

Corporate responsibility

At UBS, corporate responsibility means “doing the right thing” – both now and in the future. Our commitment to this is incorporated in the principles and standards set out in our Code of Business Conduct and Ethics (Code). These apply to all aspects of our business and the ways in which we engage with our stakeholders, from the products and services we offer our clients, our management of environmental and social risks, to the way we protect the well-being of our employees. Corporate responsibility is embedded at every level of the firm, helping us to adopt a responsible and sustainable approach to doing business while underlining our desire to contribute to the communities in which we operate.

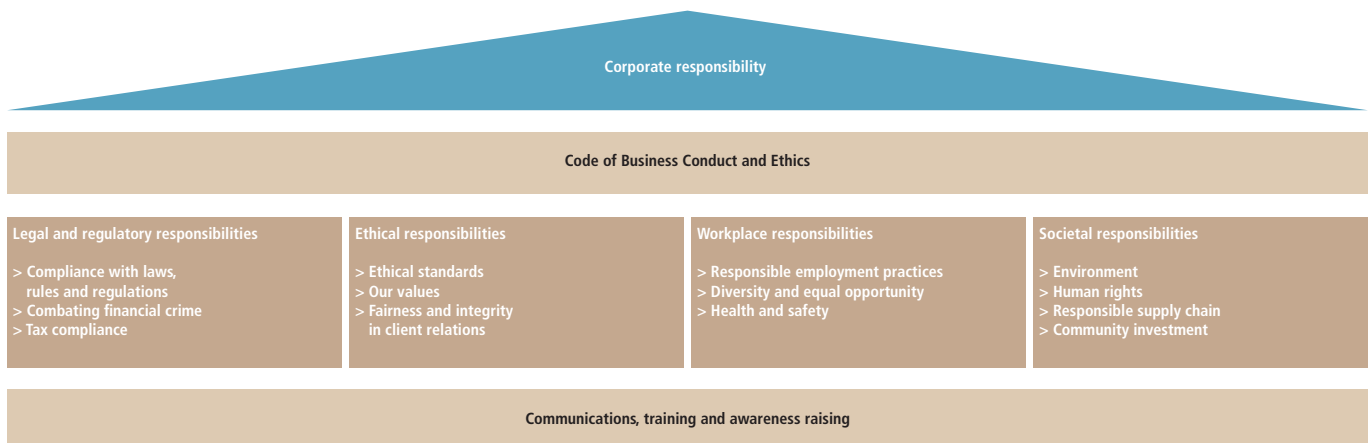
The successful delivery of our corporate responsibility commitments and activities relies on the firm conviction that, above all, we must conduct our business in a sustainable way. We have made good on this belief over the course of our over 150-year history and have demonstrated resilience in the face of the many political, economic and regulatory changes and challenges that have come to pass during this period.

We understand that to be taken seriously as a responsible corporate citizen takes time, and that a solid and proven track record counts for more than a series of quick wins. We have such a track record, as described in the following section. The guiding princi-

ples and standards set out in the Code shape our business activities and all our dealings with our stakeholders including clients, colleagues, shareholders, regulators and business partners. Proper implementation of the Code contributes to the wider societal goal of sustainable development. Policies and guidelines, as well as associated objectives related to this aspiration, are guided and supervised at the highest level of the firm. We demonstrate accountability for our corporate responsibility commitments and activities at both Board of Directors (BoD) and Group Executive Board (GEB) levels.

→ Refer to www.ubs.com/responsibility for more information

Corporate responsibility at UBS



Working with our clients towards a better society

Our clients care deeply about societal issues and want to use their resources for the benefit and advancement of individuals, communities and societies around the globe. They are increasingly focused on issues such as the maintenance of functioning infrastructures, the impact of climate change, the strains imposed by demographic shifts, the growth in inequalities, and the provision of education, jobs and healthcare for all.

As a global firm, and the world's largest wealth manager, we are in a unique position to help our clients address their societal concerns. As their trusted financial advisor, we recognize this responsibility and take it seriously. For a long time, we have been helping them to invest according to sustainable and responsible criteria. Building on this capability, in 2013 we made a significant commitment to maximize these efforts through a dedicated, industry-leading platform. This will deliver comprehensive research, advisory and product capabilities in sustainable investments and philanthropy, and is currently under development. While we have always provided such offerings, it is our objective to do this holistically, channeling a growing percentage of assets, through innovative financial mechanisms, to address societal challenges and make societal performance part of every client conversation.

To date, 24% of our assets are already invested according to sustainable and socially responsible investment criteria, as illustrated in the "SRI invested assets" table in "Investment products" in this section. We want this to increase, in

particular through developing innovative solutions. In 2013, a key example included our ground-breaking Impact Investing Private Equity fund for small and medium-sized enterprises (SMEs) in emerging and frontier markets. This provides our clients with yet more opportunities to direct their investments and address social and environmental challenges. Client focus is also a crucial component of our climate change strategy. In 2013, we made progress in several areas, including through the environmental optimization of our Global Real Estate investment portfolios, by offering the "Energy check-up for SMEs" to Swiss SMEs, and through our innovative UBS Clean Energy Infrastructure Switzerland fund for our institutional clients, enabling them to invest in renewable energy infrastructures.

We also continue to provide thought leadership in this area through our leading research capabilities and our active involvement in discussions on key societal topics. In 2013, an important example was the collaboration of environmental, social and governance (ESG) research experts in Wealth Management, Global Asset Management and the Investment Bank on one of our flagship publications, the "UBS Research Focus." Recognizing growing client interest in sustainable investing, this publication explored sustainability issues and demonstrated how a well-considered sustainability approach can add real value to a client's portfolio. As a second major example, we co-launched the Thun Group of Banks' discussion paper on banking and human rights, which examines the ways in which our industry

can effectively implement the UN's Guiding Principles on Business and Human Rights.

Our own efforts towards the sustainable development of societies and communities, including our community investment and employee volunteering activities focused on education and entrepreneurship, complement our client-focused platform. Our response to the devastation in the Philippines caused by Typhoon Haiyan demonstrates our unique and integrated approach. UBS Community Affairs and the UBS Optimus Foundation joined forces, including both clients and employees in our firm's matched-giving schemes. This resulted in a combined (client and UBS) commitment of more than CHF 3 million in financial contributions. While the UBS Optimus Foundation established a Rapid Response Emergency Fund to provide immediate essential supplies to children and families in the hardest hit and most remote areas, contributions will also be used for the longer-term reconstruction and development efforts that must follow.

We aim to work with, and for, our clients towards a better society. The spirit and ambition of our client-focused approach is aimed at helping our clients express their values and achieve both financial and societal benefits. We will continue to expand our capabilities in order to provide our clients with an industry-leading and integrated range of sustainability and impact investment products and services, which will enable them to continue to invest with societal goals in mind.

