

Supplementary information to UBS GRI Document 2017

Combating financial crime

We have developed extensive 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. Anti-corruption policies and procedures that aim to prevent bribery occurring throughout our operations are in place for all business divisions. These policies are derived from the standards set out in the Group Policy Against Corruption and the Group Policy on Gifts and Business Entertainment.

We adhere to strict Know-Your-Client rules and use advanced technology to help identify suspicious transaction patterns and compliance risk issues (for an example of a pertinent data source helping us with the latter, see http://factiva.com/en/cp/collateral/files/djwl_brochure_en.pdf). If suspicious activities are discovered, they are promptly escalated to independent control units and external authorities, as required by law. We annually assess the money laundering, bribery and corruption and sanctions risks associated with all our business operations against our control framework, and take actions to further mitigate that risk.

Our anti money laundering policy sets out the processes and risk criteria pertaining to Politically Exposed Persons (PEPs).

UBS policies and principles pertaining to (political, charitable, sponsorship) contributions

UBS has in place appropriate policies on **political donations**, which set out the principles (including by referencing UBS's anti-corruption standards) and approval processes for corporate political donations made on behalf of UBS or its entities and their respective approval processes.

UBS's **community interaction** (i.e. charitable contributions and employee volunteering) is guided by a global guideline, which sets out UBS's approach to its Community Affairs activities. The Guideline outlines governance, responsibilities, budgeting and funding framework, focus areas, the scope of the programs as well as criteria, including on anti-corruption and anti-bribery, applicable to all Community Affairs activities and all financial contributions to non-profit organizations and social enterprises made by UBS.

Our firm's **sponsorship activities** are guided by a group-wide governance document, which describes how the UBS policy on brand & marketing, should be implemented in sponsorship and events. The document clarifies roles and responsibilities (including as regards anti-corruption and anti-bribery), describes ways of working and is intended to ensure effective and efficient cooperation among the various stakeholders.

Case studies on the management of environmental and human rights matters

Our contribution to "zero net deforestation" in soft commodity supply chains

Why are soft commodities such a hot topic? It is estimated that more than 50% of tropical deforestation is due to the production of palm oil, soy, timber and beef. Deforestation and forest degradation can cause biodiversity to decline. Deforestation is, in fact, second only to the energy sector as a source of global greenhouse gas emissions and accounts for up to 20% of global emissions. Furthermore, as millions of people rely directly on forests, deforestation continues to cause severe societal challenges, sometimes leading to violent conflict.

What is our commitment? The magnitude of these impacts have led a group of international banks, among which UBS, to endorse the Soft Commodities Compact of the Banking Environment Initiative, which seeks to align banking standards with consumer goods companies that are committed to support the transformation of soft commodity supply chains and achieve zero net deforestation by 2020.

In addition, we are a member of the Roundtable on Sustainable Palm Oil (RSPO) and also joined their Complaints Panel. This is a contribution to further enhance transparency and accountability of the sector and the RSPO.

What are our policy standards? Transactions related to soft commodities trigger an enhanced due diligence and approval process. The objective of this process is to ascertain that operations of clients active in the soft commodities business are sustainable. To that effect UBS requires companies producing palm oil, soy or timber in markets at high risk of tropical deforestation to be publicly committed to achieving full certification of their production, by 2020, against the standards of recognized sustainability schemes, such as the RSPO, the Roundtable on Responsible Soy (RTRS), and the Forest Stewardship Council (FSC).

How do we execute our standards? Before doing business with any company involved in soft commodity production or trading, our experts for environmental and social risk inquire how a company manages environmental and social challenges in its operations, as required by UBS's standards for soft commodity production. Depending on the client and the type of transaction that UBS is confronted with, such as lending, trade finance, underwriting or advisory mandates, due diligence may involve desk research and interaction with the companies, external experts, as well as global and local non-governmental organizations. Depending on the results, this can lead to a variety of actions, from requiring the client to certify its production or trading processes against the standards of relevant sustainability schemes, to declining to do business with the client.

Case study: Non-compliance with the standards of the Roundtable of Sustainable Palm Oil

Why is palm oil such a hot topic? It is estimated that more than 50% of tropical deforestation is due to the production of palm oil, soy, timber and beef. Deforestation and forest degradation can cause biodiversity to decline. Deforestation is, in fact, second only to the energy sector as a source of global greenhouse gas emissions and accounts for up to 20% of global emissions. Furthermore, as millions of people rely directly on forests, deforestation continues to cause severe societal problems, sometimes leading to violent conflict.

What do we do? Before doing business with any company involved in palm oil production or trading, our experts for environmental and social risk inquire how a company manages environmental and social challenges in its palm oil operations, as required by UBS's standards for palm oil production. Depending on the client and the type of transaction that UBS is confronted with, for example lending, trade finance, underwriting or investment banking advisory mandates, due diligence may involve desk research and interaction with the companies, external experts, as well as global and local non-governmental organizations. Depending on the results, this can lead to a variety of actions, from requesting the client to certify its production or trading processes against the standards of the Roundtable on Sustainable Palm Oil (RSPO) to declining to do business with the client.

