It is the aim of this Policy that in all our business dealings we act in an environmentally responsible manner.

We annually report on our environmental performance and on future priorities. This includes key performance indicators based on international reporting standards.

In accordance with UBS's environmental policy, our environmental management system ensures a process of continual improvement as well as compliance with legal regulations and voluntary commitments.

We help clients consider environmental aspects by providing relevant research, advisory services and product offerings.

We seek to consider environmental risks in all our businesses, especially in lending, investment banking, advisory and research, and in our own investments.

We actively seek ways to reduce our direct environmental impact on air, soil and water from in-house operations, with a primary focus on reducing greenhouse gas emissions.

We integrate environmental considerations into internal communications and training.

"We have verified the correctness of the statements in the 2007 Environmental Report of UBS AG and, where necessary, have requested that proof be presented. We hereby confirm that the report has been prepared with the necessary care, that its contents are correct with regard to environmental performance, that it describes the essential aspects of the Environmental Management System at UBS AG and that it reflects the actual practices and procedures at UBS AG.

We have also conducted a third party verification of the CO2 emissions in the years 2004 to 2007 against the principles of ISO 14064-1 (2006). In our opinion, the reported CO2 emissions are fair, accurate, transparent and free from material errors or misstatements and meet the materiality threshold."

Elvira Bieri, Dr. Erhard Hug and Dr. Jochen Gross

Zurich, February / May 2008
UBS's environmental policy, established in 1993, was last revised by the Group Executive Board in September 2005.

It defines principles and responsibilities for managing environmental issues, and aims to contribute over the long term to UBS shareholder value by seeking to ensure that:

- UBS identifies and manages environmental risks;
- UBS pursues environmentally-friendly opportunities in the financial market;
- UBS's environmental performance improves continuously

→ UBS Environmental Policy
→ Five principles of UBS's environmental policy

Primary responsibility for implementing the environmental policy lies within the business groups which develop, where appropriate, further policies and processes that are tailored to their needs.

In addition, UBS's environmental policy is further supplemented by groupwide guidelines and standards that address specific environmental issues across the firm:

→ Supply chain guideline
→ Standard for energy efficiency

- A number of industry sectors with higher potential environmental and social risks have been identified, and UBS is developing sector guidelines for assistance and guidance when doing business with clients in these sectors.
Addressing Climate Change

UBS acknowledges that climate change represents one of the most significant environmental challenges of current times. It will have wide-ranging effects on ecosystems, societies and economies worldwide.

UBS considers efficient and sustainable management of the firm’s energy requirements, and the measures it has taken to reduce its carbon emissions, as an important factor in being a responsible corporation.

In addition, UBS seeks to support clients in understanding and managing the risks, opportunities and adaptation needs relating to climate change. UBS actively participates in initiatives aimed at creating a dialogue between shareholders and companies on issues relating to climate change, for example the Climate Disclosure Project, of which UBS has been a signatory since its inception in 2002.

Reducing our direct impact

Although our direct contribution to climate change as a financial institution is rather small compared to other industries, UBS considers the efficient and sustainable management of energy and the reduction of its CO2 emissions to be an important aspect of our corporate responsibility. The Group Executive Board decided in February 2006 to set a group-wide CO2 emission reduction target of 40% below 2004 levels by 2012. UBS seeks to achieve this target by implementing:

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

By end of 2007, these measures allowed UBS to reduce its CO2 emissions by 22% compared to 2004, an important step toward achieving the 40% reduction target by 2012.

Energy consumption and energy efficiency

Energy represents an important environmental impact area for UBS and is a major contributor to its overall greenhouse gas emissions. Energy efficiency measures are therefore an important component of UBS’s program for achievement of the firm’s Group-wide CO2 emission reduction target. Measures include investments in energy-efficient technology, and encouraging good housekeeping measures. In 2007, UBS has been awarded the “Energy Model Zurich” trophy for the firm’s achievements in improving its energy efficiency in Switzerland by 17% since 1997. The firm’s newly renovated offices in Stamford, Connecticut, were awarded the Silver and Gold ratings by the US Green Building Council’s Leadership in Energy and Environmental Design (LEED). The building incorporates many energy optimizing features, such as light harvesting where sensors detect levels of sunshine, and the building automatically adjusts interior lighting depending on the level of exterior light. Going forward, UBS has adopted a technical standard supporting world-wide oversight of measures taken to improve energy efficiency in the fields, such as building operation, replacement investments, and rehabilitations.

Renewable energy

In addition to its energy efficiency programs, UBS seeks to improve the energy mix it purchases towards a higher proportion of renewable energy. The percentage of renewable energy and district heating purchase rose from 24% in 2004, to 45% in 2007. In 2007, UBS signed a new agreement (roughly 210 GWh per year) under which 90% of the electricity supply for its buildings in Switzerland now comes from renewable sources, such as water and solar power stations. In addition, UBS purchases Renewable Energy Credits (RECs) in the US electricity markets, which accounted for 10% of its electricity consumption in the US in 2007. Both these initiatives are a continuation of the renewable energy purchasing that began in 2000 in Switzerland and 2003 in London, and represent an improvement on the previous contracts in terms of the increased volume sourced from renewables.

Business travel and offsetting

Business travel is a significant contributor to UBS’s greenhouse gas emissions. While the firm encourages its employees to use environmentally friendly alternatives to air and road travel, for example video conferences, travel is essential for a global financial services firm that strongly believes in personalized client relationships.
Therefore, since 2006, UBS has decided to offset emissions from business related air travel, i.e. over 110,000 tons of CO2, representing about a quarter of its total CO2 emissions. Offsetting means that UBS indirectly neutralizes its business air travel emissions by investing in third-party projects that reduce an equivalent amount of greenhouse gas emissions. For 2007, UBS selected projects in Brazil, India, China and Germany, on the basis of their adherence to international quality standards and of their additional environmental and social benefits.

Engaging investors in climate change issues

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

At the end of January 2007, the research team in the wealth management business published a report examining the scientific, technological, and economic effects of climate change. Its authors argue that climate change will have far-reaching implications for the global economy and the worldwide investment climate, and concluded that measures to combat global warming will increasingly influence people’s behavior, the risk profiles of certain industries, and prospects for investment. The analysis suggests that products and processes that improve energy efficiency, as well as the development of renewable or low-CO2 energy sources, have great potential to slow climate change.

In the Investment Bank, over 60 analysts were involved in collaborative work on climate change in 2007. The utilities team wrote on the link between CO2 and utilities share price since 2004. This team also now writes on and forecasts the CO2 price traded on carbon exchanges. Elsewhere, sector teams cover photovoltaics, wind and other alternatives, as well as energy efficiency.

In addition to producing research on the effects of climate change on certain companies and sectors, UBS regularly invites institutional investors and other clients to attend conferences focusing on these topics. In 2007 alone, UBS hosted eight conferences and seminars featuring distinguished speakers on climate change related topics in London, Tokyo, Hong Kong, Amsterdam, Stockholm, Paris and New York. For example, the UBS Global Alternative Energy Conference in New York City is one of the largest of its kind and represents an opportunity to meet investors and executives from leading companies in the sector.

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

Investment products

UBS offers several investment products that explicitly address aspects of climate change. The offering includes a Global Innovators fund, a Japan Climate Change fund, and Climate Change certificates. The UBS Europe Carbon Optimized Index, UBS Global Warming Index, the UBS Greenhouse Index and other index-linked products have also been introduced to clients.

Financing and advisory services

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

UBS is also a founding financial partner in the Clinton Foundation’s Climate Initiative (CCI), Energy Building Retrofit Program. The program, which includes five other major financial institutions, ten of the world’s largest energy service companies, and 16 large cities, is designed to reduce energy consumption in existing buildings. Under the program, participating city governments and local building owners will retrofit buildings for increased energy efficiency. Participating cities include London, Paris, New York, Mexico City and Tokyo, among others. UBS has committed expertise and other resources to create financial structures capable of delivering capital effectively to public and private projects in this program.

Carbon trading

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

We annually report on our environmental performance and on future priorities. This includes key performance indicators based on international reporting standards.

Environmental Performance Indicators (EPI)
Every year, we provide a detailed description of our environmental performance using key performance indicators which allow for annual comparisons. They are based on industry standards such as the Global Reporting Initiative (GRI).
Our commitment to the environment goes back to the 1970s.