Our approach

Corporate responsibility governance

The BoD is responsible for setting our firm's values and standards and ensuring that we meet our obligations to our stakeholders. Both the Chairman of the BoD and the Group Chief Executive Officer (Group CEO) play a key role in safeguarding our reputation and ensuring that we communicate effectively with all our stakeholders.

All BoD committees are focused on achieving our goal of creating sustainable value. Of the BoD committees, the Corporate Responsibility Committee shoulders the main undertaking for corporate responsibility. As set out in the committee's charter, it actively reviews and assesses how we meet the existing and evolving corporate responsibility expectations of our stakeholders. It also monitors and reviews our corporate responsibility policies and regulations, the implementation of our activities and commitments, as well as regularly reviewing the Code.

→ Refer to the **UBS Code of Business Conduct and Ethics** at www.ubs.com/code for more information

→ Refer to the **Organization Regulations of UBS** at www.ubs.com/governance for the charter of the Corporate Responsibility Committee

In 2013, Wolfgang Mayrhuber, Chairman of the Corporate Responsibility Committee, announced his intention to leave the BoD at the 2013 Annual General Meeting of Shareholders. The Committee is newly chaired by Axel A. Weber, Chairman of the BoD, has three additional members and is advised by a panel of GEB members, consisting of the Group CEO and all regional chief executive officers.

The GEB is responsible for the development and implementation of our Group and business division strategies, including those pertaining to corporate responsibility. At or directly below GEB level, there are various committees and boards responsible for tasks and activities relating to particular aspects of corporate responsibility, including the Global Environmental & Social Risk Committee, chaired by the Group Chief Risk Officer, which shapes UBS's position on controversial activities and related policies. Additionally, our Environmental & Human Rights Committee oversees the operational execution of UBS's Environmental and Human Rights Policy, which was revised in 2014 to incorporate recent commitments made in the areas of climate change and human rights.

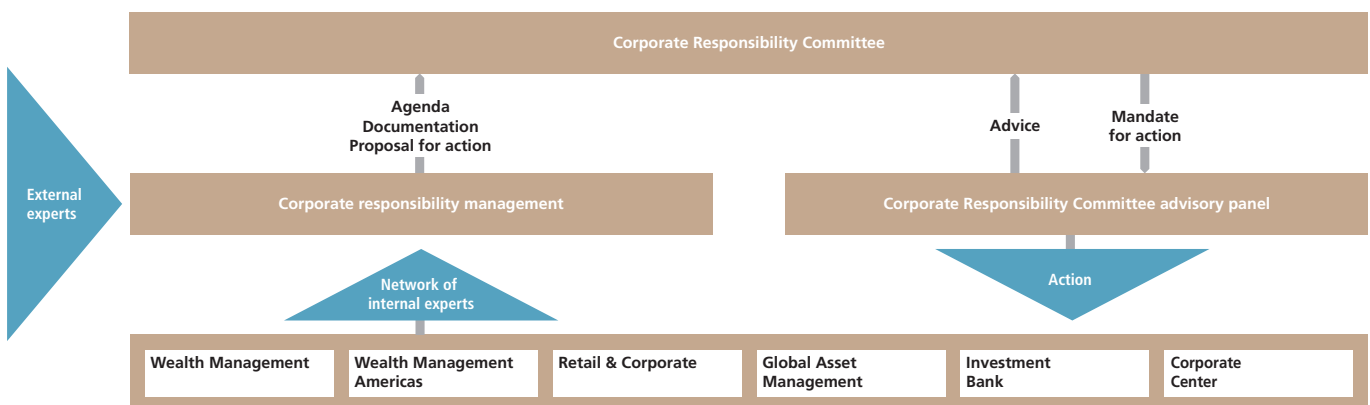
→ Refer to www.ubs.com/environment for more information on our environmental and human rights governance

The GEB monitors our efforts to combat money laundering, corruption and terrorist financing. These efforts are led by the Head of Global Anti-Money Laundering (AML) Compliance and supported by a network of compliance experts. The GEB also monitors the implementation of our diversity and inclusion-related strategies and plans for each business division. Our global diversity and inclusion team supports senior management and human resources business partners in developing these plans.

→ Refer to the **"Our employees"** section of this report for more information on labor standards and diversity programs

The Global Community Affairs Steering Committee is chaired by the Group CEO and composed of several members of our senior management. This GEB-level committee sets the overall strategic direction and goals of our community affairs. In addition, it

Our corporate responsibility governance process



is ultimately responsible for determining our response to world-wide disasters. In 2014, this committee will be integrated in the Corporate Responsibility Committee, and its advisory panel, to ensure further alignment.

→ Refer to “Our communities” in this section for more information on our charitable and related activities

Our commitment to responsible banking requires us to undertake regular and critical assessments of our policies and practices. This, in turn, requires the careful consideration and assessment of societal issues of potential relevance to UBS. With committees focused on corporate responsibility topics and issues at both BoD and GEB level, we demonstrate that we have firmly established responsibility for, and supervision of, this important and complex task at the highest levels of the firm.

External commitments and initiatives

We are committed to engaging in external corporate responsibility initiatives. These support us in our efforts to advance in areas that are already mandated by government and regulators, as well as in areas that, while still largely voluntary, are nonetheless of significance in strengthening our corporate responsibility agenda.

In October 2013, we co-launched the Thun Group of Banks' discussion paper on banking and human rights. The Thun Group is an informal group of representatives from seven banks, with the name derived from the location (the UBS conference center in the Swiss city of Thun) where the group met to share experiences and ideas regarding the implementation of the UN's Guiding Principles on Business and Human Rights. The paper is the result of these discussions. It aims to support banks in mapping and analyzing their potentially adverse impacts on human rights, and also looks at related risks, including reputational, legal, operational and financial risks. The work of the Thun Group is reflected in our environmental and human rights policy framework.

External ratings, assurance and awards

Our performance and success in the area of sustainability is reflected in the key external ratings and rankings we have achieved. In 2013, we re-entered the Dow Jones Sustainability Indices (DJSI) from which we had been removed in 2012, as our score was just below the raised benchmark. This followed continuous inclusion in the DJSI since their launch in 1999. At the time, the DJSI were the first global indices to track the financial performance of the leading sustainability-driven companies worldwide. The DJSI follow a best-in-class approach and include companies from across all industries that outperform their peers in numerous sustainability metrics.

