

The Environment

UBS regards environmental management as an important aspect of good business practice.

Environmental Policy



UBS's environmental policy was passed in 1993, and was last revised by the Group Executive Board in May 2004.

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Environmental Reports



Transparent reporting is the key to providing shareholders and other stakeholders with an accurate picture of our environmental initiatives. For this reason, UBS reports annually on its environmental performance.

[More](#)



Environmental Policy

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[Download: UBS Group Environmental Policy](#) 

Environmental Reports

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2003 2002 2001 2000 1999/2000 1998/99

Our environmental reporting describes the effect of the "environmental factor" on different value drivers which play a key role in UBS's enterprise value. It is available in three different formats:

- Online environmental report: the present 2003 internet environmental report describes our Environmental Management System in a comprehensive and qualitative way. It also examines the environmental factor in market opportunities, risk management and in-house operations (see navigation menu, left).
- Environmental entry in the Corporate Responsibility section of the UBS Handbook. A condensed environmental report is included in the UBS Handbook, which is part of UBS's annual report.

→ [Download: Corporate Responsibility section in UBS 2003/2004 Handbook](#) 

- Environmental performance indicators: detailed description of our environmental performance using key performance indicators. These environmental performance indicators are published annually and allow year-to-year comparisons. They are based on the "EPI-Finance 2000" and "VfU Indicators 2003" standards.

→ [Download: UBS 2003: Environmental performance in figures](#) 

Validation by SGS Société Générale de Surveillance SA

"We have verified the correctness of the statements in the 2003 Environmental Report of UBS AG and, where necessary, have requested that proof be presented. We hereby confirm that the report has been prepared with the necessary care, that its contents are correct with regard to environmental performance, that it describes the essential aspects of the Environmental Management System at UBS AG and that it reflects the actual practices and procedures at UBS AG."

Elvira Bieri and Dr. Erhard Hug

Zurich, March 2004

Milestones in Environmental Management

UBS's environmental commitment goes back a long way. The following represents a selection of our milestones.

Environmental management at UBS began many years ago. Starting with the optimization of our own operations (energy, purchase, waste), it has since been extended to include our bank products and services.

- 1978** The first **energy unit**
- 1989** The first formal **energy guidelines**
- 1991** **Environmental strategy**
First **environmental performance evaluations** of in-house operations in Zurich
- 1992** Signatory to the **UNEP bank declaration**
Signatory to the **Charter** for Sustainable Development of the International Chamber of Commerce ICC
First **in-house ecology analyses**
- 1994** Environmental **credit assessment** procedure for Swiss corporate clients
First environmental report
- 1995** Purchasing guidelines for **office ecology** **Environmental training** functional unit
- 1996** Start of **environmental equity analyses** for investment advisory services
Brochure: "Environmental management for building construction projects"
- 1997** **Eco-Performance-Portfolio Funds**
Co-operation on the Environmental Management in Financial Institutions guidelines, published by the Swiss Bankers Association (SBA)
- 1998** **New organization and environmental policy** at UBS
- 1999** The UBS Environmental Management System of is certified according to the international standard for environmental management systems, **ISO 14001**, covering banking activities world-wide and in-house operations in Switzerland
Integration of environmental criteria into **UBS Group Risk and Policy Framework**
- 2000** UBS becomes the **leading bank** and tops the financial sector as a whole for firms included in the **Dow Jones Sustainability Group Indexes** (DJSGI)
- 2001** UBS is included in the **FTSE4Good Indexes** and the **Dow Jones STOXX Sustainability Indexes**
- 2002** ISO 14001 re-certification covering banking activities and in-house operations world-wide
- 2003** ISO 14001 surveillance audit confirms **successful integration of Wealth Management USA** (formerly PaineWebber) into UBS's Environmental Management System

Environmental Management System

In accordance with UBS Environmental Policy, our Environmental Management System ensures a process of continuous improvement as well as compliance with legal regulations and voluntary commitments.

Impact on Value Drivers



The Environmental Factor

Learn more about how UBS's environmental commitment affects its enterprise value.

[More](#)

Environmental Management Cycle



In 1999, UBS was the first bank to obtain certification for its world-wide Environmental Management System in its banking business. SGS Société Générale de Surveillance SA awarded the certification, and carries out annual surveillance audits as well as re-certification audits every three years.

[More](#)

Environmental Organization

A Group Environmental Management Representative is nominated by the Group Executive Board and oversees the implementation of the Environmental Policy within the Business Groups.

[More](#)

The Way Forward

Starting as a primarily Swiss-based effort, UBS's Environmental Management System has been gradually extended over the years to include all Business Groups and regions worldwide. This global focus will be further emphasized in future, and we plan to revise UBS's environmental policy and governance accordingly.

Impact on Value Drivers

Our environmental reporting shows how UBS's environmental commitment in the individual business areas affects its enterprise value and highlights in particular the effect of the "environmental factor" on different value drivers which play a key role in determining UBS's enterprise value.

Competence and Responsibility

UBS believes that its reputation is enhanced by its competence in the area of environmental management and its willingness to take its responsibility towards society and the environment seriously.

Growth in Revenues



UBS's competence in the analysis of environmental and social factors may constitute an important element when competing for new mandates in the asset management business and is also a factor in retaining existing portfolios. This know-how is increasingly valued by institutional investors, such as pension funds.

Reduced Requirements for Provisions

Attention to the environmental risks involved in lending and investment banking, as well as the economic risks, can help reduce the need for later provisioning.

Cost of Capital



UBS's environmental management processes reduce the potential for losses caused by environmental hazards, improving the quality of its cash flows and hence impacting directly on the value of the enterprise.

