

## **Modern Slavery Act Statement 2020 UBS AG London Branch**

### **1. Introduction**

At UBS we see a strong business rationale for catering to the growing importance of and demand for sustainability. We are committed to play a leading role in providing both finance and expertise to meet these ambitious global goals. As the largest truly global wealth manager, we regard it as particularly critical to help private wealth contribute to fund the development of a more sustainable world.

Our concept of sustainability is guided by the United Nations (UN) Sustainable Development Goals (SDGs), which bring together the enormous societal and environmental challenges the world faces. We recognize that it is important to understand these challenges as well as the opportunities arising from them, to consider their relevance to UBS and to identify potential actions our firm may need to take. As a founding signatory of the UN-backed Principles for Responsible Banking, UBS has committed to aligning our business strategy to be consistent with and contribute to society's goals. By doing so, we pledged to strategically align our business with the SDGs and the Paris Agreement on Climate Change.

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

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

### **2. Overview of UBS's business and operations**

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

### **3. The UBS workforce in 2019**

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

As of 31 December 2019, we had 68,601 employees (fulltime equivalents / FTEs). This included Swiss apprentices on three-year limited contracts who received benefits equivalent to permanent employees. A total of 16,408 external staff for core business services were active at the end of 2019, primarily in technology and operations roles. This included 2,215 FTEs employed through third parties on short-term contracts to fill positions on an interim basis. Additionally, a total of 11,647 external staff for non-core business services were active at the end of 2019, primarily in premises-related roles.

#### 4. Our Business

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

##### a. Code of Conduct and Ethics of UBS

The [Code of Conduct and Ethics of UBS](#) (the "Code") defines the way UBS does business. The principles and standards set out in the Code apply to all aspects of our business and the way we engage with our stakeholders. The Code aims to support a culture where ethical and responsible behaviour is ingrained. It includes an ongoing commitment to look for better ways to do business which are environmentally sound and socially responsible, including monitoring, managing and reducing any negative impact we might have on the environment and on human rights.

We have longstanding procedures in every region to help us resolve employee grievances, and employees are strongly encouraged to speak with their line manager or HR about any concerns. Our global whistleblowing policy and procedures offer multiple channels (including a whistleblowing and sexual misconduct hotline) for staff to raise concerns about any suspected breaches of laws, regulations, rules or other legal requirements, sexual misconduct or harassment, or any infringement of our Code, policies or professional standards.

##### b. *UBS in society* constitutional document

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

##### c. Risk principles and risk culture

We focus on maintaining a strong risk culture, which is a prerequisite for success in today's highly complex operating environment and a source of sustainable competitive advantage. Our risk appetite framework combines all the important elements of our risk culture, expressed in our Pillars, Principles and Behaviors, our risk management and control principles, our Code of Conduct and Ethics, and our Total Reward Principles. Together, these aim to align the decisions we make with the Group's strategy, principles and risk appetite. They help provide a solid foundation for promoting risk awareness, leading to appropriate risk-taking and the establishment of robust risk management and control processes. These principles are supported by a range of initiatives covering employees at all levels.

Our approach to risk includes our comprehensive environmental and social risk policy framework, which governs client and supplier relationships,

applies firm-wide to all activities, meets the highest industry standards and is integrated in management practices and control principles.

**d. Environmental and Social Risk Policy Framework**

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

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

UBS's risk and compliance processes are designed to identify clients, transactions and suppliers which do not comply with UBS's ESR standards. ESR data categories integrated into our compliance tool include forced labour and child labour, along with other human rights abuses, and corporate complicity in human trafficking.

**e. Policies and Procedures to Combat Financial Crime**

We are committed to combating money laundering, corruption and terrorist financing and have implemented policies, procedures and internal controls that are designed to comply with such laws and regulations. We have developed policies intended to prevent, detect and report money laundering, corruption and terrorist financing. These policies seek to protect the firm and our reputation from those who may be intending to use UBS to legitimize illicit assets. As proceeds stemming from the offences in the Modern Slavery Act would be the proceeds of crime, instances of slavery or human trafficking would also come within the scope of UBS's money laundering reporting procedures. We have included human trafficking as a topic in our Group-wide Financial Crime Prevention training module to raise awareness of the issue with all UBS employees.