We have been a member of the FTSE4Good index series since its inception, and have also been awarded corporate responsibility prime status by oekom research, one of the world's leading sustainability rating agencies. According to oekom's corporate rating system, prime status is awarded to companies that are among the leaders in their industry and that meet industry-specific minimum requirements. We were also ranked among the top 20 financial institutions in the CDP Global 500 Climate Change Report 2013.

We received several honors in the 11th annual Thomson Reuters Eitel/UKSIF Socially Responsible Investing (SRI) & Sustainability Survey of over 500 investment professionals from 27 countries. The UBS Investment Bank ESG & Sustainability Team was ranked third overall for ESG and SRI, including second for Corporate Governance and for Renewable Energy, fourth for Climate Change and for Thematic Research, and fifth for SRI Research.

Stakeholder dialogue

We regularly engage with our stakeholders on a wide range of topics which gives us important information about their expectations and concerns. This leads to a more in-depth understanding of issues relevant to our firm and their management. Our relationship with stakeholders is multi-faceted and includes interactions with large groups, regular communications with representatives from a particular group, as well as meetings with individuals (for example, clients and investors). In 2013, we also undertook an analysis of the issues deemed relevant to our stakeholders. The results of this analysis are reflected in a materiality matrix as defined by the Global Reporting Initiative (GRI). The matrix distills the views of the stakeholders with which our firm interacts and covers 20 topics including financial stability, risk behavior and culture, operational efficiency and resilience, environmental protection and climate change, and society and community.

In 2013, we engaged with experts and stakeholders on a range of topics. These included discussions with clients on values-based investing, including those taking place at the 2013 UBS Global Philanthropy Forum. Over 100 clients from around the world spent two days discussing how they can help to narrow the gender gap and ensure equal educational and employment opportunities for girls and women.

Discussions with employees covered various sustainability topics, including energy. A key annual campaign, the UBS Environmental Month in April, again raised awareness among employees and external stakeholders about our efforts towards reducing the environmental impact of our operations and banking activities. Working together with investors and rating agencies, we also considered key environmental, social and governance topics such as climate change. Discussions with non-governmental organizations focused on the subjects of reputational risks, controversial weapons, food “speculation” as well as climate change, particularly in relation to coal. In addition, we sought input from our employees regarding our corporate responsibility strategy and associated activities. An internal, cross-divisional and cross-regional network of experts continues to play an important role, with its members providing critical input on stakeholder expectations and concerns. These contributions are relayed back to the Corporate Responsibility Committee and provide a very valuable addition to information gathered through other monitoring channels.

We believe it is crucial that we keep our stakeholders informed about our sustainability commitments and activities. To this end, we include sections in our Annual Report 2013 that are dedicated to “Corporate responsibility” and “Our employees.” The content

of these sections, other relevant annual report text and data and information on our website are reviewed by EY, according to the Global Reporting Initiative's Sustainability Reporting Guidelines.

- Refer to www.ubs.com/gri for more information
- Refer to www.ubs.com/materiality for the GRI materiality matrix

Training and raising awareness

We actively engage in internal and external education and awareness-raising training on corporate responsibility 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. General information is published on our intranet and on our corporate responsibility website. In 2013, training and awareness-raising activities for employees continued to embrace the Code, notably through induction events for all new employees. Employees were also made aware of the firm's corporate responsibility strategy and activities through other training and awareness-raising activities. Some 9,271 employees received training on environmental issues, of which 7,136 received general training on our environmental policy and programs and 2,135 participated in specialist training targeted within their area of expertise and influence. Employee speaker sessions, exhibitions and lunchtime training sessions were delivered in all regions alongside specific technical training for the regional environmental teams. Community Affairs engagement forms part of our key internal leadership programs, while skills-based employee volunteering further contributes towards staff development. Employees are also required to undergo regular refresher training sessions in AML-related issues. This includes online training, awareness campaigns and seminars.

- Refer to "Education and development" in the "Our employees" section of this report for more information

Our clients

We are focused on gaining and retaining the trust of our stakeholders, as well as achieving our goal of generating sustainable earnings and creating long-term shareholder value. In addition, we are constantly striving to ensure that our products and services are suited to the needs and requirements of our clients. Through our corporate responsibility efforts, we demonstrate that we are not only listening to our stakeholders, but also aiming to be in an industry-leading position and meet their expectations.

Combating financial crime

We continue to further strengthen our efforts to prevent and combat financial crime. Our commitment to assisting in the fight against money laundering, corruption and terrorist financing is illustrated by the way we take responsibility in our own operations, aiming to help preserve the integrity of the financial system. We employ a rigorous risk-based approach to ensure our policies and procedures are able to detect risks and effectively manage those risks, including, for example, managing relationships which are

classified as higher risk with increased scrutiny. We adhere to strict know-your-client regulations without undermining our clients' legitimate right to privacy. Ongoing due diligence and monitoring, including the use of advanced technology to help identify transaction patterns or unusual dealings, assists in the identification of suspicious activities. If suspicious activities are discovered, they are promptly escalated to management or control functions and externally, as required.

During 2013, Global AML Compliance worked closely with the Environmental and Social Risk group to further develop effective ways of screening potential business partners, vendors and clients with regards to potential issues relating to environmental and social risk, building on the work already carried out during previous years.

In 2011, all business divisions were required to perform a legal and compliance risk assessment. This comprehensive process, which included an assessment of corruption, sanction and AML risks, was forward-looking and included follow-up actions to highlight the priorities and objectives for each business division. This risk assessment did not identify any significant incidents of non-compliance with our AML, sanctions or anti-corruption policies. Additional risk assessments that have taken place since then have confirmed this view. Nonetheless, a number of initiatives we have in place continue to strengthen our defenses against UBS being used for criminal purposes. In addition, over the course of 2014 we will continue to revise our risk assessment framework in a manner that further focuses on key risks and controls.

As part of our extensive and ongoing efforts to prevent money laundering, corruption and terrorist financing, our internal global AML policies were reviewed in 2011 and enhancements to address more specific risks in relation to corruption, sanctions and money laundering were implemented globally. In 2012, we also reviewed and amended our approach to controversial weapons in order to comply with the Swiss law that came into effect on 1 February 2013. This law implements the international bans on the use, stockpiling, production and transfer of cluster munitions and anti-personnel mines.

Our environmental and human rights policy



We are a founding member of the Wolfsberg Group, an association of 11 global banks established in 2000, which aims to develop financial services industry standards and related products for know-your-client, AML and counter-terrorist financing policies. Alongside the other members of this group, we continue to work closely with the Financial Action Task Force, an intergovernmental body that develops and promotes national and international policies to combat money laundering and terrorist financing through consultation with the private sector.