Operating Margin

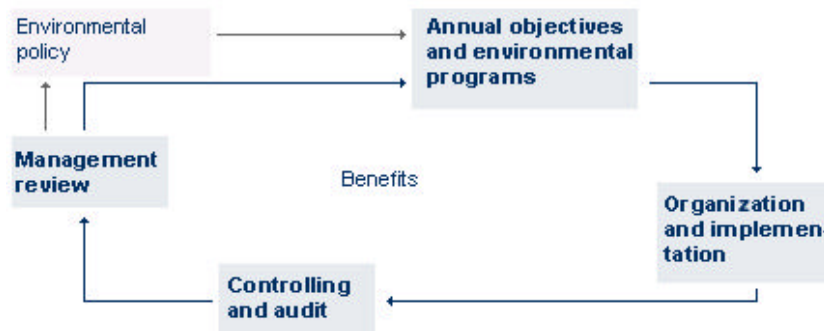
Investments in in-house ecology increase eco-efficiency. As well as improving environmental performance by using fewer resources and lowering emissions, they can also reduce the company's costs. This boosts operating margins and may have a positive impact on stock market valuation.

Environmental Management Cycle

In May 1999, UBS received certification according to the ISO 14001 environmental standard.

This made UBS the first bank in the world to have its Environmental Management System in banking operations certified according to ISO 14001 on a world-wide basis. SGS Société Générale de Surveillance SA awarded the certification, and carries out annual surveillance audits as well as re-certification audits every three years.

Environmental Management System



Environmental Policy

UBS's environmental policy was passed in 1993, and was last revised by the Group Executive Board in May 2004.

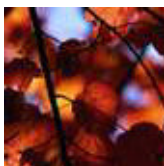
[More](#)

Annual Targets and Planning

Annual targets and environmental programs are developed in all Business Groups. They are drawn up on the basis of discussions between the specialized environmental units and the business units. Final decisions are taken by the responsible Business Group management committee.

This planning procedure is based upon the annual analysis of the environmental impact of bank products (as applied to environmental, banking and reputation risks), the environmental performance evaluation of in-house operations (i.e. analysis of the most important energy and materials flows) and the monitoring of compliance with legal and other requirements.

Organization and Implementation



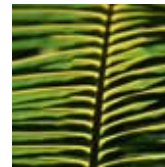
Ultimate responsibility for all environmental issues rests with the Group Executive Board (GEB). The GEB nominates a Group Environmental Management Representative, currently the Group Chief Credit Officer, who oversees the implementation of the Environmental Policy. In addition, each Business Group nominates a senior environmental representative who acts as a sponsor for environmental initiatives within that Business Group.

Environmental training is key to achieving our environmental goals and the desired impact on value drivers; it helps employees to focus on client needs, whilst taking environmental aspects into consideration.

[More](#)

Controlling and Audits

UBS has been tracking comprehensive quantitative indicators since 1999 to help measure, monitor and improve the performance of its environmental management. This type of environmental controlling of our activities is at different stages of development within the different Business Groups, this being largely dependent on how long and how intensively environmental issues have been integrated into daily routines. Thus the controlling of Swiss credit assessment and our in-house ecology management are well advanced. In other areas, systematic environmental controlling is in the early stages.



The selection of environmental performance indicators (EPIs) is based on the "EPI-Finance 2000" and "VfU Indicators 2003" standards. These standards were developed jointly by several finance and insurance companies including UBS.

→ [Download: UBS 2003: Environmental performance in figures](#) 

The extensive annual internal environmental audits relating to the full spectrum of bank activities and in-house operations are of special significance. Their results provide an important basis for the evaluation of the Environmental Management System and planning for future programs.

In 2003, a total of 171 employees were audited.

Management Review

The Group Executive Board is informed on an annual basis of the degree of implementation of the Environmental Policy and decides, based on environmental audit results, on general environmental objectives. To keep the Group Executive Board up to date with developments in environmental performance throughout the year, environmental aspects are integrated in internal reporting processes.

Further Information

- [The ISO 14001 standard](#)
- [Compliance with environmental regulations](#)

Environmental Training

Training employees is an integral component of the Environmental Management System at UBS.

It is training that enables us to achieve our environmental goals and the desired impact on value drivers in our various business areas. Training helps employees to focus on client needs, whilst taking environmental aspects into consideration.

Targeted Training



Environmental training at UBS does not aim to give all employees a general grounding, but systematically selects specific target groups. First, the environmentally relevant processes and functions are defined. From this, we can pinpoint the relevant target groups who can make a valuable contribution to improving UBS's environmental performance.

These target groups may be specialists or employees who have a significant role to play in our corporate culture. The specialists include investment advisors, credit officers and operators of technical systems. We ensure that the environment influences our corporate culture by training new employees, junior staff and managers in ecological issues.

Each training unit is tailor-made and designed to be as realistic as possible, i.e. it focuses on the specific task facing the target group within the Environmental Management System. Wherever possible, these modules are not stand-alone solutions, but form part of our existing standard training, enabling us to incorporate environmental aspects in the relevant business processes.

Performance indicators are compiled regularly to show how well the agreed measures have been implemented and how many people from the relevant target groups have been trained.

Examples

In 2003, the Investment Bank hired an institutional investment research firm that designed and delivered a training program covering the key environmental risks associated with the Business Group's core business activities to 119 senior managers and executives. The program is due to continue in 2004-2005.

In Switzerland, as part of the welcome day for new employees, 364 employees were trained in 2003 on environmental issues as they relate to UBS. These efficient awareness-raising campaigns take place in each major Swiss location, and are conducted through either classroom presentations or an exhibition stand.

In 2003, a total of 2483 UBS employees were trained in environmental issues.

The ISO 14001 Standard

ISO 14001 is a globally valid standard for environmental management systems which is structured in a management cycle consisting of planning, implementation and controlling.

The Path to Continuous Improvement

An environmental management system (EMS) based on ISO 14001 has to guarantee, as a minimum prerequisite, compliance with all legal and other environmental requirements relevant to the company. Further, the system aims to ensure that additional, self-determined objectives regarding the continual improvement of environmental performance are achieved.

ISO 14001 consists of five major elements:

1. Environmental Policy

An environmental policy is the foundation of an EMS and contains a clear commitment by senior management to corporate environmental responsibility. The policy must pledge to reduce environmental pollution, to continuously improve corporate environmental performance and to comply with relevant environmental laws and regulations (environmental legal compliance).