### Key milestones of the last four decades:

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>UBS decided in February to set a group-wide carbon emission reduction target of 40% below 2004 levels by 2012. UBS creates Environmental Advisory Group within the Investment Bank.</td>
</tr>
<tr>
<td>2005</td>
<td>UBS successfully passed the second ISO 14001 re-certification covering banking business and in-house operations worldwide.</td>
</tr>
<tr>
<td>2004</td>
<td>UBS’s environmental policy was revised by the Group Executive Board. The Investment Bank created an SRI team within Equity Research. UBS selected as component of the Climate Leadership Index.</td>
</tr>
<tr>
<td>2003</td>
<td>ISO 14001 surveillance audit confirmed successful integration of Wealth Management USA (formerly PaineWebber) into UBS’s environmental management system.</td>
</tr>
<tr>
<td>2002</td>
<td>ISO 14001 re-certification covering banking activities and in-house operations worldwide. UBS participates in the Carbon Disclosure Project’s first questionnaire.</td>
</tr>
<tr>
<td>2001</td>
<td>UBS was included in the FTSE4Good Indexes and the Dow Jones STOXX Sustainability Indexes for the first time.</td>
</tr>
<tr>
<td>2000</td>
<td>UBS became the leading bank and topped the financial sector as a whole for firms included in the Dow Jones Sustainability Group Indexes (DJSI).</td>
</tr>
<tr>
<td>1999</td>
<td>UBS was certified according to the international standard for environmental management systems, ISO 14001, covering banking activities world-wide and in-house operations in Switzerland. Environmental criteria were integrated into UBS’s risk and policy framework.</td>
</tr>
<tr>
<td>1998</td>
<td>New organization and environmental policy at UBS.</td>
</tr>
<tr>
<td>1996</td>
<td>Launch of environmental equity analysis for investment advisory services. “Environmental management for building construction projects” brochure was published.</td>
</tr>
<tr>
<td>1995</td>
<td>Purchasing guidelines for office ecology were released. Environmental training functional unit was established.</td>
</tr>
<tr>
<td>1993</td>
<td>First environmental policy.</td>
</tr>
<tr>
<td>1989</td>
<td>The first formal energy guidelines.</td>
</tr>
<tr>
<td>1978</td>
<td>The first energy unit.</td>
</tr>
</tbody>
</table>
Our achievements in 2007

The section describes our achievements with regard to the 2007 Environmental Group Priorities.

Management system

Pass 2007 ISO 14001 surveillance audit

UBS successfully passed the annual surveillance audit of its environmental management system. The auditors from SGS Société Générale de Surveillance confirmed that a well-performing environmental management system is in place – integrated in the normal organization, and suitable to manage environmental risks and to improve environmental performance on a continual basis.

Risk management

Develop and test sector guidelines for assistance and guidance when doing business with clients in environmentally and socially sensitive industry sectors.

- A pilot metals & mining sector guideline has been developed and tested with sample transactions. Guidelines for other sensitive sectors, e.g. chemicals, oil & gas, infrastructure and timber will be developed in 2008.

Market opportunities

The business groups each identified areas for action in 2007. These areas include further awareness-raising among client advisors to help them leverage the product shelf (UBS Client Experience); product development in selected areas; and expansion of cross-business group interactions to maximize synergies.

- In 2007 UBS’s SRI invested assets increased by 116% (to CHF 38.9 billion). UBS launched new SRI products in Japan and Taiwan and launched strategy certificates for climate change, water, and demographics.
- Global Wealth Management & Business Banking has decided to integrate SRI into the UBS Client Experience framework by adapting relevant client profiling tools, adding new proprietary and selected third-party products to its SRI offering and enhancing internal platforms that provide information and sales documentation. After a successful pilot in Switzerland in 2007, which contributed to the overall increase of SRI invested assets, this approach will also be rolled out to the other regions.
- For 2007 the Investment Bank focused on increasing environmentally related products and services to our client base. The UBS Greenhouse Index, the UBS Global Warming Index and the UBS Europe Carbon Optimized Index were released to our clients as well as integrating aspects of SRI into mainstream research.

In-house ecology

Continue to implement measures (energy efficiency, renewable energy, offset air travel) towards achieving groupwide CO2 emission reduction target of 40% below 2004 levels by 2012.

We continue to reduce UBS’s own CO2 footprint by increasing in-house energy efficiency whenever possible, purchasing more green energy, and offsetting emissions. In 2007 our total footprint decreased by 3% from 2006 levels, or 22% overall compared to the 2004 baseline:

- Energy efficiency: while FTEs increased by 10%, energy consumption rose at a lower, 3% rate. This can be partly attributed to the effect of in-house energy efficiency gains. Going forward, UBS has adopted a technical standard supporting worldwide oversight of measures taken to improve energy efficiency in fields such as building operation, replacement investments and rehabilitations.
- Green energy: The share of renewable energy increased from 34% to 45% due to shift to hydro in Switzerland and a new renewable contract in the US.
- Offsets: Air travel increased by 12% compared to 2006, emitting 113’000 tons of CO2. 100% of UBS’s air
travel was offset by purchasing carbon offsets from projects in Brazil, India, China and Germany.

Start implementation of 2009 targets for paper and waste.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Target 2009</th>
<th>Results 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste per FTE</td>
<td>-10% below 2006 level</td>
<td>-1%</td>
</tr>
<tr>
<td>Waste recycling ratio</td>
<td>70%</td>
<td>56%</td>
</tr>
<tr>
<td>Paper consumption per FTE</td>
<td>-5% below 2006 level</td>
<td>+1%</td>
</tr>
<tr>
<td>% of recycled paper</td>
<td>20%</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

In 2007 the share of recycled paper increased from 6.2% in 2006 to 10.5% in 2007, FSC paper accounted for 10.7% of total paper consumption, and waste per FTE decreased by 1%. Paper consumption per FTE increased by 1% and the waste recycling ratio decreased from 58% in 2006 to 56%.

Supply chain

*Develop and test groupwide guidelines to further incorporate environmental and social issues into procurement.*

UBS has developed a supply chain guideline that provides guidance for identifying, assessing and monitoring environmental and human rights risks of suppliers and in support of consistent decision-making throughout all business groups and regions. This guideline focuses on suppliers that are more likely to be exposed to human and labor rights, environmental and corruption issues.

Communications & Training

*Enhance awareness of UBS employees about our environmental policy and objectives.*

Significant specialized training and awareness raising was conducted in all business groups (6,000 employees trained in 2007).
Our Priorities for 2008

The Group Executive Board annually defines Group Environmental Priorities, in line with our Environmental Policy and with the ISO 14001 requirement to demonstrate continual improvement of our environmental management system.

- Pass 2008 ISO 14001 re-certification audit
- Finalize development and start adoption of industry sector guidelines for assistance and guidance when doing business with clients in environmentally and socially sensitive industry sectors.
- Continue to identify and develop SRI and other environmental market opportunities.
- Continue to execute Climate Change strategy towards achieving 40% CO2 reduction by 2012. Make progress in meeting 2009 targets for paper and waste.
- Start adoption and training on the group-wide Responsible Supply Chain Guideline.
- Continue to identify and implement measures towards meeting 2009 targets for paper and waste.
- Continue specialized training for skill holders who are involved in the offering of SRI products and the assessment of environmental risks that UBS is exposed to.
Investing in know-how and relevant expertise is essential to improve environmental performance. It is training that enables us to achieve our environmental goals and the desired impact on value drivers in our various business areas. Audits play an important role in the necessary controls and in defining new measures.

**Environmental Management indicators**

<table>
<thead>
<tr>
<th></th>
<th>For the year ended</th>
<th>% change from</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Full-time equivalent, except where indicated</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel financial businesses</td>
<td><strong>GRI</strong></td>
<td>31.12.07</td>
</tr>
<tr>
<td></td>
<td><strong>2007</strong></td>
<td>83,560</td>
</tr>
<tr>
<td>In specialized environmental units</td>
<td><strong>30</strong></td>
<td>38</td>
</tr>
<tr>
<td>Environmental awareness raising</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees trained</td>
<td><strong>F5</strong></td>
<td>5,090</td>
</tr>
<tr>
<td>Training time (hours)</td>
<td><strong>F5</strong></td>
<td>2,133</td>
</tr>
<tr>
<td>Specialized environmental training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees trained</td>
<td><strong>F5</strong></td>
<td>976</td>
</tr>
<tr>
<td>Training time (hours)</td>
<td><strong>F5</strong></td>
<td>1,420</td>
</tr>
<tr>
<td><strong>External environmental audits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees audited</td>
<td><strong>F6</strong></td>
<td>37</td>
</tr>
<tr>
<td>Auditing time (days)</td>
<td><strong>F6</strong></td>
<td>8</td>
</tr>
<tr>
<td><strong>Internal environmental audits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees audited</td>
<td><strong>F6</strong></td>
<td>121</td>
</tr>
<tr>
<td>Auditing time (days)</td>
<td><strong>F6</strong></td>
<td>38</td>
</tr>
</tbody>
</table>

1 Global Reporting Initiative (see also www.globalreporting.org). F stands for the environmental performance indicators defined in the GRI Financial Services Supplement.
2 All employment figures represent the state as of 31 December 2007.
3 2007: 32 UBS and six external employees (FTE)
4 Audits carried out by SGS Société Générale de Surveillance SA. Surveillance audits took place in 2006 and 2007. The more comprehensive re-certification audit was done in 2005.
5 Audits/reviews carried out by specialized environmental units. The implementation of environmental risk policies is also audited by Group Internal Audit.
SRI invested assets increased by 116% (to CHF 38.9 billion) in 2007.

<table>
<thead>
<tr>
<th>Socially responsible investments invested assets</th>
<th>For the year ended</th>
<th>% change from</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHF billion, except where indicated</td>
<td>GRI(^1)</td>
<td>31.12.06</td>
</tr>
<tr>
<td>UBS</td>
<td>3,189</td>
<td>2,989</td>
</tr>
<tr>
<td><strong>Socially Responsible Investments</strong> based on</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive criteria</td>
<td>F9</td>
<td>5.42</td>
</tr>
<tr>
<td>Exclusion criteria</td>
<td>F9</td>
<td>32.06</td>
</tr>
<tr>
<td>Third-party</td>
<td>F9</td>
<td>1.38</td>
</tr>
<tr>
<td><strong>Total SRI assets</strong></td>
<td>F9</td>
<td><strong>38.86</strong></td>
</tr>
<tr>
<td>Proportion of invested assets (%)(^2)</td>
<td></td>
<td><strong>1.22%</strong></td>
</tr>
</tbody>
</table>

\(^{1}\) Global Reporting Initiative (see also www.globalreporting.org). F stands for the Environmental Performance Indicators defined in the GRI Financial Services Sector Supplement.