We will act decisively to prevent potentially irresponsible or harmful actions by individuals. First and foremost, this means that our employees must uphold the law, adhere to relevant regulations, and behave in a responsible and principled manner. To this effect, our business processes and control mechanisms are constantly under review in order to enhance our prevention capabilities.

Managing environmental and social risks

We apply a risk framework to all of our transactions, products, services and activities in order to identify and manage potential adverse impacts to 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. Environmental and social (including human rights) risks are broadly defined as the possibility of UBS suffering reputational or financial harm from transactions, products, services or activities such as lending, capital raising, advisory services or investments that involve a party associated with environmentally or socially sensitive activities. For products, services and activities identified as potentially posing significant environmental and social risks, procedures and tools for the identification, assessment, escalation and monitoring of such risks are applied and integrated into standard risk, compliance and operations processes:

- Client on-boarding or conflict clearance: new corporate clients are assessed for environmental and social risks associated with their business activities.

- Transaction due diligence: before proceeding with a transaction, environmental and social risks are identified and analyzed as part of standard transaction due diligence processes.
- Product development: new financial products and services are reviewed before their launch in order to assess their compatibility and consistency with UBS's environmental and human rights principles.
- Supply chain management: prior to any new or renewed contract being awarded, standardized checks are completed to assess supplier- and commodity-specific environmental, labor and human rights risks.
- Own operations: our operational activities and employees, or contractors working on UBS premises, are assessed for compliance with relevant environmental, health and safety and labor rights regulations.

Business or control functions are responsible for identifying and assessing environmental and social risks as part of the client, supplier or transaction due diligence processes. Where these functions determine the existence of potential material risks, they refer the client, supplier or transaction to a specialized environmental and social risk unit for enhanced due diligence. To support the consistent identification and assessment of such risks, our internal industry sector guidelines provide an overview of key environmental and human rights issues that arise in the various life cycles of the sector, and summarize industry standards in dealing with them. These guidelines currently cover six sectors: chemicals, forestry products and biofuels, infrastructure, metals and mining, oil and gas, and utilities. If identified risks are believed to pose potentially significant environmental or social risks, they are escalated for approval to senior management, at divisional, regional, or group level, depending on their significance. We have defined controversial activities in which we will not engage, such as providing financial services to extractive industries, heavy infrastruc-

Environmental and social risk assessments

	GRI ¹	For the year ended			% change from 31.12.12
		31.12.13	31.12.12	31.12.11	
Cases referred for assessment²	FS2	1,716	1,039	416	65
by region					
Americas	FS2	367	288	111	27
Asia Pacific	FS2	296	222	136	33
Europe, Middle East and Africa	FS2	373	225	119	66
Switzerland	FS2	680	304	50	124
by business division					
Wealth Management	FS2	298	157	59	90
Wealth Management Americas	FS2	46	5	5	820
Retail & Corporate	FS2	598	223	22	168
Global Asset Management	FS2	14	12		17
Investment Bank	FS2	657	533	330	23
Corporate Center ³	FS2	103	109		(6)

¹ Global Reporting Initiative (see also www.globalreporting.org). FS stands for the Performance Indicators defined in the GRI Financial Services Sector Supplement. ² Transactions and onboarding requests referred to and assessed by environmental and social risk functions. ³ Relates to procurement/sourcing of products and services.

ture, forestry and plantation operations that risk severe environmental damage to endangered species, high-conservation value forests and world heritage sites. They also include all commercial activities that engage in child or forced labor, or threaten indigenous peoples' rights.

An enhanced due diligence and approval process is triggered for areas in which we will only provide financial services under stringent, pre-established guidelines. Such areas include palm oil production, mountaintop removal as a coal extraction method, hydraulic fracturing as an exploration or extraction method for oil and gas, and exploration and development of oil sands. Enhanced due diligence includes an assessment of the company's regulatory compliance, past and present environmental performance records, as well as concerns from stakeholder groups.

→ Refer to www.ubs.com/responsibility for the complete "UBS position on relationships with clients and suppliers associated with controversial activities"

Clients, transactions or suppliers potentially in breach of UBS's position, or otherwise subject to significant environmental and human rights controversies, are identified as part of UBS's know-your-client compliance processes. Advanced data analytics on companies associated with such risks are integrated into the web-based compliance tool used by our staff before they enter into a client or supplier relationship, or a transaction. The systematic nature of this tool significantly enhances our ability to identify potential reputational risk as is evidenced by the high number of cases referred for assessment to our environmental and social risk units since 2012.

→ Refer to the table "Environmental and social risk assessments" in this section for more information

Sustainable products and services

By integrating environmental and social considerations into our advisory, research, investment, finance and ownership processes across all of our businesses, we provide financial products and services which help our clients benefit from environmentally and socially related business opportunities. This is particularly the case in relation to climate change, where our activities focus on our client-centric activities of risk management, investment, financing and research.

→ Refer to "Our climate change commitment" in this section for more information on related business initiatives

Investment advisory

We offer investment advisory services for wealth management and institutional clients, helping them to consider the potential social and environmental impacts, as well as the potential financial returns, of their investments. Our philanthropy and sustainable investing teams have continued to develop the holistic service offered within our wealth management businesses. These teams provide thought leadership, advice, products and solutions to existing and prospective private clients who wish to make investments in accordance with their own personal values. These services also extend to aiding philanthropic or investment deci-

sions intended to drive positive change. Our services also include sustainable portfolio management, such as mandate solutions and separately managed accounts for private clients and institutions with a strong focus on sustainability across all asset classes. In the US, we also offer managed accounts with environmental, social and governance criteria (sourced from third-party data provider MSCI) embedded into private clients' fundamental investment process, enabling them to identify and exclude securities based on issue-oriented screens.

For institutional clients, Global Asset Management offers customized portfolios in the form of segregated mandates and institutional accounts that allow clients to define and exclude certain controversial stocks or sectors due to their perceived social or environmental impact.

Research

We produce award-winning research on the impact of environmental, social and governance issues on various sectors and companies. Our specialized teams have regularly published research on topics that will shape our future, including climate change, energy efficiency, resource scarcity and demographics. Our experience and sector knowledge help us to determine what is material by raising questions about the effect environmental, social and governance issues are having on the competitive landscape for the global sectors we cover, as well as about how companies are affected in relative terms. Increasing client demand for integrating sustainability issues into fundamental investment analysis is reflected in our publications and client conferences:

- In 2013, one of the flagship publications of UBS Wealth Management, "UBS Research Focus," was produced in collaboration with research teams in Global Asset Management and the Investment Bank. Entitled "Sustainable investing," it discussed how sustainability considerations are increasingly incorporated into investment decisions.
- Our UBS Q-Series® reports focus on thought-provoking discussions on pivotal investment questions, and on making clear investment conclusions, leading to a Group-wide drive for more thoughtful, proprietary and valuable research. Examples of Q-Series® reports published in 2013 include "Human capital – Corporate culture: Relevant to investors?" and "Global energy markets: How much oil in the US transport sector can be displaced by cheap US natural gas?" Other publications focused on nutrition ("Nutrition: Access and traceability") and on sustainable innovation ("Integration – global sustainability and cultural change").
- Our newly established publication, "ESG Keys," addresses the what, how and why of ESG issues and sustainability investment styles. Reports in 2013 addressed corporate governance, human capital, and energy and climate change.
- The UBS European Conference hosted a number of panels on sustainability issues, featuring experts and UBS research analysts, such as "The great sustainability debate," "Human capital – driving returns" and "Energy: prospects and challenges for fracking."