2. Planning

- Initially, decisions have to be made on which corporate processes and products and services are environmentally relevant, taking into account legal requirements and other issues.
- On this basis, objectives for the improvement of environmental performance and environmental programs are defined.

3. Implementation

- For the implementation of objectives and measures, precise organizational structures and documentation of responsibility in environmental issues are necessary. In addition, sufficient staff and adequate financial means for the implementation of environmental management must be available. A management representative must be chosen to bear responsibility for the introduction and implementation of EMS.
- Further, procedures should be defined which uphold environmental policy and ensure compliance with legal requirements. Procedures for accident prevention and emergency management should also be determined.
- In addition, staff training and internal and external communication procedures must be planned. An external environmental report is not mandatory.
- Finally appropriately lean documentation must be compiled for the EMS.

4. Monitoring and Corrective Measures

- Activities which may cause relevant environmental effects need regular controlling. In particular, environmental legal compliance has to be proven. Deviations from standard procedures and corrective measures require documentation.
- Environmental audits must be carried out regularly in order to determine whether or not self-defined objectives are being maintained.

5. Evaluation by Senior Management Review

Senior management must monitor and assess the EMS periodically, in order to ensure its ongoing suitability and efficiency. On the basis of this analysis, management must initiate the necessary changes to the EMS and its components.

Compliance with environmental regulations

Demonstrating and upholding environmental legal regulations.

In three steps



With regard to compliance with all in-house legal environmental regulations, UBS has defined the following procedure in accordance with the ISO 14001 standard.

The **first** stage consists of compiling legal environmental regulations. This takes place in co-operation with internal and external legal experts employing standardized tools (systematic collection of national laws), subscription to digital compilations of environmental law, etc.

In the **second** stage, the relevant legal articles are classified according to topics and target groups and made available to the staff concerned in an appropriate form, preferably via the intranet, in order to ensure current relevance, speed and easy access. Our Environmental Units regularly monitor the latest environmental laws to check their relevance for UBS and to ensure their availability.

In the **final** stage, regular internal audits ensure that all environmental regulations are complied with. If, unexpectedly, deficiencies or irregularities occur, appropriate remedial action is taken.

Also of relevance, apart from environmental laws, are sector agreements or voluntary commitments towards authorities. These are taken into account where appropriate and are dealt with in the same way as environmental legislation.

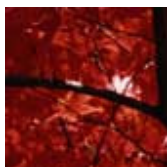
Environmental Organization



Group

A Group Environmental Management Representative nominated by the Group Executive Board oversees the implementation of the Environmental Policy within the Business Groups and is responsible for the further development of the Environmental Management System in accordance with ISO 14001. He or she updates the Group Executive Board via the annual ISO 14001 Management Review and is supported by a Group Environmental Policy unit, ensuring a coherent and consistent approach to environmental management across the Group.

Wealth Management & Business Banking



Risk management: the Environmental Risk Competence Center (Ecofact AG) supports the credit business of Wealth Management & Business Banking in maintaining the Environmental Management System for risk-related issues. It provides support in developing risk assessment procedures and training employees, and carries out in-depth assessments of transactions involving significant environmental risks.

In-house ecology: the Environmental Management unit is in charge of general in-house ecology and energy management in Switzerland across all Business Groups (energy, purchasing, waste and recycling, water, hazardous materials and transport). The Global Ecology unit within the Investment Bank is responsible for in-house ecology in locations outside Switzerland.

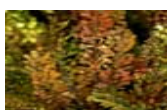
Global Asset Management

Market opportunities: the Socially Responsible Investments unit conducts environmental and social research for UBS socially responsible investment (SRI) products and is also responsible for the "Eco Performance Portfolio" Funds.

→ UBS (Lux) Equity Fund - Eco Performance

In-house ecology: the unit within Wealth Management & Business Banking is in charge of in-house ecology for all locations in Switzerland, while the unit within the Investment Bank is responsible for locations outside Switzerland.

Wealth Management USA



Risk management and market opportunities: the Risk Control unit independently monitors, assesses and supervises the businesses in implementing the environmental policy.



In-house ecology: the unit within the Investment Bank is in charge of in-house ecology for locations in the USA.

Investment Bank

Risk management: the Environmental Competence Center provides support to the business and control functions when requested, promotes awareness and devises environmental education programs.

In-house ecology: the Global Ecology unit establishes and maintains the Environmental Management System in terms of in-house ecology and energy management at major locations outside Switzerland, across all Business Groups.

Market opportunities

Our environmentally and socially sensitive customer base demands that asset management decisions take into account environmental and social aspects as well as economic ones.

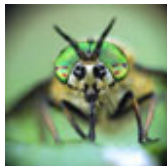
Environmental factors



Learn more about environmental issues and the implementation of processes in asset and wealth management. You can also read about the benefits to the environment and to UBS's enterprise value.

[More](#)

Socially Responsible Investments



Learn more about the socially responsible investment products UBS offers to both private and institutional investors.

[More](#)

Case Studies

Case studies illustrate our Environmental Policy in action in day-to-day business.

- [Successful Launch of a New SRI Fund in Japan](#)
- [Engaging in SRI](#)
- [SRI in the US](#)

The Way Forward

Our SRI capability continues to play an important role in the overall approach of UBS to corporate responsibility and we are committed to developing it further.

The Environmental Factor in Asset and Wealth Management

UBS's expertise in incorporating environmental and social aspects into its research and advisory activities is important to some investors.



There are a number of factors involved in acquiring new client assets, including the financial performance of products, the level of service offered and the company's reputation. The Bank's expertise in incorporating environmental and social aspects into its company research, and the offering of a variety of socially responsible investment (SRI) products, can be important factors when seeking to attract new investors.

In addition to financial considerations, SRI takes into account environmental, social and ethical criteria, reflecting markets and investors' own values and priorities. There are three main approaches:


- **Positive criteria:** applies to the active selection of companies, focusing on how a company's strategies, processes and products impact on its financial success, the environment and society.
- **Engagement:** investors enter into a dialogue with the boards and management of companies with the aim of altering corporate behavior and policies in relation to environmental, social and ethical issues.
- **Exclusion criteria:** companies or sectors are excluded based on environmental, social or ethical criteria, i.e. companies involved in weapons, tobacco, gambling, or with high negative environmental impacts.