\(^{2}\) Total socially responsible investments / invested assets.

**Positive criteria:** applies to the active selection of companies, focusing on how a company’s strategies, processes and products impact its financial success, the environment and society. This includes “best-in-class” or thematic investments.

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

**Third-party:** UBS’s open product platform gives clients access to SRI products from third-party providers. This includes both positive and exclusion criteria.
Every year, we analyze our environmental and CO2 footprints.

The chart below shows progress made towards achieving the group-wide CO2 emission reduction target of 40% below 2004 levels by 2012.

Energy consumption in 2007 increased by 3% from a year earlier. This relatively moderate increase compared to the FTE increase of 10% is partly attributable to gains in energy efficiency.

The share of renewable energy increased from 34% to 45% due to a shift to hydro in Switzerland and a new renewable contract in the US.

Business air travel increased by 12% compared to 2006, emitting 113'000 tons of CO2. 100% of UBS's business air travel was offset by purchasing carbon offsets from projects in Brazil, India, China and Germany.

Combined together, these additional energy efficiency measures, renewable energy purchases and offsets led to an overall CO2 decrease of 3% compared to 2006, and 22% compared to our target's baseline 2004. Measured by employee (FTE), the quantity of CO2 released decreased by 35% from 2004 to 2007.

In 2007 the share of recycled paper increased from 6.2% in 2006 to 10.5% in 2007, FSC paper accounted for 10.7% of total paper consumption, and waste per FTE decreased by 1%. Paper consumption per FTE increased by 1% and waste recycling ratio decreased from 58% in 2006 to 56%.

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

<table>
<thead>
<tr>
<th></th>
<th>Unit</th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total direct and intermediate energy</td>
<td>kWh/FTE</td>
<td>11,942</td>
<td>12,736</td>
<td>12,925</td>
<td>13,095</td>
</tr>
<tr>
<td>Total indirect energy</td>
<td>kWh/FTE</td>
<td>20,931</td>
<td>23,974</td>
<td>26,024</td>
<td>24,699</td>
</tr>
<tr>
<td>Total business travel</td>
<td>Pkm/FTE</td>
<td>12,685</td>
<td>12,544</td>
<td>10,659</td>
<td>9,617</td>
</tr>
<tr>
<td>Total paper consumption</td>
<td>kg/FTE</td>
<td>190</td>
<td>188</td>
<td>197</td>
<td>198</td>
</tr>
<tr>
<td>Total waste</td>
<td>kg/FTE</td>
<td>299</td>
<td>303</td>
<td>325</td>
<td>363</td>
</tr>
<tr>
<td>Total water consumption</td>
<td>m$^3$/FTE</td>
<td>26.7</td>
<td>26.0</td>
<td>26.0</td>
<td>25.9</td>
</tr>
<tr>
<td>Total environmental footprint</td>
<td>kWh/FTE</td>
<td>32,530</td>
<td>38,148</td>
<td>41,129</td>
<td>38,868</td>
</tr>
<tr>
<td>CO2 footprint</td>
<td>t/FTE</td>
<td>3.43</td>
<td>3.93</td>
<td>5.24</td>
<td>5.27</td>
</tr>
</tbody>
</table>

*Legend: kWh = kilowatt hour Pkm = person kilometer kg = kilogram m$^3$ = cubic meter t = ton*
<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GRI 3</td>
<td>Absolute 4 normalized 981 GWh</td>
<td>Data quality 5</td>
<td>Absolute 4 normalized 951 GWh</td>
</tr>
<tr>
<td>Total direct and intermediate energy consumption 7</td>
<td>EN3</td>
<td>130 GWh</td>
<td>**</td>
<td>154 GWh</td>
</tr>
<tr>
<td>natural gas</td>
<td></td>
<td>83.3%</td>
<td>**</td>
<td>85.5%</td>
</tr>
<tr>
<td>heating oil</td>
<td></td>
<td>12.1%</td>
<td>***</td>
<td>11.8%</td>
</tr>
<tr>
<td>fuels (petrol, diesel, gas)</td>
<td></td>
<td>4.6%</td>
<td>***</td>
<td>2.7%</td>
</tr>
<tr>
<td>renewable energy (solar power etc)</td>
<td></td>
<td>0.83%</td>
<td>***</td>
<td>0.03%</td>
</tr>
<tr>
<td>Total direct energy consumption 1</td>
<td>EN4</td>
<td>851 GWh</td>
<td>***</td>
<td>797 GWh</td>
</tr>
<tr>
<td>electricity from gas-fired power stations</td>
<td></td>
<td>12.3%</td>
<td>**</td>
<td>13.2%</td>
</tr>
<tr>
<td>electricity from oil-fired power stations</td>
<td></td>
<td>4.2%</td>
<td>***</td>
<td>4.5%</td>
</tr>
<tr>
<td>electricity from coal-fired power stations</td>
<td></td>
<td>18.6%</td>
<td>**</td>
<td>21.7%</td>
</tr>
<tr>
<td>electricity from nuclear power stations</td>
<td></td>
<td>13.6%</td>
<td>**</td>
<td>20.5%</td>
</tr>
<tr>
<td>electricity from hydroelectric power stations</td>
<td></td>
<td>25.5%</td>
<td>***</td>
<td>21.4%</td>
</tr>
<tr>
<td>electricity from biomass and waste power stations</td>
<td></td>
<td></td>
<td></td>
<td>0.5%</td>
</tr>
<tr>
<td>electricity from wind power stations</td>
<td></td>
<td>2.0%</td>
<td></td>
<td>1.3%</td>
</tr>
<tr>
<td>electricity from other renewable resources</td>
<td></td>
<td>22.0%</td>
<td>***</td>
<td>10.3%</td>
</tr>
<tr>
<td>district heating</td>
<td></td>
<td>3.8%</td>
<td>***</td>
<td>6.0%</td>
</tr>
<tr>
<td>Total indirect energy consumption 19</td>
<td>EN4</td>
<td>1,674 GWh</td>
<td>***</td>
<td>1,790 GWh</td>
</tr>
<tr>
<td>Total business travel EN29</td>
<td>1,042 m Pkm</td>
<td>***</td>
<td>936 m Pkm</td>
<td>757 m Pkm</td>
</tr>
<tr>
<td>rail travel 11</td>
<td></td>
<td>3.3%</td>
<td>**</td>
<td>4.1%</td>
</tr>
<tr>
<td>road travel 11</td>
<td></td>
<td>0.5%</td>
<td>**</td>
<td>0.5%</td>
</tr>
<tr>
<td>air travel</td>
<td></td>
<td>96.2%</td>
<td>***</td>
<td>95.3%</td>
</tr>
<tr>
<td>Number of flights (segments)</td>
<td></td>
<td>446,274</td>
<td>***</td>
<td>402,629</td>
</tr>
<tr>
<td>Total paper consumption EN1</td>
<td>15,593 t</td>
<td>***</td>
<td>14,013 t</td>
<td>14,020 t</td>
</tr>
<tr>
<td>post-consumer recycled EN2</td>
<td></td>
<td>10.5%</td>
<td>***</td>
<td>6.2%</td>
</tr>
<tr>
<td>new fibers FSC 12</td>
<td></td>
<td>10.7%</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>new fibres ECF + TCF 11</td>
<td></td>
<td>78.6%</td>
<td>***</td>
<td>93.8%</td>
</tr>
<tr>
<td>new fibres chlorine bleached</td>
<td></td>
<td>0.2%</td>
<td>***</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total waste EN22</td>
<td>24,589 t</td>
<td>***</td>
<td>22,631 t</td>
<td>23,073 t</td>
</tr>
<tr>
<td>valuable materials separated and recycled</td>
<td></td>
<td>56.3%</td>
<td>***</td>
<td>58.2%</td>
</tr>
<tr>
<td>incinerated</td>
<td></td>
<td>15.8%</td>
<td>***</td>
<td>12.7%</td>
</tr>
<tr>
<td>landfilled</td>
<td></td>
<td>27.9%</td>
<td>**</td>
<td>29.1%</td>
</tr>
<tr>
<td>Total water consumption EN8</td>
<td>2.19 m m</td>
<td>**</td>
<td>1.94 m m</td>
<td>1.84 m m</td>
</tr>
<tr>
<td>Total environmental footprint 13</td>
<td>2,671 GWh</td>
<td>**</td>
<td>2,848 GWh</td>
<td>2,922 GWh</td>
</tr>
<tr>
<td>Total CO2 footprint 14</td>
<td></td>
<td>281,705 t</td>
<td>***</td>
<td>293,169 t</td>
</tr>
<tr>
<td>Total direct CO2(GHG scope 1)15</td>
<td>EN16</td>
<td>26,701 t</td>
<td>***</td>
<td>31,519 t</td>
</tr>
<tr>
<td>Total indirect CO2(GHG scope 2)15</td>
<td>EN16</td>
<td>218,681 t</td>
<td>**</td>
<td>230,015 t</td>
</tr>
<tr>
<td>Total other indirect CO2 (GHG scope 3)15</td>
<td>EN17</td>
<td>149,323 t</td>
<td>***</td>
<td>132,635 t</td>
</tr>
<tr>
<td>Total CO2e offsets (business air travel)16</td>
<td>113,000 t</td>
<td>***</td>
<td>101,000 t</td>
<td>-</td>
</tr>
</tbody>
</table>

