

Corporate responsibility

Responsibility and sustainability were our key themes in 2009, as we continued to contend with the effects of the major financial crisis we experienced in 2007 and 2008. We have, as detailed elsewhere in this report, assumed responsibility to resolve key issues arising from the crisis.

In response to the lessons learned from the financial crisis and the latest international regulatory provisions that followed from the crisis, we have reviewed and revised important processes, pertaining to, in particular, corporate governance, risk management, compliance, personnel management (including compensation and performance measurement) and the centralization of responsibilities and competencies. These changes are highlighted by the revision of constitutional documents such as the Code of Business Conduct & Ethics and the UBS Values, which accentuate the crucial significance of responsible behavior, a key driver of sustainable value for the company and our stakeholders.

As a leading financial services firm, we are interested in the concerns and expectations of a diverse group of stakeholders, ranging from clients, investors and employees, to the communities in which we have a presence as well as our regulators. With regard to corporate responsibility, in 2009, we continued to address key stakeholder expectations and concerns by contributing to the fight against money laundering, corruption and terrorist financing (AML), executing our environmental management program, implementing our human rights statement and by undertaking community investment activities. Under the guidance of the UBS Corporate Responsibility Committee (CRC), a BoD committee, various initiatives were instigated (including the drafting

of the new Code of Business Conduct & Ethics), with their implementation continuing into 2010.

→ Refer to www.ubs.com/responsibility for more information on the contents of this section

Governance, strategy, and commitments

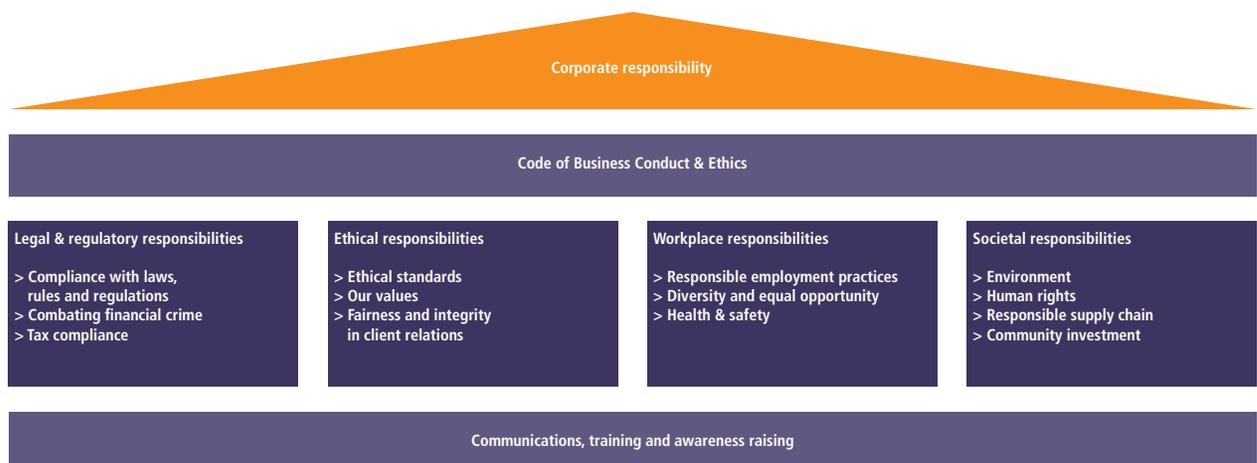
Corporate responsibility governance

The CRC is mandated to review and assess how we should meet the existing and evolving corporate responsibility expectations of our stakeholders. The CRC thus supports the BoD's efforts to ensure and advance our reputation for responsible corporate conduct. Headed by the Chairman of the BoD, the committee includes two other BoD members. It is advised by a panel consisting of members of the GEB and other senior managers. The members of the advisory panel participate in committee meetings and implement its recommendations.

The financial crisis has emphasized that success depends upon behaving responsibly towards and interacting honestly and transparently with our stakeholders. In recent meetings, the CRC focused on lessons drawn from the crisis and recommended actions on a range of topics accordingly.