**f. Application of relevant international standards**

UBS has been globally certified to ISO 14001, the international environmental management system standard, since 1999. In accordance with this standard, UBS annually analyses its portfolio of products and services, own operations and supply chain to assess the significance of environmental and social (including human rights) risks.

In 2019, we also achieved ISO certification in accordance with ISO standard Anti Bribery Management System 37001:2016. The audit certifies that UBS's global anti-bribery & corruption framework meets global requirements to prevent and detect bribery as defined by ISO, and it evidences UBS's commitment. The ISO certification is renewed annually and is the result of UBS proactively engaging an accredited ISO auditor. The ISO standard requires a series of measures which are aimed at preventing, detecting and addressing bribery. Such measures include, but are not limited to: policies and procedures, culture and tone from the top, appropriate resourcing, training, risk assessments, third party due diligence, and implementing appropriate controls.

UBS uses the [Global Reporting Initiative](#) ("GRI") as the basis for our sustainability reporting and applies a careful process weighing up the materiality and relevance of the information reported and the expectations of all our stakeholders. UBS's reporting ("UBS Sustainability Report") is reviewed annually by Ernst & Young Ltd (EY) against the GRI Standards (limited assurance). The content of the UBS Sustainability Report 2019 has been prepared in accordance with the GRI Standards, Comprehensive option, as evidenced in the EY assurance report. The assurance audit covers topics such as labour practices, significant actual or potential human rights impacts in the supply chain, and procedures for assessing and screening environmental and social risks in business lines.

## 5. Our Clients

### a. Managing Environmental & Social Risks

We have set ESR standards for product development, investments, financing and supply chain management decisions. As part of our due diligence process, we engage with clients and vendors to better understand their processes and policies and to explore how any environmental and social risks may be mitigated. We apply a precautionary approach by avoiding transactions, products, services, activities or vendors if they are associated with material, environmental or social risks that cannot be properly assessed or mitigated.

Our ESR standards include the description of controversial activities and other areas of concern we will not engage in, or we will only engage in under stringent criteria.

Our standard risk, compliance and operations processes involve procedures and tools for identifying, assessing, reporting and monitoring environmental and social risks. These include client onboarding, transaction due diligence, product development and investment decision processes, supply chain management and portfolio reviews.

These processes are geared toward identifying clients, transactions or vendors potentially in breach of our standards, or otherwise subject to significant environmental and human rights controversies. We use advanced data analytics to assess companies associated with such risks, integrated into our web-based compliance tool, before we enter into a client or vendor relationship or transaction. This significantly enhances our ability to identify potential risks.

### b. UBS Optimus Foundation

The UBS Optimus Foundation ("Optimus") works with UBS and private philanthropists to support organizations working to disrupt child trafficking and slavery. It partners with organizations that have long term strategies aimed at reducing the prevalence of trafficking and building the evidence of what works. Optimus focuses on countries where there is a high trafficking burden, including USA, Nepal, Malaysia, Bangladesh and India, and supports philanthropists working to tackle the issue in their own communities. As of March 2020 it has 11 partners from the not-for-profit sector on the issue.

## 6. Our Supply Chain

In 2019, we spent USD 9.01 billion on a broad range of products and services. A large proportion of this expenditure comprises real estate, outsourcing, IT as well as consultancy and legal fees. Our sourcing and procurement services are provided by an external company, Chain IQ, which applies our responsible

supply chain management (RSCM) framework and processes. The experienced procurement and sourcing specialists at Chain IQ perform vendor due diligence and establish remediation measures, supported by a centralized team of experts within UBS.

We aim to ensure that our social and environmental values are being followed throughout the supply chain. A firm-wide RSCM guideline provides systematic assistance on identifying, assessing and monitoring vendor practices in the areas of human and labor rights, environmental protection and anti-corruption. A central component of this guideline is the UBS Responsible Supply Chain Standard, to which our direct vendors are normally bound by contract. We expect our vendors to apply these same standards to relationships with their vendors.