Legend: GWh = giga watt hour; Pkm = person kilometers; t = tons; m3 = cubic meters; m = million

1. All figures are based on the level of knowledge as of the end of January 2008.
3. Global Reporting Initiative (see also www.globalreporting.org). EN stands for the Environmental Performance Indicators as defined in the GRI
4. Non-significant discrepancies from 100% are possible due to roundings.
5. Specifies the estimated reliability of the aggregated data and corresponds approximately to the following uncertainty (confidence level 95%): up to 5% – ***; up to 15% – **; up to 30% – *; Uncertainty is the likely difference between a reported value and a real value.
7. Refers to energy consumed within the operational boundaries of UBS.
8. Refers to primary energy purchased which is consumed within the operational boundaries of UBS (oil, gas, fuels).
9. Refers to energy purchased that is produced by converting primary energy and consumed within the operational boundaries of UBS (electricity and district heating).
10. Refers to primary energy, which is consumed to produce the electricity and district heating consumed by UBS.
11. Rail and road travel; Switzerland only
12. Paper produced from new fibers, which is ECF (Elementary Chlorine Free) or TCF (Totally Chlorine Free) bleached.
13. Shows the environmental impact (through emissions, use of resources, waste) by a process including all relevant upstream and downstream processes. The environmental footprint is approximated using the equivalent of non renewable energy consumed.
14. CO₂ footprint equals total CO₂ emission (GHG scope 1,2 and 3) minus CO₂e offsets.
15. Refers to ISO 14064 and the GHG (greenhouse gas) protocol initiative (www.ghgprotocol.org), the international standards for CO₂ reporting; direct CO₂ (Scope 1) accounts for direct CO₂ emissions by UBS; indirect CO₂ (Scope 2) accounts for indirect CO₂ emission associated with the generation of imported/purchased electricity head or steam; other indirect CO₂ (Scope 3) accounts for indirect CO₂ emissions associated with business travel, paper consumption and waste disposal.
16. Offsets from third-party GHG reduction projects measured in CO₂ equivalents (CO₂e). These offsets neutralize CO₂ emissions from our business air travel.

Download "Environmental Indicators"
Environmental Management System

In accordance with UBS's environmental policy, our environmental management system ensures a process of continual improvement as well as compliance with legal regulations and voluntary commitments.

In May 1999, UBS received certification according to the ISO 14001 environmental standard. This made UBS the first financial institution in the world to have its environmental management system in banking operations certified according to ISO 14001 on a worldwide basis.

In 2002 and 2005, UBS successfully passed the ISO 14001 re-certification audits. They were performed by SGS Société Générale de Surveillance SA and now cover banking activities and in-house operations worldwide.

⇒ ISO 14001 Certificate
The case for an environmental management system

UBS regards sustainable development as a fundamental aspect of sound business management, and our environmental management system aims to contribute over the long term to UBS shareholder value.

Competence and responsibility

We believe that our competence in environmental management as well as the seriousness with which we take our responsibilities -- both to society and the environment -- enhances our reputation of being a responsible corporate citizen. This strengthens our ability to attract and retain talent, and to be an employer of choice.

Furthermore, we believe the "environmental factor" also has an effect on different value drivers:

Invested assets / Net new money
UBS's competence in the analysis of environmental and social factors can be an important element when competing for new mandates in the asset and wealth management businesses and is also a factor in retaining existing portfolios.

Impaired loans / Reduced provisioning requirements
Paying constant attention to the environmental risks involved in lending and investment banking can help lower the need for subsequent provisions.

Cost / income ratio
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.
Environmental Organization

The Group Executive Board is responsible for UBS's environmental policy and nominates a Group Environmental Representative to guide UBS’s environmental strategy and raise relevant environmental concerns with the Corporate Responsibility Committee. This function is currently held by Marco Suter, Chief Financial Officer of UBS and a member of the Corporate Responsibility Committee.

Each business group also nominates a representative, and together with the Group Representative, they form the committee that oversees the implementation of UBS's environmental policy. The committee also provides guidance to the different business groups in their implementation of “UBS’s Statement on Human Rights”. It is chaired by the Group Risk COO and is supported by coordinators and functional units across the business groups.

The Group Environmental Policy Unit is located within the Corporate Center. It co-ordinates the implementation of the Environmental Policy, updates the Group Environmental Representative on progress made, and prepares submission of strategic objectives to the Group Executive Board. It engages with the Business Groups to maximize synergies and best practice across the firm.

Investment Bank

Risk management: the Environmental Advisory Group works with the relevant business and control functions to assess risks, determine any mitigating measures and direct further due diligence, as required, so that the relevant senior business committee may fully consider the potential environmental risk in the course of its review of a transaction and/or client.

Market opportunities: the Investment Bank offers clients a range of environmental products and services. The SRI Research team produces original sell-side equity research and regularly holds conferences and webcasts on timely SRI topics and the equities division have developed indexes and structured products linked to climate change and alternative energy. As an active participant in the emissions trading markets, the Investment Bank provides solutions for clients in the carbon trading area and the fixed income division and investment banking department provide a range of financing and advisory services to renewable energy companies.

In-house ecology: the Global Ecology unit establishes and maintains the environmental management system in terms of in-house ecology at major locations across all Business Groups.
Global Asset Management

Risk management: the Environment Coordinator works with the relevant business and control functions to maintain risk awareness and a framework of risk identification and assessment with regard to potential environmental exposure.

Market opportunities: the Socially Responsible Investments (SRI) unit conducts research and analysis on investment risks and opportunities arising from social, environmental and corporate governance challenges. This research is both employed within the portfolio of UBS SRI products, as a further input for financial analysis and as a basis for dialogue with companies on social, environmental and governance risks.

In-house ecology: the Global Ecology unit establishes and maintains the environmental management system in terms of in-house ecology at major locations across all Business Groups.

Global Wealth Management & Business Banking

Risk management: Ecofact AG, a consultancy, is the Competence Center Environmental Risk for Wealth Management & Business Banking. Services of this unit cover the development of risk assessment procedures, training of employees, in-depth assessments of transactions involving significant environmental risk and the maintenance of the environmental management system dealing with risk issues.

Market opportunities: the business area Products & Services leads initiatives to explore and exploit environmental market opportunities. An SRI Competence Center advises clients and publishes in-depth studies of emerging socio-economic and environmental trends by assessing their potential impact on investment markets.

In-house ecology: the Global Ecology unit establishes and maintains the environmental management system in terms of in-house ecology at major locations across all Business Groups.

Education & Development: this function is responsible for environmental awareness raising.

Corporate Center

In-house ecology: The IT Infrastructure Office for Environmental Management coordinates the environmental initiatives for IT infrastructure worldwide, which include environmental assessments in procurement processes, energy efficiency during operation, and electronic waste management at the end of the lifecycle.

Group Real Estate sets world-wide energy efficiency standards in the fields of building operation and energy-relevant building components and coordinates reporting of energy efficiency measures.
Environmental Management Cycle

Our management cycle is based on the methodology known as Plan-Do-Check-Act.

**Annual objectives - Plan**

The Group Executive Board is responsible for approving the annual Environmental Group Priorities. In-line with these priorities the Business Group Environmental Representatives submit annual objectives to the appropriate Business Group committees.

The annual objective-setting process is based upon the 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 - Do**

The Business Group Environmental Representatives are responsible for the implementation of the environmental policy within his or her Business Group. They ensure that appropriate resources are allocated within their Business Group to manage environmental issues arising in risk control, in product development and distribution, and in logistics and infrastructure.

**Controlling and audits - Check**

UBS has been tracking comprehensive quantitative indicators since 1999 to help measure, monitor and improve the performance of its environmental management.

The annual external and internal environmental audits relating to banking 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.

**Management review - Act**

The Business Group Environmental Representatives update their appropriate committees and the Group Environmental Representative via an annual Business Group management review. The Group Environmental Representative then updates the Group Executive Board via the annual ISO 14001 Management Review, informs on the degree of implementation of the environmental policy and on environmental audit results, and submits general environmental priorities. To keep the Group Executive Board up to date with developments in environmental performance throughout the year, environmental aspects are integrated in internal quarterly reporting processes.
Environmental Market Opportunities

UBS helps clients consider environmental aspects by providing relevant research, advisory services and product offerings.

- **Investment Products**: UBS offers investment products and advisory services to both private and institutional investors. (Page 22)
- **Research**: UBS has strong expertise in incorporating environmental and social aspects into its research activities. (Page 24)
- **Emission Markets**: UBS is an active participant in the emissions trading markets. (Page 26)
- **Financing and Advisory Services**: UBS provides financial and advisory services to companies in renewable energy sectors. (Page 27)
Investment products and advisory

UBS offers several investment products and advisory services related to social and environmental topics to both private and institutional investors.