UBS offers all three types of socially responsible investment products:

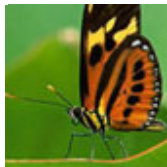
In continental Europe and Japan, UBS offers a number of funds applying positive criteria. The most important is the "UBS (Lux) Equity Fund – Eco Performance", which was launched in 1997. This fund invests worldwide in stocks of exemplary sector leaders and forward-looking small and medium-sized companies with superior financial, environmental and social performance. In the UK, UBS utilizes a focused engagement approach to SRI, seeking to influence companies' policies and behavior rather than excluding them. Finally, in the USA, UBS offers mandates screened using exclusion criteria, as well as third-party SRI funds.

Socially responsible investments

Global Asset Management offers several **socially responsible investment (SRI) products and services** to both private and institutional investors. These products are:

- **UBS (Lux) Equity Fund - Eco-Performance (CHF)**
- **UBS (JPN) Equity Fund - Eco Japan**
- **UBS Global Equity 40 SRI - Mother Fund**
- **UBS (Lux) Equity Fund – Future Energy** 

- **AST Investment Foundation "World Equities Eco Performance" (Investment Foundation of the Swiss Employees Pension Fund)**
- **AST Investment Foundation Factsheets**
- **UBS (Lux) Institutional Fund - Eco Performance**
- **Management of segregated mandates (positive and negative screening)**



In addition, in 2000 Global Asset Management UK developed and adopted "Corporate Governance and Socially Responsible Investment Policies" in response to the new UK Pension Fund Act, thereby including SRI criteria in its corporate governance activities.

Wealth Management USA offers a wide selection of non-proprietary SRI funds to its clients in the US. These clients are also offered the possibility of customizing their holdings by adding specific SRI restrictions (negative screening).

In 2001, the Investment Bank issued an open-end index certificate which tracks the FTSE 4Good Europe 50 Index. It also offers share baskets in new energy technology and water:

- **FTSE4 Good Open End Certificate**
- **Fuel Cell Baskets 2**
- **Water Certificate**

Case Studies

New SRI Fund Launched in Japan

SRI in Japan Engaging in SRI SRI in the US

After the successful launch in 1999 of Eco Japan, a Japanese SRI equity fund, Global Asset Management Japan launched a new retail public offering fund with an initial amount of JPY 10.9 billion (equivalent of USD 100 million) in November 2003.



The Global Equity SRI fund is distributed through Daiwa Securities, the second largest securities company in Japan. The objective of the fund is to invest in 40-50 global socially responsible companies that achieve sustainable growth. Diversification is achieved by taking into account a broad spectrum of sectors and countries. Investments are to be made in securities of companies which are believed to be undervalued based on fundamental research, internally developed valuation systems and seasoned investment judgement. Also, the companies in the portfolio must be included in the UBS SRI universe.

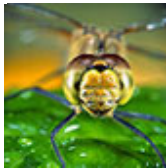
This universe contains only companies which belong to the best-in-class of their sectors according to social and environmental criteria. This product has been co-developed by the Global Asset Management in Tokyo organization and the SRI team in Zurich.

Case Studies

Engaging in SRI

SRI in Japan Engaging in SRI SRI in the US

In the UK, Global Asset Management considers some key SRI (socially responsible investment) criteria when choosing investments for its clients.



These criteria include the corporate environmental policy, management and reporting of the companies in which it might invest.

This approach to SRI is one of “focused engagement”: companies are not screened on SRI grounds alone, rather Global Asset Management UK takes the opportunity as an investor to influence companies’ policies and behavior.

Global Asset Management UK has had several notable successes with individual companies but perhaps its largest engagement activity to date has been its involvement in the Carbon Disclosure Project. Through this, it collaborated with other institutional investors to write to the 500 largest quoted companies in the world asking for information concerning their greenhouse gas emissions.

Companies were asked to identify the business implications of their exposure to climate-related risks and explain what they are doing to address these risks. Just over half (52%) of the companies responded. More than 80% of respondents have already recognized climate change as a serious issue and are developing strategies to reduce greenhouse gas emissions.

Global Asset Management UK is now taking part in the next phase of the project that seeks updates from companies that responded to the first phase and replies from those that did not.

Case Studies

SRI in the US

SRI in Japan Engaging in SRI SRI in the US

Wealth Management USA offers a wide selection of non-proprietary SRI funds to our private clients in the US.



During 2003, as many as 36 third-party SRI mutual funds were offered. Since June 2003, assets invested in these mutual funds experienced an increase of 113% to total CHF 130 million at the close of 2003. The reason for this favorable development is a combination of increased client demand and market appreciation.

Wealth Management USA plans to increase awareness of our Financial Advisors about the benefits of socially responsible investing, as we believe the client demand for SRI will continue to grow.

Risk Management

Being able to accurately assess risks – including environmental risks – is crucial to UBS's success.

Environmental Factors



Learn more about the nature of environmental risk in banking, and about UBS's overall approach to environmental risk management.

[More](#)

Environmental Policies and Processes

Learn more about environmental risk management policies and processes in the various Business Groups

- [Investment Bank](#)
- [Wealth Management & Business Banking](#)
- [Wealth Management USA](#)

Case Studies

Case studies illustrate our environmental policies in action in day-to-day business

- [Wealth Management & Business Banking: Risk Transparency Clears the Way](#)
- [Investment Bank: Know Your Risks](#)

The Way Forward



The Investment Bank started an ambitious environmental risk training program in June 2003. The objective is to complete the program in the Americas and Europe and roll it out to the Asia Pacific region in 2004-2005.

Wealth Management & Business Banking will further extend environmental risk management procedures to all client segments, including lending to clients served by Wealth Management world-wide.

UBS Wealth Management USA will continue to implement the environmental risk management program, focusing in 2004 on the expansion of due diligence procedures to include an evaluation of environmental risk.

Environmental Factors in Risk Management

Adequate assessment of the risk involved in an investment banking or lending transaction is crucial to our success.