- Our outreach and dialogue programs included a three-year partnership with the Smith School of Enterprise and the Environment at the University of Oxford, with which UBS hosted a series of events between 2011 and 2013, open to both UBS clients and employees, and featuring thought leaders from around the globe.

Investment products

Global Asset Management is committed to environmental, social and governance integration and has been a signatory to the United Nations-supported Principles for Responsible Investment (PRI) since 2009. These provide a voluntary framework according to which all investors can take into account environmental, social and governance issues in their decision-making and ownership practices and align their objectives with the broader objectives of society.

Global Asset Management offers a range of sustainable investment funds that integrate material sustainability factors with a rigorous fundamental investment process. We apply the concept of shared value, according to which companies that pursue sustainability practices (for example, conserving resources, maintaining a

high-quality workforce and a strong supply chain) not only create value for the shareholder but also for a wider range of stakeholders. Our investment themes include energy efficiency, environment, social and healthcare, and demographics. We also manage four exchange-traded funds which track MSCI's Socially Responsible Indices and are listed on the Deutsche Börse (Xetra), the SIX Swiss Exchange and the London and Milan Stock Exchanges.

Through our open architecture, we also offer our wealth management clients the opportunity to invest in socially responsible investment bonds, equity and microfinance products from leading third-party providers. As of 31 December 2013, invested assets held in socially responsible investments (SRI) totaled CHF 576 billion, representing 24% of our total invested assets. Throughout 2013, invested assets in all of our SRI classes increased. In particular assets that are subject to UBS's policy pertaining to controversial weapons increased substantially, largely due to the global expansion of the policy.

→ Refer to the table "Socially responsible investments invested assets" in this section for more information

Our climate change commitment

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 recognize that financial institutions are increasingly expected to play a key role in the transition to a low-carbon economy, and we are determined to support our clients in preparing for success in an increasingly carbon-constrained world. We are one of the leading wealth management firms worldwide, and the leading universal bank in Switzerland, backed by a top asset management business and a client-centered investment bank. Therefore, our climate change strategy focuses on the areas of risk management, investments, financing, research and in-house operations. It is in these areas that we believe we can make the greatest contribution to the transition towards a low-carbon economy. Our contribution to these areas in 2013 included:

Risk management: seeking to protect our clients', and our own, assets from climate change risks, within our sphere of influence.

We committed to participating in international efforts led by the Greenhouse Gas Protocol and the United Nations (UN) Environment Programme Finance Initiative to develop a greenhouse gas accounting and reporting guidance for financial intermediaries.

We helped our clients manage their exposure to the emissions markets and offered execution and full service clearing for contracts on, for example, EU Emissions Trading System allowances and UN Certified Emissions Reductions in Europe and North America.

Investments: helping to mobilize private and institutional capital towards investments facilitating climate change mitigation and adaptation.

We launched an Impact Investing Private Equity fund for SMEs in emerging and frontier markets. With a volume slightly in excess of CHF 50 million at closure, it is

one of the largest impact funds in the sector funded by clients and private capital. The fund represents a unique investment opportunity for wealthy clients and is expected to generate significant social and environmental impact.

Our UBS Portfolio Screening Services helped Wealth Management clients align their portfolios to their values by assessing portfolios using specific sustainability criteria (including environmental topics). Based on increased interest among our clients, we screened CHF 4.2 billion of client assets in 2013.

The UBS Clean Energy Infrastructure Switzerland offers institutional investors unprecedented access to a diversified portfolio of Swiss infrastructure facilities and companies in the field of renewable energies and energy efficiency. Capital commitments had reached approximately CHF 350 million on 31 December 2013.

Six of Global Asset Management's real estate funds, with CHF 20 billion gross assets under management, obtained the top ranking ("green star"), and two of

Socially responsible investments invested assets¹

CHF billion, except where indicated	GRI ²	For the year ended			% change from
		31.12.13	31.12.12	31.12.11	
UBS total invested assets		2,390	2,230	2,167	7
UBS SRI products and mandates					
positive criteria	FS11	2.18	1.60	1.84	37
positive criteria / RPI ³	FS11	39.00	32.15	28.19	21
exclusion criteria ⁴	FS11	56.09	35.68	27.46	57
policy based restrictions ⁵	FS11	475.14	181.64	180.85	162
Third-party⁶	FS11	3.70	2.66	2.58	39
Total SRI invested assets	FS11	576.12	253.73	240.92	127
Proportion of total invested assets (%) ⁷		24.11%	11.38%	11.12%	

¹ All figures are based on the level of knowledge as of January 2014. ² FS stands for the Performance Indicators defined in the Global Reporting Initiative Financial Services Sector Supplement. ³ UBS Global Asset Management Responsible Property Investment strategy. ⁴ Includes customized screening services (single or multiple exclusion criteria). ⁵ Assets subject to restrictions under UBS policy on the prohibition of investments in companies related to anti-personnel mines and cluster munitions (includes all invested assets held in Global Asset Management actively managed discretionary segregated mandates and all actively managed funds (retail and institutional) held by Global Asset Management, Wealth Management and Retail & Corporate). In 2013, the scope of this policy became global. ⁶ SRI products from third-party providers apply either positive and exclusion criteria or a combination thereof. ⁷ Total SRI/UBS's invested assets.

Socially responsible investments (SRI) are products that consider environmental, social or ethical criteria alongside financial returns. SRI can take various forms, including positive screening, exclusion or engagement.

Positive criteria apply 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 whereby one or several sectors are excluded based on environmental, social or ethical criteria, for example, companies involved in weapons, tobacco, gambling, or companies with high negative environmental impacts. This also includes faith-based investing consistent with principles and values of a particular religion.

them were awarded "sector leader" status, by the 2013 Global Real Estate Sustainability Benchmark, thus recognizing our efforts in defining and implementing a sustainable and responsible property investment strategy (RPI). All six funds rank within the first and second quartiles of their respective peer set (among more than 540 real estate portfolios).

