

Modern Slavery Act Statement 2018
UBS AG London Branch

1. Introduction

UBS is committed to creating long-term positive impact for our clients, employees, investors and society. In doing so, we aim to continually improve our efficiency and effectiveness in protecting the environment, respecting human rights and ensuring responsible behavior in all aspects of our operations.

We want to be the financial provider of choice for clients wishing to drive capital toward investments that support the achievement of the United Nations' (UN) Sustainable Development Goals (SDGs) and the transition to a low-carbon economy. Our cross-divisional organization UBS and Society focuses our firm on this direction. UBS and Society covers our activities and capabilities related to sustainable investing, philanthropy, environmental and human rights policies governing client and supplier relationships, our environmental footprint and community investment.

UBS was among the first companies to pledge to the UN Global Compact – the largest corporate sustainability initiative globally – and its principles on human rights, labor standards, the environment and anti-corruption. Indeed, UBS has stipulated that we will not knowingly provide financial or advisory services to corporate clients whose primary business activity or proposed transaction is associated with severe environmental damage, or involves the use of child labor or forced labor. The same standards apply when UBS purchases goods or services from suppliers.

Our commitment to these issues, through our business, client relations, supply chain management, and as an employer, is set out below.

2. Overview of UBS's business

UBS provides financial advice and solutions to institutional and corporate clients worldwide, as well as private clients in Switzerland. Headquartered in Zurich, Switzerland, UBS is present in all major financial centers worldwide. The operational structure of UBS is comprised of a Corporate Center and four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. More information can be found in our [annual report](#).

3. The UBS workforce in 2017

UBS reports in depth on its global workforce to enable a broad range of stakeholders to form a detailed picture of its philosophy and priorities as a high-quality employer and corporate citizen. Our reporting covers the key statistics relevant to full- and part-time employees at all career stages, as well as basic data about external staff who together rely on us to provide a safe, respectful, collaborative workplace.

As of 31 December 2017, we had 61,253 employees (full-time equivalents/FTEs). This included Swiss apprentices on three-year limited contracts who received equivalent benefits to permanent employees. An additional 2,774 FTEs were



employed through third parties on short-term contracts to fill positions on an interim basis. We have office operations in 51 countries worldwide.

4. Our Business

We have a number of important policies and tools relevant to the prevention of modern slavery and human trafficking.

a. Code of Conduct and Ethics of UBS

The [Code of Conduct and Ethics of UBS](#) (the "Code") defines the way UBS does business. The principles and standards set out in the 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. It includes a commitment constantly to look for better ways to do business which are environmentally sound and socially responsible, including monitoring, managing and reducing any negative impact we might have on the environment and on human rights.

UBS also has a whistleblowing policy and established procedures for dealing with concerns that staff may have about suspected breaches within UBS of laws, regulations, policies, procedures or other matters covered by the Code.

b. UBS and Society constitutional document

The scope, principles, responsibilities and structure of UBS and Society are set out in more detail within our UBS and Society constitutional document. It defines the principles and responsibilities for promoting this commitment systematically across all relevant businesses and for implementing the ethical standards defined in the Code of Conduct that govern UBS's interaction with society and the environment.

c. Risk Management in UBS's Business

Products, services and activities deemed to have significant environmental or social risk potential are subject to procedures and tools for the identification, assessment, and monitoring of such risks in client onboarding, transaction due diligence, supply chain management, operational activities and investment decisions.

Our key tool in this regard is our environmental and social risk ("ESR") framework (the "ESR Policy Framework"). We apply the framework to identify and manage potential adverse impacts on the environment and to human rights, as well as the associated environmental and social risks to which our clients' and our own assets are exposed. UBS's comprehensive ESR standards are aligned with the principles expressed in the UBS and Society constitutional document, govern client and supplier relationships, and are enforced firm-wide.

UBS's risk and compliance processes are designed to identify clients, transactions and suppliers which do not comply with UBS's ESR standards. ESR

data categories integrated into our tool include forced labor and child labor, along with other human rights abuses, and corporate complicity in human trafficking.

d. Policies and procedures to combat financial crime

We take a rigorous risk-based approach in our commitment to combatting money laundering, corruption and terrorist financing and we have implemented policies, procedures and internal controls that are designed to comply with such laws and regulations. We have developed extensive policies intended to prevent, detect and report money laundering, corruption and terrorist financing. As any proceeds stemming from the offences in the MSA would be the proceeds of crime, instances of slavery or human trafficking would also come within the scope of UBS's money laundering reporting procedures.

e. Application of international environmental management standards

UBS is certified according to ISO 14001, the international environmental management standard. In accordance with this standard, UBS annually analyzes its portfolio of products and services, own operations and supply chain to assess the significance of environmental and social risks.

f. Transparency in Reporting

UBS uses the [Global Reporting Initiative](#) ("GRI") as the basis for our corporate sustainability reporting and applies a careful process weighing up the materiality and relevance of the information reported and the expectations of all our stakeholders. UBS's reporting is reviewed annually by Ernst & Young Ltd against the GRI Sustainability Reporting Guidelines (limited assurance). The content of the reporting is prepared in accordance with the GRI Standards, Comprehensive option, as evidenced in the EY assurance report. This audit covers topics such as labor practices, significant actual or potential human rights impacts in the supply chain, and procedures for assessing and screening environmental and social risks in business lines.

5. Our Clients

a. Managing environmental & social risks

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. In 2017, we introduced new guidelines for companies in the



fishing industry and require them to demonstrate that they are not involved in illegal, unreported and unregulated fishing.

