

Advisory vote on *the EU Capital Requirements Directive of 2013* (CRD IV)

The most important information at a glance

- The EU Capital Requirements Directive of 2013 (also known as CRD IV) limit the ratio of variable to fixed components of remuneration to 1:1 for employees who take or control material risks on behalf of their company.
- This Directive affects all banks operating within the EU and therefore also UBS. The specific implications however depend on size and structure of an organization and not all organizations are necessarily subject to those directives.
- As a result of the structuring of UBS AG's UK business through a London branch, UBS is required to seek the approval of its shareholders by way of a vote.
- UBS employs around 10,000 staff within the EU. Due to their position and function within the firm, around 200–450 employees will be impacted by this Directive in the current financial year. These employees are referred to as Code Staff.
- Under certain conditions, specifically if shareholder approval is obtained, the CRD IV Directive allows the ratio of variable to fixed remuneration to be increased to 2:1. The supervisory statements of the UK Prudential Regulation Authority on CRD IV require companies headquartered outside the European Union but which have branches there to seek approval from their shareholders by way of a vote.
- This vote is advisory in nature, as the requirements of the UK's supervisory authority are not consistent with Swiss law and with the basic principles that would require a binding vote.
- UBS recommends that its shareholders vote to set the ratio on variable remuneration to fixed remuneration to 2:1. As mentioned previously, this regulation affects fewer than 5% of the firm's EU-based employees, but these employees have job functions which are of particular importance to UBS.
- Ensuring that remuneration levels remain competitive is extremely important for UBS and its future success.

How many employees will be affected in total by the cap stipulated by the EU Capital Requirements Directive (CRD IV) and how many are UK Code Staff?

UBS employs approximately 10,000 staff in the EU. Fewer than 5% are likely to be affected by this regulation (200–450). The firm currently identifies approximately 160 people as UK Code staff for the performance year 2013.

Code Staff includes senior management, and other key staff who take or control material risks on behalf of the firm, and certain other staff to whom the cap applies due to their remuneration levels and/or job function.

Why are you proposing an increase of the cap to 2:1 for variable versus fixed compensation via a shareholder advisory vote?

CRD IV allows companies to increase the 1:1 ratio to a maximum ratio of 2:1 with the approval of shareholders obtained in accordance with a prescribed procedure.

It is an advisory vote because the increase of the ratio has to comply with the requirements of the UK authority. Under Swiss law this cannot be implemented through a binding vote.