Alongside other financial considerations, material environmental aspects can be important when assessing the overall risk of a proposed transaction. Pursuant to our Environmental Policy, we therefore duly consider environmental risks in our risk management processes, especially in lending and investment banking.

Environmental aspects may influence a client's earnings, assets or reputation. A corporate client polluting air or water might be fined and his production sites may require unexpected investments. Owners of real estate may find the worth of their assets reduced by natural hazards or contamination. Corporate clients may also incur liability or reputation risks if they are involved in illegal or controversial activities.

For UBS, a failure to identify, manage or control these environmental risks can manifest itself across a wide variety of risks inherent to our business activities, such as credit risks or liability risks. It is therefore UBS's policy to assess the environmental risks of all relevant transactions.

The Bank can take several courses of action if a transaction carries environmental risks. It can refuse the transaction if the risks involved cannot be calculated or estimated, if they are too substantial or if merely reviewing these risks would entail an excessive amount of work. In case of a loan, it can demand a higher risk premium or additional collateral, and it can reduce the term of the loan or repayment period. Alternatively, it can offer advisory services or act as agent.

Environmental Policies & Processes Investment Bank

UBS-IB

UBS-WM&BB

UBS-WM-US

The Investment Bank Global Environmental Risk Policy is based on UBS AG's Environmental Policy and was approved in 1999.



The purpose of the Global Environmental Risk Policy is to ensure that appropriate consideration is given to environmental risk. It applies globally to all transactions, services and activities performed by the Investment Bank and involving environmental risks.

Although the Investment Bank's Environmental Risk Policy is the foundation for risk identification, it is its due diligence process that promotes identification at an early stage. The Investment Bank performs due diligence on all counterparties prior to engaging in a business relationship. The depth of an environmental analysis is based in part on its risk classification, on UBS's familiarity with the counterparty, and on comfort with the contents of the prospectus provided by the client. In the initial due diligence phase, environmental factors are screened by Investment Banking staff. If there are indications of significant environmental risk, external environmental specialists may be hired to provide a detailed environmental assessment. External international standards such as the World Bank guidelines may assist in such environmental assessments.

Environmental Policies & Processes Wealth Management & Business Banking

UBS-IB

UBS-WM&BB

UBS-WM-US

Environmental risk in the credit transactions of Wealth Management & Business Banking is controlled by policies and processes adapted to client segments, transaction size and risk exposure.



In Business Banking (lending to corporates) an environmental assessment is an integral part of both credit procedures and counterparty rating.

Credit procedures in Business Banking involve a three-step environmental risk assessment. A first screening is carried out by the Client Advisor. This step covers primarily financial risks linked to environmental aspects such as compliance with environmental legislation, site contamination and natural hazards. If risks cannot be ruled out by the first screening, the Credit Officer moves on to 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 detailed environmental assessment, which is one of the services provided by the Environmental Risk Competence Center.

One of the factors considered in the **rating** of corporate clients is the client's awareness of environmental risk. The overall rating determines the terms and conditions of a loan contract.

In some cases, the bank may also advise the client on environmental risk-related issues. This may add value to our client relationship as well as complement our own risk assessment, thereby minimizing financial risks for both the client and ourselves.

Environmental Policies & Processes Wealth Management USA

UBS-IB

UBS-WM&BB

UBS-WM-US

Wealth Management USA established an environmental risk management policy in 2003.



It evaluated each business area to determine the level of environmental risk inherent in each of the area's products and services. During 2004, selected business units will develop risk indicators and mechanisms to channel high risk transactions into an appropriate approval process, as required by the Environmental Risk Management policy.

Case Studies

Wealth Management & Business Banking

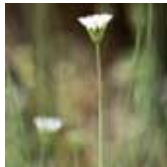
UBS-WM&BB

UBS-IB

Environmental risks only rarely block the granting of a loan. However, financing is always conditional upon risks being calculable and solutions being found.

This is just as much in the interests of the client as it is in the interests of the Bank. As the case study shows, consultations with the client can offer valuable hints on how to tackle environmental risks.

Case Study: Risk Transparency Clears the Way



A Bank client wants financing for a construction project. He plans to convert an existing commercial property into three blocks of flats.

When reviewing the file, the Client Advisor finds that the site is suspected to be contaminated. In the property valuation, the value of the complex is reduced by 60% to take account of the suspected pollution.

The Client Advisor regards this assessment as implausible. He recommends to the client that he investigates the suspected contamination and refers him to the UBS Environmental Risk Competence Center.

Investigations reveal that the property is, indeed, polluted, but the impact of environmental risks on the value of the property is put at around 10%.

This information made the risks to the Bank and its client calculable. Funding can be granted. The client knows how much his property is worth and can budget for the additional environment-related costs of the project.

Case Studies

Investment Bank: Know Your Risks

UBS-WM&BB

UBS-IB

UBS was approached to issue a senior credit facility and act as co-manager for a high-yield bond offering for a chemical company.



Environmental risks in the chemical sector are potentially significant and may include soil and water contamination, use of raw materials, legal liabilities and general public opposition.

As part of its due diligence, UBS performed a Phase I and II evaluation of the counterparty. Phase I due diligence focused on identifying and characterizing significant potential environmental, health and safety liabilities associated with past and current practices at the facility or with off-site sources. Phase II environmental site assessments characterized the nature and extent of potential contamination and produced estimates of the costs of remediation. UBS made sure that reserves, including cash reserves, were established for remediation and potential liabilities.

Based upon the internal and external assessments, UBS concluded that it was comfortable engaging in a business relationship with the counterparty because it had provided the following warranties:

- the counterparty was complying with the requirements of the regulatory authorities;
- the counterparty created a reserve for historical environmental cleanup issues;
- the counterparty recognized future capital costs and budgeted for new wastewater technologies

In-House Operations

Energy management and in-house ecology enhance operating margins.

The more efficiently and sparingly the Bank uses its resources and hence reduces emission levels, the lower its costs will be.

Environmental Factors



Learn more about environmental issues and the implementation of processes in in-house operations. You can also read about the benefits to the environment and to UBS's enterprise value.