<table>
<thead>
<tr>
<th>Socially Responsible Investments (SRI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socially responsible investments are sustainable investments that take ecological and social criteria into account alongside classical financial analysis.</td>
</tr>
<tr>
<td>There are three main approaches:</td>
</tr>
<tr>
<td><strong>Positive criteria</strong>: 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.</td>
</tr>
<tr>
<td><strong>Exclusion criteria</strong>: companies or sectors are excluded based on environmental, social or ethical criteria, e.g. companies involved in weapons, tobacco, gambling, or with high negative environmental impacts.</td>
</tr>
<tr>
<td><strong>Engagement</strong>: investors enter into a dialogue with boards or management of companies with the aim of influencing corporate behavior and policies, if appropriate, in relation to environmental, social or ethical issues.</td>
</tr>
</tbody>
</table>

A Socially Responsible Investments (SRI) team was established in Global Asset Management as early as 1996. Today, SRI teams operate in all business groups and regions, allowing UBS to produce original SRI research and to offer a broad range of SRI investment products.

UBS’s asset management business is rapidly expanding its offering in the area of SRI to respond to growing demand from a number of markets. The SRI offering is diversified, and includes products managed according to “best-in-class” practice and theme-based approaches. “Best-in-class” is an active equity management approach based on stock selection of companies that generate above average environmental, social and economic performance and offer significant growth potential. The theme-based approach focuses investment around particular issues and themes such as energy, water and demographics.

**UBS Social Responsibility Funds**

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

In the UK, the asset management business pursues an engagement approach and seeks to influence the corporate responsibility and corporate governance practices of the companies it invests in.

**UBS Global AM UK - Corporate Governance & SRI**

Global Wealth Management & Business Banking has decided to integrate SRI into the UBS Client Experience framework by adapting relevant client profiling tools, adding new proprietary and selected third-party products to its SRI offering, and enhancing internal platforms that provide information and sales documentation. These measures should help client advisors identify, understand and meet client demand for SRI products more effectively.

UBS also offers structured products that take into account environmental and social topics, and UBS’s open architecture also allows clients to invest in SRI products from third party providers.

**UBS Wealth Management Switzerland – Invest Sustainably**

**Case studies**
2008 – UBS Europe Carbon Optimized Index
The index is designed to track the DJ Stoxx 600, but with a 30 - 40% lower carbon footprint. It matches the Sector Weightings of the benchmark but achieves its main aim by over-weighting the lower-carbon companies and similarly under-weighting the companies with larger carbon footprints within each sector, based on data provided by environmental research organisation Trucost. Back testing of the index shows that positive relative returns would have been produced from 2006 onwards, with the added bonus of a 37% carbon footprint reduction.

2007- New Climate Change Fund launched in Japan
Global Asset Management launched a new Japan domiciled wholesale fund. The fund was distributed through Nikko Cordial Securities, the third largest broker dealer in Japan. The fund is a customized variation of the UBS (Lux) Global Innovators, which invests in global equities with a focus on climate change.

2007 – Integration into Client Experience Framework
SRI was integrated as a pilot into the Client Experience Framework in Switzerland. As the pilot was successful, contributing to the overall increase of SRI invested assets, this approach will be rolled out to the other regions.

2007 – UBS Climate Change Strategy Certificate
The UBS Climate Change Strategy Certificate, an actively managed basket of around 20-25 stocks, was launched in February 2007 from the cooperation of existing capabilities in the investment banking and asset management businesses. The certificate gives investors access to innovative companies that develop solutions to fight climate change. The investment areas are energy production (renewable energy and cleaner energy) and energy efficiency (in buildings, transport and in industrial processes and products).

2005 – UBS (Lux) Equity Fund – Global Innovators
In July 2005, Global Asset Management repositioned the former UBS (Lux) Equity Fund - Future Energy as the UBS (Lux) Equity Fund – Global Innovators. This innovative fund focuses on the various challenges the world faces in the twenty-first century, including energy and water shortages, continuing environmental damage and the demographic changes taking place in many industrialised countries. The fund’s investment themes have been selected to correspond to these issues and comprise renewable energy, mobility, water and nutrition & healthcare. Investments are made in companies whose products and services make a contribution towards solving the key issues facing the world in the twenty-first century. Our SRI analysts select new, high-growth companies known as "innovators" which make a contribution towards sustainable development in accordance with the chosen investment themes.

2005 – UBS (Lux) Responsibility Fund – European Equity
In July 2005, Global Asset Management launched a new SRI fund, the UBS (Lux) Responsibility Fund - European Equity, and brought all SRI products under a unique fund umbrella called UBS Responsibility Funds. The new fund was launched in response to the results of two market surveys: In the first, a representative sample of private investors were interviewed. The results confirmed findings made in previous surveys, showing that while many investors express an awareness (35%) and an interest (25%) in SRI, few have actually taken the active step of buying these products. In the second, 70 institutional investors from various European countries as well as from the USA and Australia were surveyed. The responses showed that the market for SRI in this client segment is expected to grow moderately, and that 40% of the investors planned to increase their SRI investments in the next three years. In parallel to this launch, UBS is conducting an internal awareness campaign to increase the visibility of UBS's SRI fund offering with Wealth Management client advisors.

2004 – Engaging in SRI
In the UK, Global Asset Management considers some key SRI 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 has had several successes with individual companies but perhaps its largest engagement activity to date has been its involvement in the Carbon Disclosure Project. Through this, it collaborates with other institutional investors to write to the 500 largest quoted companies in the world asking for information concerning their greenhouse gas emissions. The project asks companies to identify the business implications of their exposure to climate-related risks and explain what they are doing to address these risks. In 2004, 45% of the 500 companies believed climate change represents a risk or an opportunity, with 65% of companies in high-impact sectors now measuring and reporting emissions.
Investment Bank – Sell-side research

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

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

Global Asset Management – Buy-side research

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

Global Wealth Management & Business Banking – Secondary research

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

Case studies

2007 – Research study addressing climate change

At the end of January 2007, Wealth Management Research published a report entitled ‘Climate Change: beyond whether’, that examines the scientific, technological, and economic effects of climate change. Its authors argue that climate change will have far-reaching implications for the global economy and the worldwide investment climate, and conclude that measures to combat global warming will increasingly influence people’s behavior, the risk profiles of certain industries, and prospects for investment. The analysis suggests that products and processes that improve energy efficiency, as well as the development of renewable or low-CO2 energy sources, have great potential to slow climate change.

2007 – Theme-based research in Global Asset Management

The Socially Responsible Investments (SRI) analysts at Global Asset Management started focusing more on thematic research. As traditional (“Best in Class”) ecological and social company analysis of large cap companies is becoming increasingly standardized, UBS can access a significant range of information from external rating agencies. In doing so, the team members can contribute their own sector-specific expertise and focus more on the three main topics which represent the key challenges of the 21st century: climate change, water and demographics.
2006 – Water scarcity

In April 2006 the Investment Bank's Socially Responsible Investment Research team published a report examining the investment opportunities and risks raised by water scarcity. The study, entitled 'Fresh Water - Liquid Gold?', was prompted by the team's ongoing interest in the investment issues relating to climate-change-related risk and the steady flow of news relating to freshwater availability. The study argues that specialist equipment and services firms could take advantage of opportunities raised by water scarcity. In a later report, the team noted that substantial investment in water infrastructure is likely to be needed in the medium term, since it is estimated that only 20% of wastewater is currently being treated at secondary level. The team also noted that wastewater re-use has become more feasible in recent years owing to technology advances.

2005 – UBS hosts conference on climate change

The Investment Bank's Socially Responsible Investment (SRI) Research team hosted its first ever conference on climate change. Over 100 clients attended the day-long event at the London offices, which featured thought-provoking and informative presentations by both internal and external environment experts.

In an opening keynote speech Sir David King, chief scientific advisor to the UK government, addressed the science of climate change, exploring the question: 'What's really happening?'

There then followed a series of presentations on a variety of climate-related issues, including 'Why business cannot ignore climate change' or 'Climate change risk: is it a significant threat to the oil business?'. The afternoon sessions focused on what it takes to make climate-change-related businesses viable. Companies at the cutting edge of innovation in this area spoke on solar power, carbon sequestration, biofuel and energy recovery from waste.
UBS is an active participant in emissions trading markets and is a member of the Intercontinental Exchange (ICE), an electronic marketplace for energy and emissions trading in conjunction with the European Climate Exchange (ECX). In ‘cap and trade’ emissions markets, such as the EU Emissions Trading Scheme, companies are issued with permits that limit, or cap, their emissions. Companies who are able to reduce their emissions at low cost have the ability to sell their unused permits to other companies requiring them, thereby creating an emissions allowances market with a transparent carbon price, and ensuring that emission reductions are achieved in a cost-effective manner. Through the use of carbon financial instruments UBS is able to help clients manage their exposure to the emissions markets.

Case studies

2008 – Greenhouse Gas Index
The UBS Greenhouse Index is the first tradable investment benchmark tracking the greenhouse effect. It allows market participants to obtain an exposure to greenhouse gas emissions and their impact on the weather, recognized as the greenhouse effect. The index is constructed using liquid, actively traded futures contracts. Weather exposure is derived from Heating Degree Day (HDD) and Cooling Degree Day (CDD) futures contracts traded on the Chicago Mercantile Exchange (CME). Emissions exposure is provided by carbon credits associated with the EU Emission Trading Scheme traded on the European Climate Exchange (ECX) and the Kyoto Clean Development Mechanism traded on Nord Pool.