How does our ESR approach impact a particular case? UBS negotiated the commencement of a relationship with a corporate client whose activities also included the palm oil business. At that point the corporate entity was not a member of the Roundtable on Sustainable Palm Oil, which is a requirement under the respective UBS standard. UBS therefore agreed to a conditional onboarding of the corporate entity under the condition that it adhered to the RSPO

within a predefined time period. After the agreed period had passed without the client taking the necessary steps, UBS exited the relationship.

Enhanced climate change and environmental disclosure in deal documents

Why is climate change such a hot topic? Climate change is one of the most significant challenges of our time. The world's key environmental and social challenges – such as population growth, energy security, loss of biodiversity and access to drinking water and food – are all closely intertwined with climate change. This makes the transition to a low-carbon economy vital. We support this transition through our comprehensive climate change strategy.

What do we do? We have in place a comprehensive climate change strategy focused on risk management, investments, financing, research and our own operations. Our key commitments include:

- Support renewable energy and clean tech transactions;
- Only support transactions of companies operating coal-fired power plants if they have a strategy to reduce coal exposure or adhere to the strict greenhouse gas emission standards recommended by leading international agencies;
- Not to support certain coal mining companies and to significantly limit lending and capital raisings provided to the sector;
- Secure 100% of our electricity from renewable sources by 2020, thereby reducing our own greenhouse gas footprint by 75% compared to 2004 levels.

How does our ESR approach impact a particular case? UBS acted as a lead bookrunner in a bond issue of a steel company. After the review of the deal documentation, our ESR unit concluded that in the risk section of the deal prospectus, there was insufficient disclosure of risks emanating from future climate change and other environmental regulation. The ESR unit interacted with the client and the legal advisors and proposed an alternative wording for the respective section to address potential liability risks. In its efforts, UBS was joined by other banks involved in the bond issuance. The client agreed to change the wording accordingly.

Interaction with third party entities to improve standards of client in the agribusiness sector

Why is agriculture such a hot topic? Meeting the needs of a growing population, providing greater food and energy security, increasing woodland coverage and offering better environmental protection are important demands for agriculture globally.

What do we do? Key areas within our Environmental and Social Risk Policy Framework are directly related

to agriculture. These include our standards pertaining to world heritage sites, wetlands, endangered species of wild flora and fauna, high conservation value forests, and illegal fire – as well as our standards pertaining to soft commodities (palm oil, soy, timber).

How does our ESR approach impact a particular case? A corporate client was exposed to a number of controversies in the agribusiness sector. To address these issues our ESR unit recommended to the client to establish a relationship with a third party organization specialized in this area. The client, the third party organization and the ESR unit have since launched a process to systematically address the issues raised. This will be accompanied by a detailed program and a time bound plan to address concerns of the various stakeholders involved.

Reducing Energy Consumption and Optimizing Energy Efficiency

In Basel (Switzerland), a major renovation of a building resulted in a reduction of electricity consumption by more than 40%. This was achieved by investing in a highly efficient cooling system, an efficient ventilation, LED lighting system and a change to a low temperature heating system. The overall electricity consumption was reduced from 3,000,000 kWh to 1,800,000 kWh which resulted in cost savings of CHF 180,000 CHF per annum. The building's refurbishment included the installation of a 60 kWp photovoltaic plant on the roof which allows to charge the electric cars of our clients with solar power.

In the Americas, several initiatives were undertaken to reduce energy consumption and optimize energy efficiency at key locations. These projects resulted in significant energy and cost savings throughout the

region. The UBS site in Weehawken, New Jersey retrofitted multiple floors and spaces with LED lighting fixtures to reduce the site's electricity consumption. The site also upgraded existing computer room air conditioning units, switching from 7.5 ton units to 3 ton units. The new units are smaller, more energy efficient, and use eco-friendly R-407C refrigerant, a sustainable alternative to conventional, ozone-depleting substances. In total, these projects are expected to save USD 411,814 and 3,276,690 kWh annually. In addition to these projects, the site is currently pursuing LEED Existing Building certification, the preeminent standard for sustainable building operations and maintenance.

The UBS Data Center in Connecticut replaced 2,132 traditional lighting fixtures in 2015 with LED technology and improved the lighting control system's energy efficiency by installing motion sensors to reduce the amount of time lights remain unnecessarily turned on. To diminish the impact of the North and South Data Halls, which consume a majority of the facility's energy, the site installed temperature sensors within data racks to reduce static pressure and yield greater temperature control, energy efficiency, and cost savings. After officially commissioning the Data Halls in Q3 2015, the system reported a 71% energy consumption reduction from previous levels. The estimated annual savings for these projects total USD 418,533 and 1,955,648 kWh.

Projects to reduce energy consumption at the UBS Americas Headquarters in New York City are underway as well. On the 12th floor of 1285 Avenue of the Americas, newly installed LED lighting fixtures and an upgraded lighting control system are expected to save USD 11,752 and 63,039 kWh annually.