The standard defines our requirements towards vendors and their subcontractors regarding legal compliance, environmental protection, avoidance of child and forced labor, non-discrimination, remuneration, hours of work, freedom of association, humane treatment, health and safety and anticorruption issues and a whistleblowing mechanism to support and protect employees. In respect of modern slavery, the standard explicitly defines our requirement as "Suppliers shall not use any form of forced, imprisoned, indentured, bonded, or involuntary labor".

The RSCM framework includes an impact assessment of newly sourced goods and services, which takes into account potential negative environmental and social impacts along the lifecycle of a product or a service, and all purchased goods and services are categorized accordingly.

We identify high-impact vendors when establishing new contracts or renewals based on the vendors' provision of goods and services that have either a substantial environmental and social risks. Such high-impact vendors are requested to fulfil further requirements towards product and service provision and are assessed against the UBS Responsible Supply Chain Standard. If this assessment reveals any non-compliance with our standard, UBS defines and agrees, together with the vendor, on specific improvement measures, which we monitor. Lack of improvement may lead to the termination of the vendor relationship. We also regularly screen active vendors as part of our environmental and social risk control processes.

Vendors of potentially high-impact goods or services are requested to conduct a self-assessment on their responsible management practices and to provide corresponding evidence. Actual and potential negative impacts that are considered in the impact assessment of purchased goods and services include, include, among other areas, unfair employment practices, such as low wages, excessive overtime, absence of occupational health and safety measures.

In 2019, 103 vendors were classified as vendors that provide UBS with goods or services with potentially high impacts, both newly sourced as well as ongoing engagements, which are regularly re-assessed. 17% of these vendors were considered as in need of improving their management practices. Specific remediation actions were agreed with all of them and the implementation progress has been closely monitored. In 2019, no UBS vendor relationship was terminated as a result of RSCM assessments. This can partly be related to the fact that we assess the vendor's potential risks before entering into a contract with them.



## **7. UBS Employees**

UBS strives to be a responsible employer and to provide a respectful and supportive work environment for our employees. An overarching global employment policy sets the minimum hiring and employment standards for all UBS locations. It provides fair, consistent and transparent treatment for our employees while taking into account local legal requirements, market best practices and shareholders' interests. This policy is supplemented by Employee Handbooks providing local information and clarification. Along with the individual employment contract /offer letter, Employee Handbooks are the primary source of information for employees on the terms and conditions of employment and human resources programs, policies and procedures applicable to them.

Throughout 2019, we continued training and raising the awareness of employees, including with respect to embracing our Code of Conduct and Ethics (the Code). All employees have to confirm annually that they have read UBS's key documents and policies, including the Code. We actively engage in internal and external education and awareness raising on corporate responsibility and sustainability topics and issues. Through induction, education and broader awareness-raising activities, we ensure that our employees understand their responsibilities in complying with our policies and the importance of our societal commitments. In 2019, specialist training program on environmental and human rights topics was provided to approximately 14,000 employees in front-office and support functions who are dealing directly with the related aspects in every day's business processes.

## **8. Pertinent Societal Commitments**

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

We are a member of a number of public private partnerships operating globally which have been set up to foster closer working relationships between financial institutions and law enforcement, most notably the Joint Money Laundering Task Force ("JMLIT") Operations Group in the UK which has worked on a number of human trafficking and modern slavery cases.

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

We are convener of the Thun Group of Banks – an informal group of bank representatives that work together with the primary purpose of (i) furthering

understanding of the UN Guiding Principles on Business and Human Rights (UNGPs) within the context of banking, and (ii) considering how they may be applied across the range of different banking activities. Since its first meeting in 2011, the Thun Group's focus has been on sharing expertise and experience to support the integration of the UNGPs into the policies and practices of banking institutions. In 2019 and 2020, the Thun Group of Banks established and conducted a dialogue with the Liechtenstein Initiative for a Financial Sector Commission on Modern Slavery and Human Trafficking, which has, in the meantime formed Finance Against Slavery and Trafficking (FAST).

## **9. Further Information**

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

**Approved for UBS AG London Branch**



**Beatriz Martin**  
**UK Chief Executive for UBS AG London Branch**

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