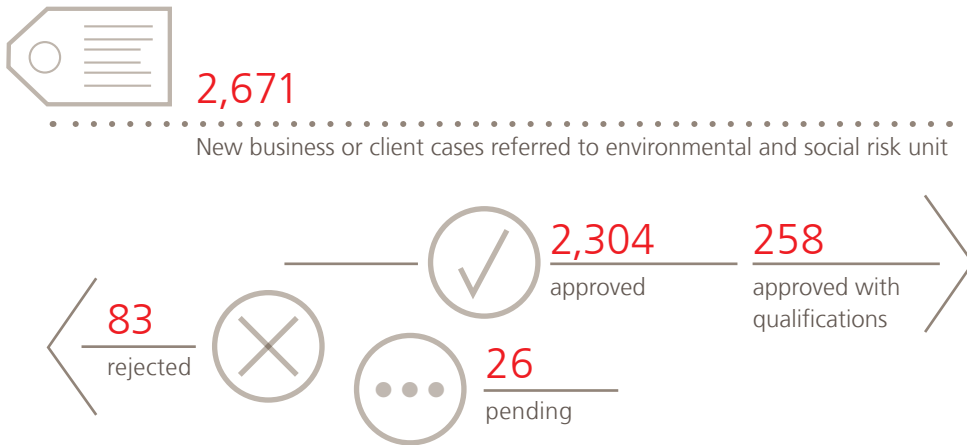
In 2016, UBS made direct cash contributions totaling CHF 30 million. 91% of UBS's Community Affairs grants were made in the areas of education and entrepreneurship. 30% of our employees volunteered in social and community engagement projects compared with 27% in 2015. Additionally, UBS contributed a total of CHF 23 million to its affiliated foundations in Switzerland, to the UBS Optimus Foundation and to the UBS Anniversary Education Initiative.

Our Community Affairs program benefited 117,389 young people and entrepreneurs across all of the regions in which we operate.

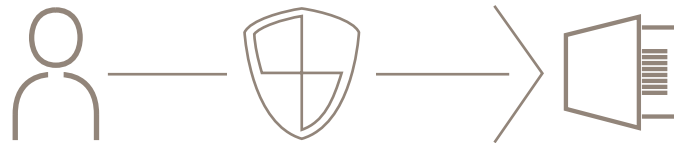
→ Refer to [www.ubs.com/community](http://www.ubs.com/community) for more information and examples of our community investments

# UBS and Society key performance indicators in 2016

## How we do business



Remediation measures requested for **40%** of suppliers of newly sourced goods and services with potentially high impacts



2004

**54%** reduction of UBS GHG emissions

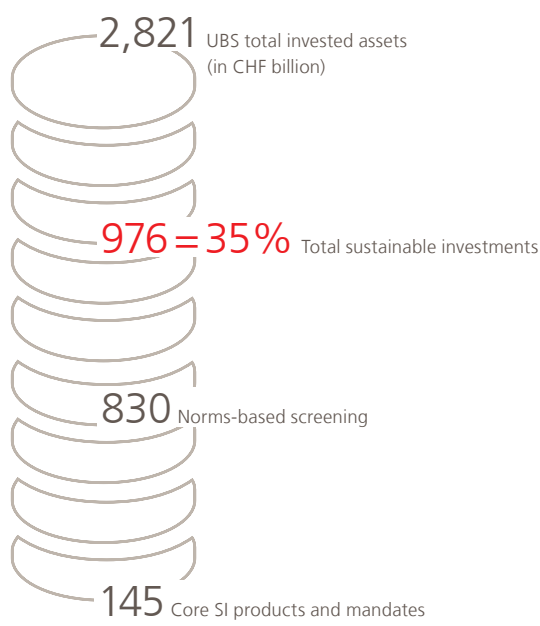
2016

**75%** reduction target

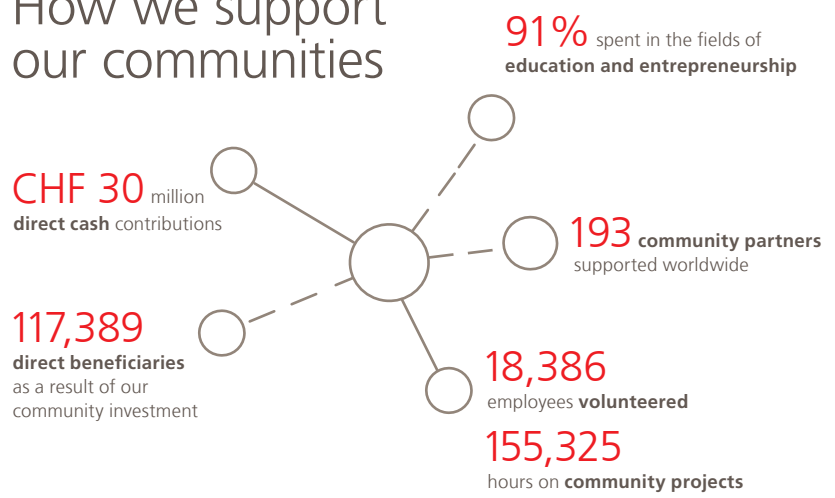


2020

## How we support our clients



## How we support our communities



UBS contributed a total of CHF **23** million to its affiliated foundations in Switzerland, to its Anniversary Education Initiative and to the UBS Optimus Foundation

## UBS Optimus Foundation



CHF **59** million raised in donations

CHF **59** million grants to partners approved