[More](#)

Case Studies

The following case studies illustrate our Environmental Policy in action in day-to-day business:

- **Energy-efficient trading floor**
- **Purchasing from renewable energy sources**
- **Building ecology**
- **Waste reduction and recycling**
- **Better information means better safety**
- **Using the right paper in the right place**
- **Greener supply chains**
- **Promoting awareness**

Measuring Results

Results are measured against past targets and a commentary produced.

- **Switzerland**
- **Outside Switzerland**

The Environmental Factor In-House

UBS impacts on the environment primarily through its energy consumption, business travel, the running of its heating and cooling systems and its paper consumption.



Addressing these areas can boost operating margins as well as improve environmental performance. Professional know-how and an efficient Environmental Management System allow the Group to use resources better and bring down costs:

- The level of environmental performance necessary to comply with regulatory requirements can be achieved as effectively and cost-efficiently as possible.
- Costs can be lowered simply by improving internal processes or implementing technical measures, such as adjusting the heating or air conditioning of a building.
- Reducing the Bank's impact on the environment can be achieved using intelligent engineering at no additional cost, for example in building services.

Case Studies

Energy-Efficient Trading Floor

Energy

Renewables

Building

Recycling

Safety

Paper

Supply Chains

Awareness

Energy represents an important environmental impact area for UBS and is a major contributor to our overall greenhouse gas emissions. Our improvement targets therefore include investments in energy-efficient technology.



In Stamford, Connecticut (USA), UBS worked closely with The Connecticut Light & Power Company (CL&P) to ensure energy efficiency measures were included in the design of the trading floor extension. UBS committed to achieving a number of improvement measures specified by CL&P and the investment in these technologies was then partially offset by incentive discounts from CL&P. These measures included designing and installing efficient lighting and cooling systems meeting CL&P's specifications.

The total energy saving for 2003 is estimated at 850,000 kWh, representing roughly 2% of the annual electricity consumption for the building.

Case Studies

Purchasing From Renewable Energy Sources

Energy

Renewables

Building

Recycling

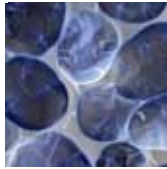
Safety

Paper

Supply Chains

Awareness

Although UBS aims to minimize energy use through investment in energy-efficient buildings and technology there remains an increasing demand for energy owing to business expansion and volume growth.



To help minimize the effect of this growth in terms of emissions, we are also looking at ways of buying cleaner energy wherever practical.

In September 2003 we signed a new tariff agreement for all electricity in London, which means that up to 95% of our supply is now from renewable sources. The remainder is from combined heat and power (CHP) generation plants, which means that the supply is 100% exempt from the UK climate change levy (CCL) – a UK tax measure to incentivize industry to meet the government's Kyoto targets.

The process for renewing the energy tariff agreement consisted of obtaining competitive bids from a number of suppliers based on alternative energy mix scenarios (i.e. ranging from traditional brown energy to 100% CCL-exempt). The result was that the green energy bid worked out as being the most cost effective owing to the effect of the UK climate change levy exemption – so the best solution for the environment also meant the best solution for the bottom line. The precise mix of renewables and CHP energy is dependent upon the supply market and is reported on by the supplier on an annual basis. As a minimum, this is expected to result in a 25% decrease of the greenhouse gas emissions and environmental footprint caused by our electricity consumption in the UK.

Case Studies

Building Ecology

Energy Renewables

Building Recycling Safety Paper Supply Chains Awareness

UBS aims to take account of environmental concerns in its construction projects in order to improve the sustainability of its buildings in Switzerland.



To this end, it has collaborated with the Swiss Federal Office for Construction and Logistics and an external consulting firm to produce a brochure entitled "Environmental management of construction projects".

This brochure is intended as a guide for project teams on incorporating sustainability into construction projects. It allows the people who use and run buildings to reduce environmental impact and thus the cost of building management, as well as to create a better working environment.

Around 120 UBS project managers and engineering specialists have been trained in the environmental management of construction projects over the past few years. Our environmental management system requires project managers to report on the measures taken to achieve increased sustainability in construction projects.

→ [Download: Environmental management in construction ecology \(in German only\)](#) 

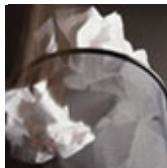
Case Studies

Waste Reduction and Recycling

Energy Renewables

Building Recycling Safety Paper Supply Chains Awareness

Waste reduction and recycling has been one of the major focus areas since the Environmental Management System was extended to offices outside Switzerland in 2002.



As recycling is one of the most visible environmental impacts of in-house operations, initiatives in this area help to encourage staff engagement in the ISO 14001 program. New or enhanced office recycling programs have been introduced in all major office locations internationally (New York, Stamford, New Jersey, Chicago, London, Singapore, Hong Kong, Sydney, Tokyo and Melbourne).

A good example of an innovative approach to waste reduction is the stationery amnesties that have taken place in London and New York. These amnesties involve unused stationery being collected periodically from departments and fed back into stock. Employees are then encouraged to use recycled stationery where available and return any excess items for re-use. The initiative has been enormously successful and very popular with staff because it is easy to see the positive environmental impact through reduced waste and resource consumption. Moreover, with the value of re-issued items in London currently running at about 5% of the annual stationery bill this also represents a genuine bottom-line saving.

Case Studies

Better Information Means Better Safety

[Energy](#)[Renewables](#)[Building](#)[Recycling](#)[Safety](#)[Paper](#)[Supply Chains](#)[Awareness](#)

Even a service provider like UBS has environmental risks to contend with in-house – for example, from the storage of chemical materials or when operating heating or IT systems.



It is therefore essential that we take due care in dealing with these risk factors to ensure the safety of our employees and to protect the environment.

Compliance with legal requirements is a matter of course for UBS and regularly forms part of our internal and external checks, not least because it is one of the main prerequisites for retaining our ISO 14001 certification. Brochures are an important means of informing employees about how to handle risks correctly, as they contain specific instructions on what to do.