➔ UBS – Greenhouse Gas Index

2006 – UBS World Emissions Index
UBS has developed the World Emissions Index (UBS-WEMI), the first of its kind globally. Index-linked products offered by the Investment Bank allow clients to participate in the index’s performance which is linked to tradable derivative instruments referencing emissions allowances.

➔ UBS World Emission Index
Financial and advisory services

UBS provides financial and advisory services to companies in renewable energy sectors.

UBS’s renewable energy investment banking business arranges financing and provides strategic and financial advisory services for companies in the biofuels, solar, wind, wave and other renewable energy sectors. Since 2006, UBS has led over 20 financing transactions, raising over USD 5 billion for renewable energy companies worldwide and winning a top-five ranking two years in a row (including the prestigious “Top Underwriter” award in 2006) from New Energy Finance, a specialist provider of financial information and analysis to investors in clean energy.

Case studies

2007 – Strategic combinations
UBS provided advice on a number of high-profile strategic combinations in the alternative energy sector. For example, the firm acted as exclusive financial advisor to US BioEnergy Corporation on its announced USD 2.8 billion merger with VeraSun Energy Corporation. The deal creates a global leader in ethanol production, which is set to become the world’s largest biofuels company by the end of 2008. The merger represents the largest transaction ever in the biofuels sector, the largest transaction of its type in the history of the biofuel sector.

2007 – Clinton Climate Initiative
UBS is a founding financial partner in the Clinton Foundation’s Climate Initiative (CCI), Energy Building Retrofit Program. The program, which includes five other major financial institutions, ten of the world’s largest energy service companies, and 16 large cities, is designed to reduce energy consumption in existing buildings. Under the program, participating city governments and local building owners will retrofit buildings for increased energy efficiency. Participating cities include London, Paris, New York, Mexico City and Tokyo, among others. UBS has committed expertise and other resources to create financial structures capable of delivering capital effectively to public and private projects in this program.
Environmental Risk Management

We seek to consider environmental risks in all our businesses, especially in lending, investment banking, advisory and research, and in our own investments.

For UBS, it is important to identify, manage, and control environmental risks in its business transactions.

An example of such a risk is when a counterparty's cash flow or assets are impaired by environmental factors such as inefficient production processes, or polluted or contaminated property. Another is liability risk, such as when a bank takes over environmentally unsound collateral onto its own books.

Environmental aspects can 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 exposure to 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.

If a transaction poses substantial environmental risks, the bank can take several courses of action. It can adapt the terms of the loan contract, it may engage the client in a dialogue about possible mitigation measures, or it may decline the transaction altogether.

UBS has a long track record in managing environmental risks: an environmental credit assessment procedure was introduced for Swiss corporate clients as early as 1994, and the Investment Bank’s first environmental guideline was issued in 1999. Since then, UBS has constantly sought to adapt and refine its environmental risk framework. The general approach to managing environmental risks is derived from the methodology of the ISO 14001 standard: the first step is to assess and rate the potential for material environmental risks arising in the various products and services offered by the bank. The result of this analysis is reviewed every year and currently shows that the potential for material risk is greater within the context of lending and capital markets practices for commercial lending, investment banking, and direct infrastructure investments. In a second step, for each product and client segment rated with high potential risk, UBS designs environmental procedures and tools that are adapted to their specific risk profile and integrated into existing processes, such as due diligence on transactions or investments and ongoing risk management.

In addition, a number of industry sectors with higher potential environmental and social risks have also been identified, and UBS is developing sector guidelines for assistance and guidance when doing business with clients in these environmentally and socially sensitive industry sectors. A pilot metals & mining sector guideline has been developed and tested with sample transactions. Guidelines for other sensitive sectors, e.g. chemicals, oil & gas, infrastructure and timber will be developed in 2008.
Risk Management in the Investment Bank

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

Case studies

2005 – Participation in an Initial Public Offering (IPO)
Environmental risks in the Oil & Gas sector are potentially significant and may involve air emissions, water and land pollution, transportation, facility decommissioning and site remediation, legal regulations (climate change – emissions restrictions and chemical regulations) and employee safety.

As part of its normal due diligence, UBS will carefully scrutinize a company examining its past and current performance concerning the environment. As part of the due diligence process we focused on identifying and characterizing potentially significant environmental, health and safety liabilities associated with the practices of the firm. Our due diligence confirmed the company has a solid environmental management program that is able to detect and manage its risks. In instances where there have been accidents or contamination, the company acted in a responsible manner and either cleaned up the facility themselves or hired the appropriate expertise to assist them. In addition, the company has made a commitment to developing renewable energy sources and has implemented programs that are focused on climate change, lower carbon energy, clean fuels, biodiversity, water and social investment. UBS' assessment of this company was confirmed when reviewing Innovest Strategic Value Advisors' research who rated the company AAA for environmental and social performance.

2004 – Senior credit facility and co-manager for a bond for a chemical company
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.
Environmental risks are assessed in a three-stage process in the Global Wealth Management & Business Banking business group. The responsible client advisor carries out a first screening, covering financial risks linked to environmental aspects such as compliance with environmental legislation, workplace safety, contaminated sites and natural hazards. If the risks cannot be fully ruled out during the first screening, a credit officer initiates a second screening and decides whether the risks identified are transparent enough for the credit decision to be taken. Transactions entailing significant environmental risk undergo a third step, a detailed environmental assessment – a service provided by the business group’s environmental risk competence center. In 2007, 36 such detailed assessments took place.

Case studies

2007 – Coal mining in China
A client asked UBS for a credit facility for its coal mining activities in South China. As the sector is exposed to increased environmental risks, the transaction was escalated within the risk organization of Global WM&BB for an enhanced due diligence to the environmental risk competence center.

The due diligence took into account reports by independent third parties that demonstrated that the company had addressed environmental as well as occupational health and safety issues proactively. Also, there was no evidence that the client’s business practices would deviate from international best practices. As a result UBS approved the loan.

2007 – Hydropower in Latin America
UBS was approached by a European bank to emit a bid bond for the consortium of a hydropower complex in Latin America. As hydropower is an environmentally sensitive sector, the transaction was flagged in the environmental risk assessment procedures.

An in-depth environmental assessment was carried out by the environmental risk competence center. Material environmental risks were identified that could not be properly assessed within the short time available. In accordance with its Environmental Policy, UBS decided not to proceed with the transaction.

2005 – Shipment of wood from Central Africa to Europe
Instructed by a client to effect a payment for a shipment of wood from Central Africa to Europe, the
environmental credit risk procedures of Global WM&BB revealed that detailed environmental due diligence was required.

Global WM&BB's Environmental Risk Competence Center carried out the due diligence, including a dialogue with the client's senior management and independent forestry experts. The objective was to ensure that the wood was harvested under sustainable conditions and stemmed from legal sources.

The environmental due diligence confirmed that the client managed environmental and social aspects professionally. The client's business activities in the tropical forest were in accordance with international standards and best practice.
Risk Management in Global AM

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

The firm directly impacts the environment in a number of ways. Its businesses consume electricity, employees travel for business purposes, they use paper and generate waste in the course of their work, and offices require heating and cooling systems. Improving the use of these resources can boost operating margins and enhance environmental performance.

UBS has a long track record for managing its environmental impact and CO2 footprint, with the first energy unit having been established in the 1970s. In 2006, UBS decided to set a group-wide CO2 emission reduction target of 40% below 2004 levels by 2012. UBS seeks to achieve this target by implementing:

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

UBS also decided to set firmwide targets for paper and waste. This includes the goal of reducing paper consumption per employee by 5% by 2009 when compared with 2006 levels. It also wants to have 20% of the paper it uses come from recycled sources. At the same time, it will be seeking to improve its environmental footprint by reducing waste per employee by 10%, and by sending 70% of its waste to recycling.

Reducing consumption and encouraging the use of recycled paper results in many environmental benefits.

Recycling initiatives help to encourage staff engagement in the ISO 14001 program.

UBS’s improvement programs include investments in energy-efficient technology, and encouraging good housekeeping measures.
Optimized energy efficiency has a positive impact on operating expenses and contributes to improved key environmental performance indicators such as energy consumption and CO2 footprint. Improving in-house energy efficiency is one of the three main initiatives to achieve the group-wide CO2 emission reduction target of 40% below 2004 levels by 2012. Measures include investments in energy-efficient technology, and encouraging good housekeeping measures.

Technical standard on energy efficiency

In 2007, UBS adopted a technical standard supporting worldwide oversight of measures taken to improve energy efficiency in fields such as building operation, replacement investments and rehabilitations. The standard sets energy efficiency target values, for example for heating boilers, chillers and heat pump systems as well as for glazing, facades and lighting. It generally applies to all owned buildings, whereas in leased buildings applicability is limited to UBS’s sphere of influence as a tenant.

Case studies

2007 – Zurich Energy Model Award

In 2007, UBS was awarded the “Energy Model Zurich" trophy for the firm’s achievements in improving its energy efficiency in Switzerland by 17% since 1997. The award is presented every two years to the company that has achieved the most in the four areas of "quantitative increase in energy efficiency", "quality of energy management", "innovative approach" and "group orientation".

2007 – Earth Award Stamford

In Stamford, Connecticut, the location of one of our main trading floors and one of our largest buildings globally, the Building Owners and Managers Association (BOMA) of Southern Connecticut awarded 677 Washington Blvd their 2007 ‘Earth Award.’ This annual award recognizes excellence in building management, operational efficiency and community impact. The award was an acknowledgement of the properties’ commitment to the ISO 14001 program, as well as the successful implementation of a multiple year retro-commissioning project.

