

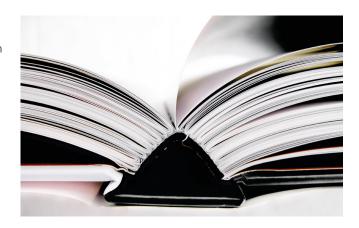
Our approach to tax matters

UBS is committed to acting in a socially responsible manner with respect to both its own tax position and that of its clients. As such, UBS is committed to complying with all tax laws, rules, and regulations without exception, in every jurisdiction in which it does business. Complying with these laws, rules and regulations means compliance with both the letter and spirit of the law. UBS developed a multi-layered approach for ensuring that these commitments are achieved.

At the highest level, the Board of Directors and the Group Executive Board have mandated that all employees comport with the UBS Code of Conduct and Ethics ("the Code"), which stipulates that, in addition to complying with the letter and spirit of the law, "We pay and report all taxes due. We report information relating to our own tax position and that of our clients and employees as required. We will not help our clients or any other party avoid paying the tax that they owe or reporting their income and gains, nor will we support any transactions where we know or shall presume that the tax outcome is dependent on unrealistic assumptions or the hiding of facts. We will also not contract with third parties that provide services for or on our behalf, where those acts help others to evade taxes owed." Every employee is required to read and affirm his or her commitment to following the Code on an annual basis.

Following the principles articulated in the Code, the UBS Group Tax Code of Practice establishes more detailed operating guidelines with respect to tax matters. The Tax Code of Practice delineates and describes five key Principles which apply to tax matters across the UBS Group:

- 1. UBS will fully comply with tax laws in a principled manner;
- 2. UBS will manage its tax affairs in a manner which is consistent with maximizing long-term shareholder value;
- 3. UBS will maintain transparency and seek a mutually beneficial relationship with tax authorities;
- 4. UBS will refrain from promoting or engaging in transactions, products or services that lack a commercial purpose; and
- 5. UBS will submit all tax sensitive transactions to additional scrutiny.



Under the UBS Group AG organizational regulations, the Group Chief Financial Officer is responsible for all tax matters of the UBS Group. The UBS Group Tax Risk and Governance Policy ("the Policy") establishes processes and procedures for the handling of all tax matters at UBS. The Policy mandates that all tax matters be analyzed and evaluated by internal subject matter experts supported by outside legal advisors. UBS's Group Tax Department is responsible for the day-today management and control of the UBS Group's corporate income tax and client transaction tax risk. Robust policies and procedure exist to ensure the accuracy and integrity of the UBS Group's tax provisions, returns and payments and to minimize tax compliance risk. Supervision of these tax processes and their outputs is exercised by the Group Controller, the Group Chief Financial Officer, and ultimately by the Group Board of Directors. All tax accounting and compliance matters are subject to regular internal and external audits.

Due to their very nature, tax matters can be very complicated especially in multi-jurisdictional contexts. Whenever there exists significant uncertainty around a tax issue, including different interpretations of the applicable law, UBS will seek advice from external advisors and/or seek clarification from tax authorities in all circumstances where such clarification is possible.

The Policy also sets out specific criteria and processes for the approval of transactions that may confer a tax benefit to UBS or a client due to the way in which they are structured. Generally, such transactions may only be approved to the extent that UBS is confident, as informed by its external advisors, that any such tax benefit has a high chance of being successfully upheld if the issue is fully and fairly litigated in a court of competent jurisdiction that is fully informed as to all relevant facts surrounding the issue. Senior management approval may be required in certain cases.

Training is provided to UBS employees with respect to the relevant tax codes and policies. Failure to adhere to the UBS codes and policies or pertinent outside laws, rules and regulations will result in consequences for employees – from reprimands and warnings to dismissals depending on the severity of the conduct in question.

UBS also fully complies with all of its tax information reporting and country-by-country reporting obligations as required by law or regulation. UBS currently makes available to the public certain aspects of this information to the extent required by law. UBS supports making additional information public, such as country-by-country reporting information, to the extent that the publication of such information is required of all banking organizations. UBS does not employ transfer pricing arrangements as a tax strategy to inappropriately shift profits to low income tax jurisdictions.

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