With these print media in the areas of environmental protection, environmental law and safety at work, UBS is striving for more than just compliance with legal requirements. Tips and standards help to reduce risks further and save costs.

Environmental law in in-house operations

To comply with current Swiss environmental requirements, UBS has issued guidelines on environmental law in in-house operations. These apply to all UBS locations throughout Switzerland and contain concrete information that is structured according to area of activity. The guidelines include information on carrying out tank checks, storing products which may be hazardous to water, and how to use fire extinguishers correctly. These instructions are of a binding nature and form part of the regular internal and external environmental audits.

→ [Download: Environmental legal compliance in in-house operations \(in German only\)](#) 

Implementing Safety Standards

The legal provisions governing safety at work require companies to identify situations which could pose a threat to the health and safety of their employees.

UBS has drawn up guidelines on implementing safety standards when handling office materials and equipment at work. This document defines measures for preventing accidents at work and explains emergency procedures.

The guidelines contain, among other things, activity-specific documentation and product sheets, information on protective equipment and notes on key first-aid procedures.

Guidelines:

→ [Download: Film units and print units \(in German only\)](#) 

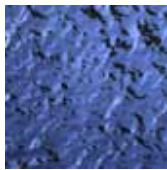
→ [Download: TGM / IGM incl. painters and carpenters \(in German only\)](#) 

Case Studies

Using the Right Paper in the Right Place

[Energy](#)[Renewables](#)[Building](#)[Recycling](#)[Safety](#)[Paper](#)[Supply Chains](#)[Awareness](#)

Purchasing Environmentally Friendly Paper



In 2003 in Switzerland, UBS purchased around 5470 tons of paper, representing a major part of the environmental impact of UBS's in-house operations. The quantity and type of paper used is therefore an objective within UBS's environmental management program.

In order to continuously improve its environmental performance, UBS ordered a detailed study comparing the twelve types of paper used in the Bank. Based on this, UBS has set new objectives for paper use and paper consumption, helping to optimize its environmental impact.

Information Folder

Materials officers in Switzerland receive a comprehensive information folder on the purchase and use of paper. The folder contains notes on the advantages of using recycled paper within the company in terms of costs and environmental impact. It also offers tips and measures to reduce paper consumption. Stickers for correctly identifying paper trays resulted in a significant increase in the percentage of recycled paper used in offices.

→ [Download: Information folder \(in German only\)](#) 

Case Studies

Greener Supply Chains

Energy Renewables

Building Recycling Safety Paper Supply Chains Awareness

UBS favors suppliers which can demonstrate good environmental and social performance.



In order to increase the use of environmentally friendly office supplies in Switzerland, a number of environmentally friendly products were added to the overall office supplies product range. Employees responsible for procurement are provided with a description of these products, along with their ecological labels.

Almost the full range of UBS client gifts (98% of items) was assessed according to ecological and social criteria up to the end of 2003. This process found that around 60% of products met our demanding social and ecological requirements. Consequently, we have far exceeded our goal of 30% as at end-2003. UBS engages with selected suppliers in order to improve social and environmental conditions in the countries in which its corporate gifts are produced. In 2002, for example, the ten most important suppliers were invited by Wealth Management & Business Banking to a one-day workshop, where they were briefed on our social and ecological purchasing criteria. Furthermore, in 2003 the sites of six supplier firms (one in Portugal and five in China) were audited by the Société Générale de Surveillance AG to check compliance with ecological and social standards.

→ **Client Gifts Ecology**

Case Studies

Promoting Awareness

Energy Renewables

Building Recycling Safety Paper Supply Chains Awareness

Our extensive training and awareness programs continually reinforce the Bank's position on sustainability and its commitment to our ISO 14001 certification.



The training programs range from intensive two-day off-site courses for building managers on the impacts, risks and legislation relevant to their operations, to detailed "tool-box" talks for contractors and operations staff. In New York and New Jersey the training scheme has even been extended to contractors working for our landlords. In total, nearly 500 staff and contractors outside Switzerland attended some form of environmental training during 2003.

In addition to ensuring that our buildings are managed in accordance with the Environmental Management System, the training program is also helping to reinforce the message through the supply chain. Contractors and building managers who attend training are asked to cascade the information down through their own organizations, thereby further raising general awareness levels. In fact, new suppliers in facilities areas are now required to fulfill certain environmental performance criteria and have clauses written into their contracts which oblige compliance with environmental legislation and reporting on environmental performance.

Measuring Results Switzerland

Switzerland Outside Switzerland

In 2000, quantified targets were set for the 2000-2003 period using 1999 levels as a baseline. The section below highlights results achieved against these targets, as well as related comments and interpretations.

Area		Unit	Value 1999	Target 2003	Value 2003	
Energy	electricity	GWh	228	220	213.5	+
		kWh/m ²	137	137	145.6	-
	heating	GWh	205	195	144	+
		kWh/m ²	124	120	97.9	+
Water		l/m ²	429	408	425.9	-
Business travel	public transport	EPS ¹ (indexed)	100	97.5	85.5	+
	own vehicles	l/100km	11.3	10.7	n/a	x
Paper		EPS (indexed)	100	90	57	+
Waste	recycling rate	%	66	75	78	+
	quantity	kg/FTE	311	275	216	+
Office materials	ecologically evaluated	%	0	50	58	+
	cartridges refilled or rebuilt	%	5.7	20	49	x
Client gifts	fulfill criteria	%	0	30	60	+

1 EPS = Environmental Pollution Score. Indicates the environmental impact, including all relevant upstream and downstream processes such as acquisition of raw materials, manufacturing, transport and disposal.