2007 – Global Energy Efficiency Program

Key to the success of our energy efficiency program is ensuring that the full range of opportunities is explored. These initiatives reach from major retro-fittings to numerous minor optimizations which, when aggregated, deliver a lot of value. For example:

- State-of-the-art cooling technology was introduced in our Zurich Altstetten and Opfikon campuses, some of the largest UBS buildings in Switzerland. These major technological upgrades allowed us to save an estimated 20 GWh per year.
- As part of the construction of the North American Data Center in Connecticut, several efforts have been made during the infrastructure design and the initial operations of the facility to save energy. These include the installation of variable speed drive chillers, water source economizer units, and air handling units for the cooling system plant. Total energy consumption savings per year compared to more conventional designs is 3.76 GWh.
- By using a Plate & Frame Heat Exchanger, our Lincoln Harbour Campus in Weehawken, New Jersey, is able to pre-cool the water used to produce conditioned air. This pre-cooling is enough to bypass machines that consume a lot of power, and is anticipated to save 2.15 GWh per year.
- In Sydney we installed efficient individually zoned after hours air conditioning units releasing UBS from its dependency on an inefficient and inflexible base building Landlord system that by default conditioned a vastly larger area than was required. This has resulted in an annual savings of 0.28 GWh in energy consumption.
- In our Newport Office Center VII in Jersey City, New Jersey we have created an interface between the Building Management System and the Lobby Lighting Controls system. This allows us to greatly reduce the amount time the lights remain on after the business day and generates a projected annual saving of 0.08 GWh.
- In the same location, a ‘team cleaning’ approach has been adopted which consists of consolidating all
cleaning on one floor at a time so that the property management team can activate the lighting for only the floor being cleaned. Based on early results the annual energy reduction is estimated at 0.17 GWh.

* Throughout our 299 Park Avenue office in New York, NY, we have installed Variable Frequency Drives (VFDs) on our supplemental air-conditioning units. VFDs control the speed of the fan motor, and use much less energy to meet the temperature set-point. Year-on-year consumption savings from this initiative has equated to approximately 0.03 GWh.

**2006 - LEED Certification, Stamford**

In Stamford, Connecticut, we successfully obtained LEED – Commercial Interiors’ certification for four newly developed floors at One Stamford Forum. LEED - CI is the green benchmark for the tenant improvement market. It is the U.S. recognized system for certifying high-performance green interiors that are healthy, productive places to work; are less costly to operate and maintain; and have a reduced environmental footprint. LEED -CI gave the project team the power to make sustainable choices for a spectacular new space and set the benchmark for future sustainable designs.

**2006 – PC Workstations 'Wake on LAN' in Switzerland**

A new functionality for PC workstations was introduced in Switzerland. Called Wake on LAN, this functionality allows PCs to be ‘shut off’ after work, and be ‘woken up’ for software upgrades during the night. It was rolled out for over 30,000 workstations and notebooks in Switzerland in 2006, and is expected to result in annual power savings of 8 GWh, and worth CHF 1 million.

**2006 – Retrofitting in Stamford, US**

In Stamford, Connecticut, the location of one of our main trading floors and one of our largest buildings globally, we are beginning to see the benefits of a major retrofitting project that included infrastructure upgrades and improved energy monitoring. Our 2006 electricity consumption decreased by 5% despite significant business growth and higher occupancy density. The estimated annual energy saving of 2.3 GWh lowered costs by over USD 270,000 and cut indirect CO2 emissions by 740 metric tons. Additionally, the measures helped reduce the building’s draw on the local electricity grid, helping to mitigate some of increased demand in the city of Stamford itself.

**2006 – Replacing building chiller systems, Zurich**

A new generation of chillers was introduced at Zurich’s Bahnhofstrasse headquarters during the renovation of the cooling system. Intelligent engineering coupled with a very significant rise in the coefficient of performance of the chillers reduced energy costs for cooling by a factor of 3, also resulting in significant energy savings (4.1 GWh) and reduced CO2 emissions (2000 tons).

**2005/2006 – Upgrade of outside air intake system, New Jersey**

In Weehawken, New Jersey, the location of one of our largest office buildings, we implemented a major energy efficiency project in December 2005. The damper controls that regulate outside air into a 40,000 square meter building were old and inefficient. This resulted in too much cold air entering the building in the winter months, which our heating system had to warm, and in the summer months too much hot humid air that had to be cooled. The project cost approximately $700,000 to implement. It is estimated to result in 2.1 GWh annual energy savings and have a return on investment within two and a half to three years. The upgrade also improved the comfort level for employees, and hot and cold complaint calls to our local facilities helpdesk dropped by 40% from 2005 to 2006.

**2005 – Renovation of a major building in Zurich**

In Zurich, the renovation of a major building resulted in yearly savings of 3.5 GWh, which is 41% of its total annual energy consumption. The building's heating, cooling and lighting systems were entirely upgraded using state-of-the-art technology and operations.

**2005 - Modification program for our supplemental air conditioning units**

At a New York City office, a modification program for our supplemental air conditioning units was undertaken. Initially the units, when conditions called for cooling, would start up both compressors. We rewired several of the air conditioning units to start up one compressor at a time. The second compressor would only start if the first unit could not maintain temperature. Moreover, we reprogrammed the air conditioning units. Instead of starting the units up at a specific time, we modified the units to start up when the interior temperature called for it. This control change resulted in a saving of 4 to 6 hours a day in operating hours of the units.
In addition to our energy efficiency programs, UBS seeks to achieve the group-wide CO2 emission reduction target of 40% below 2004 levels by 2012 by improving the energy mix we purchase towards a higher proportion of renewable energy. Such renewable energy may include wind energy, solar energy, energy from biomass or waste, hydropower, tidal energy or heat pumps using heat from the surroundings.

Energy type consumed

In 2007 UBS purchased 35,000MwH of Renewable Energy Certificates (RECs) from the Flying Cloud wind farm project in Northern Iowa. UBS's REC purchase supports about 25% of the 2007 annual output of this facility. The 44MWfarm generates pollution free electricity equivalent to about 20'000 Iowa homes in a heavy fossil fuel region.

In 2007 UBS signed a new agreement (roughly 210 GWh per year) under which most of the electricity supply for our buildings in Switzerland now comes from renewable sources. More than 90% of this electricity is produced with water and solar power stations.

In London, a new electricity agreement was signed in 2006 which guarantees a CCL-Free (Climate Change Levy exempt) product backed by 100% renewable sources (such as hydroelectric, wind, biomass and others) until September 2008.

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

In addition, we continue to look for opportunities to purchase more renewable energy in other locations apart from the UK and Switzerland as part of our climate change program. For example, in our Sydney office we have recently secured 10% (~400MWh) of our power from Government approved green sources.
Business Travel

Business travel is a significant contributor to UBS's greenhouse gas emissions. However, travel is essential for our client-facing businesses, and in vast geographical regions such as Asia Pacific and the Americas. We are constantly identifying ways to encourage use of environmentally friendly alternatives to air and road travel, for example video conferences. In other cases there is an indirect solution which involves compensating for carbon emissions by investing in what are termed "offsetting" projects. These reduce greenhouse gases in the atmosphere and therefore also contribute to our group-wide CO2 emission reduction target of 40% below 2004 levels by 2012.

Case studies

2007 – UBS offsetting projects
We continued with our strategy of offsetting all air travel in 2007 and selected four projects in China, India, Brazil and Germany.

2006 - UBS's offsetting projects
In 2006 UBS decided to offset all CO2 emissions that resulted from our entire 2006 business travel, i.e. over 100’000 tons of CO2. We selected four projects in Brazil, Russia, India and China offsetting projects on the basis of their adherence to international quality standards, of their additional environmental and social benefits, and of their geographical proximity with important emerging markets.

2005 – Mobility Car Sharing
UBS offers its employees in Switzerland the services of the car sharing company "Mobility". Instead of using their own car for business client visits, UBS promotes the combination of public transportation and Mobility. Mobility is a leading CarSharing company in Switzerland with the largest network of stations (some 1’000). These services are based on economical, technological and ecological efficiency.

2005 - Video Conferencing
A significant increase in the number of video conference units and usage was observed in 2005. Over 20 000 video conferences were held in 2005, representing a 47% increase from 2004. A further 100 video conference units were also purchased. It is hoped that the increased usage of such units will reduce the need for travel.
Using less paper and switching to recycled or FSC paper result in many environmental benefits, such as using fewer resources, producing less pollution and encouraging sustainable forestry practices.

Case studies

2007 – UBS’s annual reports printed on FSC-Paper
In 2007 we decided to print our 2006 annual reports (Annual Review, Financial Report, Handbook) on Forestry Stewardship Council (FSC) paper. In total 200 tons of paper were used to print these reports. The FSC label allows consumers to recognize products that support the growth of responsible forest management worldwide.

2006 – Recycled paper, Europe
In support of the UBS ‘one firm’ philosophy, a joint sourcing initiative by the Investment Bank and Global Wealth Management & Business Banking was launched in 2006. The objectives of the project were to provide a 100% post-consumer recycled paper for the 500 million sheets required across Europe annually. In addition to providing a competitively priced, consistent quality product across all our European markets, this new paper has the added benefit of ‘closing the recycling loop’. This is because much of the paper material that we collect for recycling in our London offices is sent to the mill that produces this paper.