Financing: supporting this transition as corporate advisor, and / or with our lending capacity.

We supported Swiss SMEs in saving energy, as promoted by the Swiss Energy Agency's SMEs Model. Clients benefited from the agency's "energy check-up for SMEs" at reduced costs and were granted cash premiums for committing to an energy reduction plan within this scheme. By the end of 2013, 116 companies signed up.

By supporting Swiss private clients when renovating their private homes sustainably, we redistributed CHF 2.9 million in cash benefit, funded by proceeds from the Swiss CO₂ levy refund. Swiss private clients could also benefit from the UBS "eco" mortgage when building energy-efficient homes.

Expressing our commitment to being a financial partner in the energy transition in Switzerland, we are sponsors of the Swiss Energy and Climate Summit 2013 and 2014 as a Premium Partner.

In 2013, the Investment Bank supported 190 clients that provide a positive contribution to climate change mitigation and adaptation, either in equity or debt capital market transactions (total deal value CHF 28.5 billion) or as financial advisor (total deal value CHF 49.4 billion).

Research: offering world-class research capacity to our clients on climate change issues.

We continued to provide clients with award-winning research on climate change related topics. Examples include "ESG Outcomes for a 'New Global Economy,'" "Postcards from the US ... on energy & climate," "Global utilities: Can utilities survive in their current form?" and "China integrated natural gas: Will a coal-to-gas boom eventually go bust?" Our thought leadership in this area was recognized by the annual Thomson Reuters Extel/UKSIF Socially Responsible Investing (SRI) &

Sustainability Survey where UBS ranked fourth for Climate Change and second for Renewable Energy.

Our Chief Investment Office (CIO) Wealth Management research provided regular research updates on renewables, agribusiness, energy efficiency and water. The latter was the sustainable investment theme promoted in the 2013 UBS CIO House View.

In-house operations: reducing our own greenhouse gas emissions.

We further reduced our emissions 15% year on year, achieving a 49% reduction from baseline year 2004. This brings us very close to reaching our target of a 50% reduction by 2016. We continued to invest in sustainable real estate and efficient information technology, and reduced our energy consumption 3% year on year. We are on track to reach our target of a 10% reduction compared with 2012 levels by 2016.

→ Refer to www.ubs.com/climate for our complete climate change commitment

Corporate and private clients financing and advisory

UBS globally provides capital raising and strategic advisory services to companies offering products that provide a positive contribution to climate change mitigation and adaptation, including those in the solar, wind, hydro, energy efficiency, waste and bio-fuels, and transport sectors. In 2013, we supported transactions that included a USD 50 million equity capital raising for Cool Planet, a US-based renewable energy company which has developed a patented process to convert non-food biomass into gasoline, a USD 300 million three-year bond offering for the China Longyuan Power Group, the largest wind power generation company in Asia, and a CHF 400 million dual-tranche bond for Sika AG, a Swiss specialty chemicals company providing products to the construction and transportation industries that enhance durability and promote the efficient use of energy, water and other resources. In addition, we helped our clients manage their exposure to the emissions markets, while in Switzerland, we helped SMEs to save energy and support retail clients when undertaking energy-efficient renovations.

Voting rights

We believe that voting rights have economic value and should be treated accordingly. Where Global Asset Management has been given the discretion to vote on behalf of our clients, we will exercise our delegated fiduciary responsibility by voting in the manner we believe will be most favorable to the value of their investments. In 2013, we voted on more than 69,000 separate resolutions at 7,075 company meetings. Our approach to corporate governance is an active one and is integral to our investment process. We are an active member of a number of collaborative shareholder bodies.

Since 2010, Global Asset Management in Switzerland has been offering UBS Voice, a free service enabling holders of Swiss institutional funds to express voting preferences ahead of shareholder meetings of major Swiss corporations. This provides addi-

tional shareholder input into the voting decisions of the funds' management company. More than 40% of invested assets for which UBS Voice is offered participate in this service.

Our operations

Continuously reducing our greenhouse gas footprint

In 2013, we reduced our greenhouse gas footprint again by decreasing our emissions 15% year on year, achieving a 49% reduction from baseline year 2004. This brings us very close to reaching our target of a 50% reduction by 2016. We also reduced our footprint per full-time employee 12% year on year. Our strong performance is a result of adopting energy efficiency measures to reduce the energy consumption of the buildings we occupy, and of critical facilities such as the data centers we use, while increasing the proportion of renewable energy. Emissions that cannot be reduced by other means (for example, business air travel) are offset.

UBS's Environmental Program was introduced in the 1970s, and since 1999, we have managed the program through an Environmental Management System in accordance with ISO 14001. At the time, we were the first bank to obtain ISO 14001 certification for our Group-wide environmental management system. In addition, our greenhouse gas emissions data is externally verified according to ISO 14064 standards.

Reducing energy consumption and improving energy efficiency

In 2013, we reduced energy consumption 3%, contributing to our target of reducing energy consumption 10% by 2016 compared with 2012 levels. Between 2009 and 2012, we over-achieved on our previous targets and reduced our energy consumption 21%. We will continue to invest in energy-efficient infrastructure and implement established energy reduction measures, such as ensuring that heating, air-conditioning and lighting controls of the buildings we occupy are optimized. In addition, we

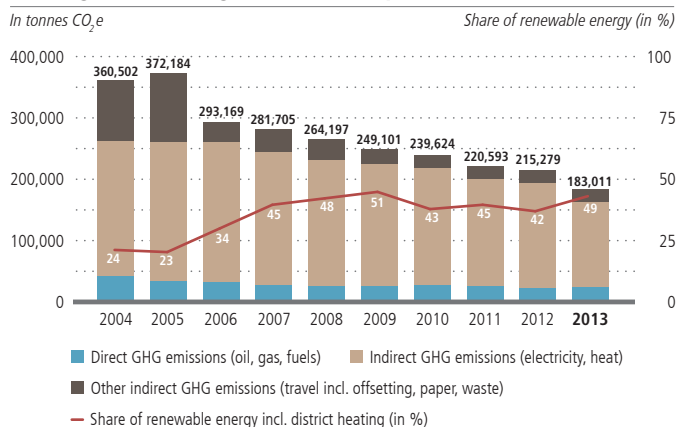
Environmental targets and performance in our operations¹