+ = Target achieved

- = Target not achieved

x = Target not tracked or no longer relevant

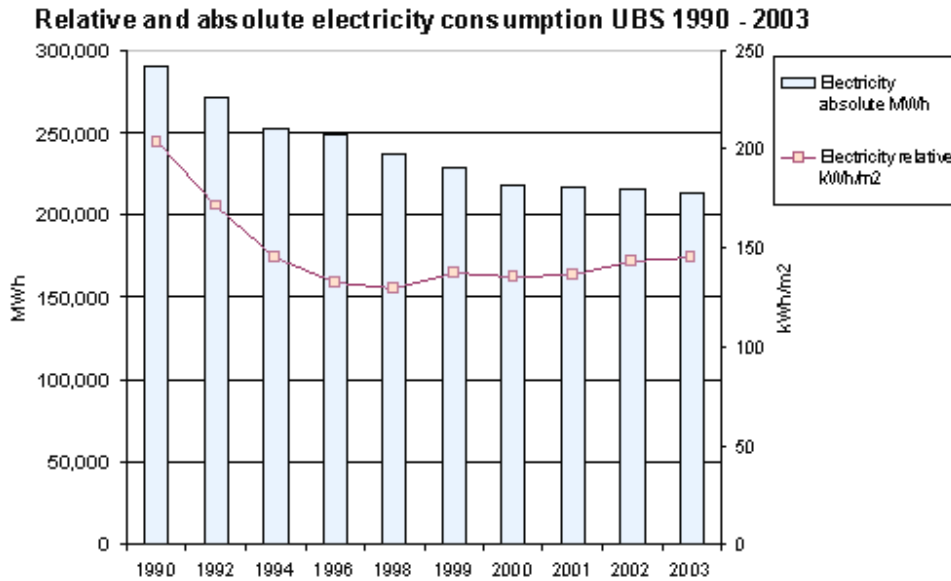
Energy



Electricity consumption has been declining slightly in absolute terms since 1999. Among the drivers of this achievement were various energy efficiency projects in building ecology and office equipment. However, the related objective of reducing electricity consumption per square meter was not met. This is due to the fact that office space was reduced by a greater proportion than electricity consumption in the time frame. Heat consumption declined following the closure of smaller buildings, which require proportionally more heat than larger ones. The decline was significant enough to ensure fulfillment of the related objective of reducing heat consumption per square meter.

These results and their related targets must be interpreted in the light of UBS's long term efforts on energy: energy management goes back a long way at UBS and the bulk of energy efficiency potential had already been realized in the 1990s (see table below). Today, the potential for further improving our energy efficiency is low, and stabilizing our energy consumption is in itself an ambitious target given the Bank's ever-increasing

reliance on IT technology.



Water

Water consumption increased even though total office space has been reduced. One explanation of this increase lies in the combination of hot summers and the fact that most of the office space reduction involved non air-conditioned premises. Both aspects resulted in an increased use of water per square meter for air conditioning purposes.

Business Travel

Air travel has been significantly reduced in the past few years, mainly as a result of cost controls on travel expenses.

The fuel consumption of UBS's own vehicle fleet was overestimated in 1999 owing to mistakes in data collection. Therefore, although various measures have been implemented to reduce fuel consumption, such as tips on "eco driving" provided to UBS drivers, we do not track our achievements against the 2000-2003 target.

Paper

UBS's environmental impact resulting from paper consumption has been considerably reduced. With a 43% reduction since 1999, the 2000-2003 target of reducing this impact by 10% was significantly exceeded. An important aspect of this achievement is that publications are increasingly being sent electronically rather than printed. Another success factor was a major project completed in 2002-2003 of replacing 17,000 printers and 1,600 photocopiers with 5,800 new, multifunctional machines. During the installation process, we took the opportunity to encourage employees to reduce environmental impact by promoting the wider use of recycled paper, and informing employees about double-sided printing capabilities and other ways to save paper.



Waste Disposal

The recycling rate has been increased significantly to 78%. This success can be attributed to both improved waste separation and a reduction in purchases of non-recyclable materials. The total quantity of waste per employee was also successfully reduced. An important factor here is the decrease in paper consumption.

Office Materials

58% of all office consumables were evaluated and 43% of them were granted a green label. In order to increase the use of environmentally-friendly office supplies in Switzerland, a number of environmentally-friendly products were added to the overall office supplies product range.

Nowadays, 80% of all cartridges used in Switzerland are leased under a contractual agreement with our main supplier and do not belong to UBS. These cartridges are sent back to our supplier and recycled as much as technically possible. Of the remaining 20% which are actually purchased by UBS, 49% are rebuilt or refilled. This figure is the one that best corresponds to the target set in 1999, but cannot be readily compared with the

baseline data.

Client Gifts

98% of all client gifts were evaluated. Approximately 60% were granted a green label.

Measuring Results Outside Switzerland

Switzerland Outside Switzerland

Outside Switzerland, the initial in-house ecology goal was to further extend the Environmental Management System to international offices.



This was successfully completed in November 2002 when ISO 14001 certification was granted by SGS Société Générale de Surveillance SA. The focus of the objectives and targets in 2003 was to establish a baseline for further improvement and to identify areas of opportunity. These qualitative goals and related results are:

- **Raising awareness of in-house ecology among staff and suppliers.** This was mainly achieved through training staff and contractors who are directly involved in managing the buildings.
- **Improving environmental data capture and reporting.** Data for 25 of the most significant buildings based on energy consumption are now collected on a quarterly basis rather than annually. This means that the effects of any improvement initiatives or volume changes can be analysed on a timelier basis.
- **Investigating environmental impacts in our supply chain.** The implementation of procurement procedures continued in 2003 with environmental criteria introduced into standard tender and contract documents.
- **Improving energy efficiency in building projects and IT infrastructure.** Many building infrastructure upgrade projects included energy-saving initiatives. Good examples are the various energy saving investments in Stamford and the newly installed on-floor control system (OFNC) in London, which is deployed to monitor and control lighting and heating/cooling systems. It is expected that the OFNC will deliver energy savings of between 20-30% on office lighting and climate controls by eliminating wastage.
- **Reducing waste generated by office activities.** This is mainly achieved through local communication and through specific initiatives such as the stationery amnesties.
- **Promoting responsible recycling practices in all locations.** New or enhanced recycling facilities are now available in the 20 largest offices by population globally.
- **Encouraging ecologically sound alternatives to air travel (i.e. videoconference).** We continue to upgrade our extensive videoconference network and are rapidly moving away from ISDN lines to high-bandwidth WAN connections which provide a more real-time experience.

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