2006 – Multi function devices in Asia-Pacific
In 2006, our Hong Kong and Sydney locations deployed Multi-Function Device (MFDs) technology which had already been successfully implemented in London, New York/Stamford & Tokyo. Replacing stand alone faxes, printers and scanners, the Energy Star rated devices possess paper saving features, use re-manufactured components, have a low use of toner and possess energy saving measures. Wherever possible the devices are set to double-sided and multiple-page default settings reducing paper usage. For example, a 17.5% paper reduction was observed from pre-contract to post-contract in Sydney Offices. Regular training sessions regarding double sided printing to both new joiners and existing staff is provided in many offices.

2005 – Technical improvements lead to huge paper reduction and cost savings
UBS implemented technical improvements in its output management in Switzerland. A large number of internal lists previously available only in printed form were replaced by electronic versions. As a result, the number of pages printed decreased from 21 million in 2002, to 5 million in 2005. As for external client output, new packaging machines have increased the maximum amount of sheets per envelope from ten to sixteen.
Waste and recycling

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

Case studies

2007 – Innovation in waste and recycling
Continuously adapting our recycling programs around the world to maximize recycling rates and take advantage of changes to local facilities continues to be a high priority in order to achieve our aggressive targets on waste reduction. Some examples of the numerous innovative techniques used are outlined below:

- In Chicago, Illinois, at the UBS Tower and the newest LEED certified property in the portfolio we have implemented a battery collection program. Working with our Universal Waste Recycling partner we have strategically located battery collection and recycling bins around the facility. In just the 3rd and 4th quarter alone, we were able to collect over 350 pounds of used dry cell batteries.
- The relaunched recycling scheme in the London offices significantly contributed to the gold medal in the 'Clean City Awards' scheme in recognition of a continued contribution and commitment to the reduction of waste and recycling within the firm.
- Across our main US offices we have implemented a bulk distribution to single napkin dispensing units. The annual use of napkins is expected to decrease by over 5%.
- A new process in the London campus that aims to tackle unwanted, unsolicited mail with the aim to reduce waste coming to UBS. The ‘Junk Mail Campaign’ encourages employees to return unwanted mail to the mail room who then get in touch with companies and ask them not to send unwanted correspondence.
- In our 101 Park Avenue New York building we have installed automatic soap and touch free eco-friendly roll towel cabinets in all restrooms and pantries within the UBS occupied space. The new product averages one and a half towel or 16.5" of paper per hand dry, whereas a standard folded towel cabinet averages three towels per hand dry or about 30". These measures resulted in the use of 100% recycled towels and a reduction in paper usage by approximately 25%.

2006 – Waste reduction, recycling and recovery
Enhanced office recycling programs continue to develop in all major office locations internationally. In Tokyo for example, our building was recently recognized by the Chiyoda ward for its recycling performance delivering an average of 66% recycled or recovered content of 19 separate waste streams from batteries to chop sticks. Some other examples of the less obvious items recycled or recovered around the world are provided below:

- Metal Recycling
  In London offices a new process was developed for recycling all metal office furniture. The metals collected, were previously sent to landfill and are now systematically being reclaimed. UBS receives funds for all metals recycled and these in turn, are used for ongoing environmental projects. To date over 150 tons of metal have been recycled. In another example, it is now an annual tradition in Hong Kong for the Moon Cake tins to be collected up and recycled.

- IT Waste
  We continue to look for responsible and sustainable ways of disposing of waste electronic equipment. For example, in London over 20 tons of components from electronic waste were recycled or recovered in 2006.

- Seasons Greetings cards
  In 2006, over 200 kilograms of seasonal cards were collected and recycled through the Children’s Scrap Project. The SCRAP project offers recycled commercial waste for schools in Hackney to use as materials in art and craft sessions.

2005/2006 - Greening Food services in the US
In the US we have initiated a series of programs in partnership with its food service vendor, which encourages employees to reduce their environmental impact. Below is a brief description of three illustrative
cafeteria programs which were implemented in 2005 and 2006.

- **Eco Mug**
  A personal mug program (instead of Styrofoam cups) has been implemented in all major US cafeterias. This program encourages UBS employees to use their own ceramic/plastic mug (any size) at the fountain soda or coffee urns, and they are charged price of a small size beverage.

- **Green Serviettes**
  Napkin dispensers were added in all major US cafeterias which only allow a customer to pull one napkin at a time. The usage in our New Jersey offices alone went from 30 cases a week down to 18 cases a week. That’s an annual reduction of 624 cases of napkins per year for one location.

**2005 – London: Replacement of metal filing cabinets**
In London office upgrades resulted in the replacement of metal filing cabinets in our main office buildings. UBS worked with a local metal merchant to recycle hundreds of metal filing cabinets. Over 10 tonnes of metal waste were recycled in 2005.

**2005 – Used toner recycling program**
Used printer, fax machine, and copy machine cartridges comprise a bulky portion of the office waste stream. The plastic used in each toner cartridge contains approximately one half quart of oil. In London, UBS has implemented a program to recycle toner cartridges and now only purchases re-manufactured cartridges. Toner cartridges are collected by staff and recycled through a 3rd Party contractor. Where possible toners are refilled (off site by the contractor) and reused onsite. Last year we reused over 4500 toner cartridges.
Communications & Training

Environmental awareness and expertise play an important role in achieving our environmental goals and the desired impact on value drivers in our various business areas. We therefore invest in know-how and integrate environmental considerations into internal communications and training.

UBS identifies all relevant communications and training needs to ensure that all personnel, whose work may create a significant impact on the environment, are appropriately aware and trained. UBS distinguishes environmental training in two categories:

- **Awareness raising** is designed to provide a general understanding of UBS's environmental policy and principles. It also aims at motivating employees to act in an environmentally friendly way at the workplace.
- **Specialized environmental training** is provided to employees who are dealing with environmental aspects in everyday business processes, such as investment advisors, credit officers or operators of technical systems. 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.

To help raise awareness, we regularly provide our employees with information on our commitment to the environment via the intranet: the central UBS intranet site highlights environmental successes or events, provides environmental tips or informs about the introduction of new procedures and tools.

**Case studies**

**2007/2008 – IB Environmental Communications Framework Launched**

The IB Environmental Communications Framework was developed and implemented in 2007. The framework categorizes the target audience into five groups: three categories are within the IB business leaders group and two sit within the general IB employee base. For the month of April 2008, the entire IB employee base was targeted with a multi level campaign to raise awareness about UBS's environmental commitments, environmental risk management efforts and in-house footprint reduction goals.

**2007 – Global WM&BB induction training**

Global standard presentations for induction programs have been launched successfully in all international locations in order to raise the environmental awareness among new employees at Global WM&BB across the world. This international rollout allowed the number of new joiners reached by this awareness raising program to rise from 1,900 in 2006, to 3,500 in 2007.

**2007 – The Harvard Business School deliberates UBS’s approach to climate change**

In Boston, Massachusetts, on February 20, 2007, the HBS Case Study, “UBS and Climate Change – Warming Up to Global Action”, was presented to 65 second-year Harvard MBA students in a “Strategies Beyond the Market” course. The case study focuses on the approach to climate change adopted by UBS and specifically the various options which were considered to lessen the firm's impact on climate change. “While HBS students cover many climate change cases in the master’s degree program,” says HBS professor Felix Oberholzer, “what makes the UBS case study significant is its focus on climate change from a corporate responsibility perspective. The case study doesn’t talk much about climate change per se. It instead looks at what companies should be doing regarding climate change by looking at citizens and employees – it’s special because it takes a company point of view.” In the class, discussion centered upon what value is gained through a company’s activeness in respect to climate change.
2006 – Extractive Industries Forum
In 2006 UBS convened an Extractive Industries Forum where internal specialists from all Business Groups and relevant functions were brought together. The Forum also benefited from presentations by external speakers from the extractive industries. The Forum examined the impact of environmental and social issues on extractive industries, and how UBS may be affected. Participants were introduced to analysis and know-how coming from all areas of the firm, thereby raising awareness and establishing internal networks around these issues.

2006 – Group Real Estate Workshop on Energy Efficiency
In May 2006, senior managers from real estate and IT Infrastructure functions participated in a workshop addressing ways to tackle climate change issues from a building or IT perspective. The half day session outlined the role of real estate and IT in the active management of energy on both supply and demand-side and in further embedding energy conservation into the UBS culture and operations.

2005 – Specialized training for In-house ecology outside Switzerland
In 2005, 500 staff were trained in global offices outside of Switzerland. The training was predominantly specialized environmental training sessions aimed at UBS contractors, resource managers, building managers and M&E staff. Examples include

- Weehawken, US: Specialized environmental training was undertaken for nine UBS contractors in fuel oil spill prevention (legislation, procedures and response measures).
- Hong Kong: Specialized ISO 14001 Internal Training Session for thirteen Hong Kong staff in April 2005. The training provided a review of UBS’s ISO 14001 EMS system, the environmental policy and the relevant operational procedures and office initiatives.
- London: Building services legislation training was undertaken for 15 contractors and staff in September 2005. The training related to legislation updates that are relevant to building contractors.

2005 – Risk Management training in Switzerland
46 Client Advisors and Credit Officers in charge of Swiss Multinationals and Commodity Trade Finance were trained on new environmental risk procedures and checklist.