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. We use advanced data analytics on companies associated with such risks, integrated into our web-based compliance tool, before we enter into a client or supplier relationship or transaction. This significantly enhances our ability to identify potential risk.

b. UBS Optimus Foundation

The UBS Optimus Foundation works (Optimus) with UBS and private philanthropists to support organizations working to disrupt child trafficking and slavery. It partners with organizations that have long term strategies aimed at reducing the prevalence of trafficking and building the evidence of what works. Optimus focuses on countries where there is a high trafficking burden, including Nepal and India, and supports philanthropists working to tackle the issue in their own communities. As of 1 March 2018 it has 6 partners from the not-for-profit sector on the topic.

6. Our Supply Chain

In 2017 UBS spent CHF 9.9 billion on a broad range of products and services. A large proportion of this expenditure comprises real estate, outsourcing, IT as well as consultancy and legal fees.

UBS aims to reduce negative environmental and human rights effects of the goods and services it purchases and we engage with suppliers to promote responsible practices. Since 2008, a firm-wide guideline has provided systematic assistance on identifying, assessing and monitoring supplier practices in the areas of human and labor rights, environmental protection and corruption. A central component of this guideline is the UBS Responsible Supply Chain Standard (the "Standard") to which our direct suppliers are bound by contract. The Standard defines our expectations towards suppliers and their subcontractors regarding legal compliance, environmental protection, avoidance of child and forced labor, non-discrimination, remuneration, hours of work, freedom of association, humane treatment, health and safety and anti-corruption issues and a whistleblowing mechanism to support and protect employees.

UBS's sourcing and procurement services are provided by an external company, Chain IQ, which applies UBS's responsible supply chain management (RSCM) framework and processes. The experienced procurement and sourcing specialists at Chain IQ perform supplier due diligence and establish remediation measures, supported by a centralized team of experts within UBS. Suppliers of potentially high-impact goods or services are requested to conduct a self-assessment of their

responsible management practices and to provide corresponding evidence. Actual and potential negative impacts that are considered in the impact assessment of purchased goods and services include unfair employment practices, such as low wages, excessive overtime, absence of occupational health & safety measures and insufficient management of subcontractors regarding sustainability aspects.

In furtherance of the above, UBS requires that all its suppliers of sourced commodities publish a supply chain code of conduct, which must include procedures to ensure fair employment practices and working conditions in the businesses of their own suppliers. UBS also requires such suppliers to put in place a supply chain compliance monitoring procedure to assess suppliers' conformity with these requirements.

Where gaps with regard to environmental, human rights, labor, and anti-corruption performance have been identified in the supply chain during the due diligence stage, it is the responsibility of the RSCM expert and the procurement functions within Group Corporate Services, together with the internal business partners involved, to manage remediation plans. Remediation measures may vary in depth depending on the supplier situation (e.g. UBS reviewing due diligence records, engaging in direct dialogue with the supplier, UBS requesting a time bound plan for remediation, independent assurance or third party audits), though it is clear that responsibility for the impact of such gaps remains with the supplier entity. A consistent lack of improvement may, as a last resort, lead to the termination of the supplier relationship.

In 2017, 155 suppliers were classified as suppliers of newly sourced goods or services with potentially high impacts. 23% of these suppliers were considered as in need of improving their management practices. Specific remediation actions were agreed with all of them and the implementation progress has been closely monitored. We also screened all our significant active suppliers for environmental and human rights issues and 9 suppliers with potential material risks were referred to our ESR unit for enhanced due diligence. In 2017, no UBS supplier relationship was terminated as a result of RSCM assessments. This can partly be related to the fact that we assess the supplier's potential risks before entering into a contract with them.

Please see www.ubs.com/rscm for more information.

7. UBS Employees

UBS strives to be a responsible employer and to provide a respectful and supportive work environment for our employees. An overarching global employment policy sets the minimum hiring and employment standards for all UBS locations. It aims at providing fair, consistent and transparent treatment for our employees while taking into account local legal requirements, market best practice and shareholders' interests. Country-specific employee handbooks supplement the global policies, providing local information and clarification on the terms and conditions of employment and the applicable HR programs, policies and procedures.

As a responsible employer, we maintain an open dialog with our formal employee representation groups, all of which are in Europe. The UBS Employee Forum for



Europe represents 16 countries and considers pan-European issues that may affect our performance, operations or prospects. Similar regional and country level groups discuss topics such as business transfers, pensions, workplace conditions, health and safety, and redundancies.

Throughout 2017, we continued training and raising the awareness of employees, including with respect to embracing the Code. All employees have to confirm annually that they have read UBS's key documents and policies, including the Code. Employees were also informed of the goals and actions of our UBS and Society organization through a wide range of training and awareness-raising activities (including on human rights). Through these activities we ensure that our employees understand their responsibilities in complying with our policies and the importance of our societal commitments.

8. Pertinent Societal Commitments

We are convener of the Thun Group of Banks – an informal group of bank representatives that work together with the primary purpose of (i) furthering understanding of the UN Guiding Principles on Business and Human Rights (UNGPs) within the context of banking, and (ii) considering how they may be applied across the range of different banking activities. Since its first meeting in 2011, the Thun Group's focus has been on sharing expertise and experience to support the integration of the UNGPs into the policies and practices of banking institutions.

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

We are also a member of the European Bankers Alliance, an initiative dedicated to the fight against human trafficking. In April 2017 the Alliance launched a "toolkit" containing a set of red flag indicators for human trafficking including transactional, KYC, and behavioral indicators; a list of aggravating factors – industries or countries which pose additional levels of risk; a set of case studies – past cases of human trafficking identified and reported by member banks.

9. Further Information

For more information about our approach to corporate sustainability (including our approach to human rights) and for any questions pertaining to this Statement, contact cr@ubs.com.

Approved by UBS AG London Branch



A handwritten signature in blue ink, appearing to read 'Orcel', is written over a horizontal dotted line.

Andrea Orcel
UK Chief Executive

15 May 2018