	GRI ²	2013	Target 2016	Baseline	% change from baseline	Progress/Achievement ⁶	2012	2011
Total net greenhouse gas emissions (GHG footprint) in t CO ₂ e ³	EN15-17	183,011	-50%	360,501 ⁴	-49.2	●	215,279	220,593
Energy consumption in GWh	EN3	737	-10%	761 ⁵	-3.2	●	761	827
Share of renewable energy	EN3	48.8%	increase	23.9% ⁴	104.2	●	41.6%	44.9%
GHG offsetting (business air travel) in t CO ₂ e	EN18	72,612	100%	0 ⁴	100	●	73,024	88,867
Paper consumption in kg per FTE ⁷	EN1	121	-5%	122 ⁵	-1.1	●	122	122
Share of recycled and FSC paper	EN2	57.6%	60%	55.8% ⁵	3.1	●	55.8%	44.3%
Waste in kg per FTE ⁷	EN23	213	-5%	230 ⁵	-7.8	●	230	242
Waste recycling ratio	EN23	55.6%	60%	54.2% ⁵	2.5	●	54.2%	54.2%
Water consumption in m ³	EN8	1.77	-5%	1.95 ⁵	-9.1	●	1.95	2.00

Legend: CO₂e = CO₂ equivalents, FTE = full-time employee, GWh = gigawatt hour, kWh = kilowatt hour, km = kilometer, kg = kilogram, m³ = million cubic meter, t = tonne

¹ Detailed environmental indicators are available on the internet www.ubs.com/environment. Reporting period 2013 (1 July 2012 to 30 June 2013). ² Related to Global Reporting Initiative (see also www.globalreporting.org). EN stands for the environmental performance indicators as defined in the GRI. ³ GHG footprint equals gross GHG emissions minus GHG reductions from renewable energy and GHG offsets (Gross GHG emissions include: direct GHG emissions by UBS, indirect GHG emissions associated with the generation of imported/purchased electricity (grid average emission factor), heat or steam and other indirect GHG emissions associated with business travel, paper consumption and waste disposal). ⁴ Baseline year 2004. ⁵ Baseline year 2012. ⁶ Green: on track/amber: behind schedule. ⁷ FTEs are calculated on an average basis including contractors.

UBS's greenhouse gas (GHG) footprint



apply externally verified standards to validate building performance.

Information technology consumes up to half of the electricity used by the Group worldwide, and consolidation, virtualization and the Desktop Transformation Program (designed to reduce the number of personal computers whilst ensuring that new computers and monitors are more energy-efficient than the equipment they replace) have contributed to significant energy savings in recent years. In 2013, we reduced the electricity consumption of our data centers more than 6% year on year.

Increasing share of renewable energy

We are reducing our use of carbon-intensive energy by replacing fossil-fuelled heating infrastructure where feasible and by purchasing renewable energy for a high proportion of the energy we use (49% in 2013).

Business travel and offsetting CO₂ emissions

We continuously try to minimize our CO₂ emissions in business travel by encouraging our employees to choose alternatives to air travel, such as high-speed rail, recording a 7% reduction in the number of flights taken, and a 2% increase in employee rail travel in Switzerland in 2013. Our investments in video-conferencing solutions also contributed to the reduction in air travel. Globally, over 400 rooms with video facilities are available and more than 80,000 room bookings were processed in 2013. The marketing and events teams adhere to environmental guidelines for client conferences and consider the impact of delegate travel, hotels, venue facilities and catering as part of their logistics and planning.

We continue to offset all CO₂ emissions resulting from agency-booked business air travel and client events and conferences, thereby supporting renewable energy and other projects reducing CO₂ emissions. Projects we selected meet the requirements of the Gold Standard for voluntary emissions reductions and also provide positive community benefits. Schemes selected include a wind power project in Turkey and community biofuel projects in China and India.

Reducing paper consumption, waste generation and water usage

We are committed to further reducing our environmental footprint and are on track to reach our 2016 targets, which use 2012 performance as the baseline:

- The amount of paper used per employee decreased 1% compared with baseline year 2012. Double-sided printing and copying, now the default setting for printers used by the majority of our employees, combined with an ongoing shift towards the distribution of electronic documents, will enable us to reach our target of reducing paper usage 5%. We increased the percentage of office paper from Forest Stewardship Council (FSC), or recycled sources, to 58% in 2013, contributing towards reaching our 60% target.
- The continued implementation of bin-less offices in many larger locations has reduced the waste per employee 8% since 2012, outperforming our 5% reduction target by 2016. Our waste recycling ratio improved from 54% in 2012 to 56%, a step in the right direction towards reaching our target of 60% by 2016.
- Our water consumption decreased 9% compared with 2012 levels, exceeding our target of 5% by 2016.

→ Refer to the table “Environmental targets and performance in our operations” in this section for more information

Engaging our employees

By educating, increasing awareness among and offering incentives to our employees on environmental matters, we hope to help them behave in a sustainable way both at work and at home. As part of our commitment to reducing CO₂ emissions, we continued to support Earth Hour in March 2013, switching off lights in UBS offices in 73 cities around the world for one hour. This also marked the start of our annual internal and external environmental awareness campaign. The theme in 2013 was “Protecting our future” and focused on our renewed climate change commitment, with activities including environmental fairs, an online environmental quiz, as well as articles and interviews with senior management posted on our internal and external websites.

Responsible supply chain management

Responsible supply chain management (RSCM) principles serve to embed our ethics and values when interacting with our suppliers, contractors and service partners. As part of this commitment, we have implemented an RSCM framework to identify, assess and monitor supplier practices in the areas of human and labor rights, the environment, health and safety and anti-corruption. In 2013, we further strengthened our existing RSCM framework by focusing on suppliers that either have a potentially high environmental or social impact, or suppliers that are active in high-risk countries. We screened relevant suppliers and identified around 40 suppliers for which remediation measures have been defined in order to be in line with UBS's RSCM standards. Due diligence is performed by our experienced procurement and sourcing specialists, and is supported by a centralized team of experts.

Our communities

Within our community investment program, we aim to overcome disadvantage in our local communities by supporting education and entrepreneurship through a combination of targeted funding and the commitment and skills of our employees. Coordinated globally, our initiatives are implemented regionally. Proximity to our partners allows us to better understand the needs and requirements of our communities. Based on this, we can generate a long-term, sustainable and measurable impact on our local communities while offering volunteering opportunities for our employees. As well as direct cash donations and the commitment of our employees, our community investment program also includes matched-giving schemes and disaster relief efforts.

Community Affairs

We actively engage with the communities around the globe of which we are a part. In 2013, UBS and our affiliated foundations

made direct cash donations totaling CHF 28.3 million to carefully selected non-profit partner organizations and charities. These donations were primarily aimed at our Community Affairs key themes of education and entrepreneurship. Additionally, spending on the UBS Anniversary Education Initiative amounted to CHF 14.0 million. Our contributions, combined with other significant activities, notably the volunteering activities of employees, have continued to provide substantial benefits to projects and people around the world, as demonstrated by the regional examples provided below.

Contributions were also made to other causes, in particular disaster relief, including a commitment of more than CHF 1.9 million in total financial contributions to both short-term relief and long-term rebuilding efforts in response to the devastation caused by Typhoon Haiyan in the Philippines. Community Affairs and the Optimus Foundation, UBS's independent grant-making foundation, joined forces to offer a unique and integrated approach including both clients' and employees' donations in its matched-

Key examples of UBS's community investment activities across the globe

Switzerland

Developing Switzerland's next generation of business leaders was a priority for us in 2013. One of the projects we supported was the annual company event organized by Young Enterprise Switzerland (YES). As part of this program, which we have been supporting since 2007, students from all over the country establish and manage a real company, thus learning how the business world works. For 12 months, they receive support from business mentors, their teachers and YES. At the end of the year, representatives of the 25 best-performing companies are invited to the grand final in Zurich, where the winner is crowned.

As part of the UBS education initiative, in 2013 we also supported one of the annual awards made by the Social Entrepreneurship Initiative & Foundation (seif). Each year, seif recognizes innovative business ideas that foster responses to social or environmental challenges.

In Switzerland, our community investment efforts are also advanced by the UBS Culture Foundation, the UBS Foundation

for Social Issues and Education, and the A Helping Hand from UBS Employees association. In 2013, these organizations made valuable contributions to important social causes, including fostering the humanities and the creative arts, supporting communities in need, and helping disabled and disadvantaged people.

Americas

In 2013, Community Affairs & Corporate Responsibility Americas undertook a strategic re-launch of our programming to help deploy the firm's financial and human capital more effectively. This included a complete overhaul of our employee giving portal, which supports all of our engagement programs across the Americas. Within UBS's global focus areas of education and entrepreneurship, we are providing under-resourced, high-potential individuals with advice and resources to help develop more enterprising communities.

In our first major initiative following the re-launch, we coordinated UBS's second annual Season of Service, a community impact initiative open to all business

divisions in the Americas. Over the course of two months, employees completed 92 different volunteer activities and logged more than 2,500 volunteer hours.

Within our flagship Elevating Entrepreneurs program, we continued to expand our lending offerings in Chicago and Los Angeles. In coordination with our partners in the UBS Bank USA Community Development Group and the Valley Economic Development Center, we committed USD 35 million in capital to qualified small businesses in Chicago, Los Angeles, New York, New Jersey, Connecticut, Salt Lake City and Las Vegas. During 2013, 29 small businesses received loans ranging from USD 50,000 to USD 250,000 totaling USD 6.4 million. Combined, these companies have created 451 new jobs.

Asia Pacific

In 2013, the UBS Finance Academy program in Sydney marked its 11th anniversary, and over the years has provided more than 550 public school students with first-hand insight into the world of finance and exposure to UBS. Over the course of the program, students

giving programs. This combined (client and UBS) commitment raised the total financial contributions to the rebuilding efforts in the Philippines to more than CHF 3 million.

Across all business regions, our employees continue to play a very active role in our community investment efforts, in particular through their volunteering activities. In 2013, 10,648 employees spent 91,370 hours volunteering. We support their commitment by offering up to two working days a year for volunteering efforts. For the second year in a row, employees who have demonstrated outstanding volunteering commitment were rewarded with the UBS Global Employee Volunteer Awards.

Furthermore, we strengthened the measurement of the impact of our Community Affairs activities. We measure the impact of projects across all regions using the London Benchmarking Group model. Understanding where we make an impact provides vital data that helps us evaluate and focus our program. Therefore, we plan to further expand measurements of our strategic programs across all regions in 2014.

Client foundation

The UBS Optimus Foundation is an expert grant-making foundation established by UBS in 1999. The Foundation works to break down barriers that prevent children from reaching their full potential by funding leading organizations to improve the health, education and protection of children. The UBS Optimus Foundation supports programs in places where children face adversity. Since its establishment, the Foundation has received more than 25,000 donations totaling over CHF 195 million. By the end of 2013, the Foundation supported 107 projects in 48 countries amounting to a total value of CHF 69.8 million. As UBS bears all administrative costs related to the UBS Optimus Foundation, 100% of every donation goes directly towards the projects funded.

were provided with the opportunity to listen to, and interact with, key industry figures. Students also gained practical knowledge of financial markets through “day in the life” presentations, merger and acquisition case studies and a field trip to both UBS’s live trading floor and CNBC’s filming studio.

Across the region, UBS employees continue to volunteer in a diverse variety of both skill-based and grassroots programs. Clients and family members are also often invited to join in where appropriate. In 2013, during the Regional Volunteer Experience, volunteers from across Asia Pacific traveled to Japan and joined local volunteers to work together on the Team Tohoku program in the remote northeastern community of Kamaishi City, aimed at helping the community get back on its feet following the 2011 tsunami. Led by senior management, including UBS Asia Pacific’s Chief Executive Officer, Chi-Won Yoon, these volunteers focused on various projects relating to job and economic regeneration, temporary and long-term recovery housing, strengthening the skills and

knowledge needed by local civil societies for further development, as well as risk reduction and future disaster preparedness.

In its second year, Singapore’s Diversity in Abilities arts program, targeted at bringing visual and performing arts to children in special education, was awarded Singapore’s National Arts Council Patron of the Arts Award 2013. More than 140 children were trained by renowned local and regional artists and the program culminated in a stage production that featured Singapore’s Minister of Education in an acting role.

Europe, Middle East and Africa

In Europe, the Middle East and Africa, Community Affairs activities focus on sharing the workplace skills of our employees in order to help people in disadvantaged communities reach their full potential. Last year, in the UK alone, we helped 6,366 students develop employability and entrepreneurial skills through UBS work-related learning programs, which range from employability skills workshops and interview practice to work experience. In the UK, UBS was

recognized with a Business in the Community 2013 Responsible Business Award for its volunteering program.

In Turkey, over 1,000 students took part in the BKD-Science Heroes Association challenge, which helps develop their technology, math and entrepreneurial skills. Hakan Habip of UBS Turkey, who co-manages our partnership with BKD, was named one of Turkey’s top 100 “Changemakers” by the highly regarded Sabanci Foundation for his involvement in BKD activities. In Italy, a team of UBS managers worked with a group of students from underprivileged backgrounds to raise their aspirations and achievements, and helped them secure places at a prestigious university. In Israel, the successful partnership with Ashoka continues, supporting young social entrepreneurs to develop their projects.

Across Europe, the Middle East and Africa, employees are getting involved in their local communities and sharing their workplace and entrepreneurial skills.

→ Refer to www.ubs.com/community for more information