In addition to the mandate pertaining to the expectations of our stakeholders, the CRC also monitors and reviews our

Corporate responsibility at UBS



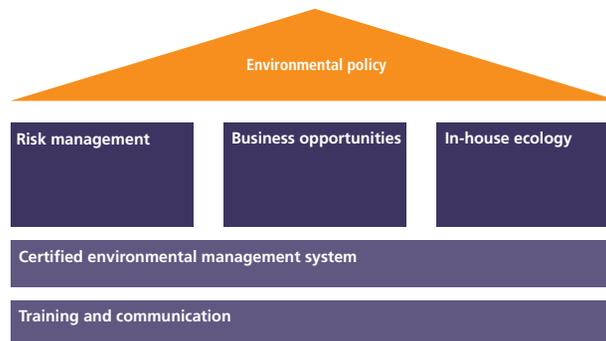
corporate responsibility policies and regulations as well as the implementation of our corporate responsibility activities and commitments. The GEB is responsible for the development of our Group and business division strategies as well as implementing approved new strategies, including those pertaining to corporate responsibility, while various committees or boards are concerned with tasks and activities pertaining to particular aspects of corporate responsibility.

One example is the Environmental & Human Rights Committee, which is made up of, among others, both Group and divisional environmental representatives. They are responsible for overseeing the adoption of our environmental policy and for providing guidance to the different business divisions in their adoption of the "UBS Statement on Human Rights". In 2009, this committee reviewed a number of significant environmental and social issues and also initiated the revision of our environmental policy. Endorsed by the GEB, the revised policy was brought in line with the new Code of Business Conduct & Ethics of UBS and continues to embody our commitment to the environment. It seeks to ensure that we provide clients with a range of financial products and services that address environmental challenges, identify and manage environmental risks, and are continuing to improve our environmental performance and resource efficiency. The policy is implemented through a global environmental management system certified according to ISO 14001, the international environmental management standard.

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

Led by the Head of Global AML Compliance, our efforts to fight money laundering, corruption and the financing of terrorism are supported by a network of expert global business teams. We are streamlining our policies and processes to enhance consistency between business divisions as well as

The five principles of our environmental policy



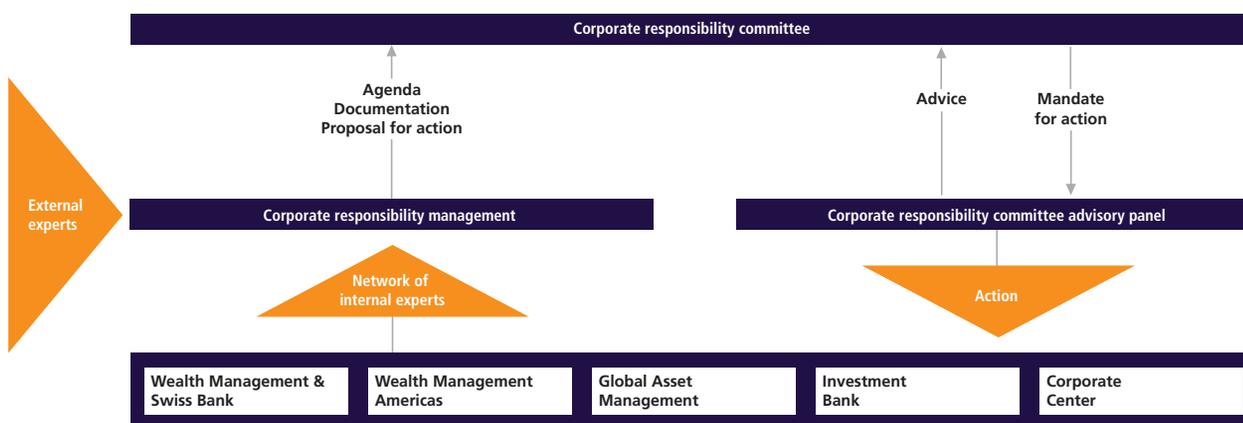
to assess threats and risks within the business. We have developed extensive policies intended to prevent, detect and report money laundering, corruption and terrorist financing. These policies seek to protect the firm and our reputation from those who may intend to legitimize their ill-gotten gains through UBS.

→ Refer to the discussion on combating financial crime below for more information on our AML activities

Regional diversity heads, along with senior business managers, consider and decide on diversity/business-aligned plans linked to regional and divisional business and talent strategies. They are also responsible for advising and supporting regional diversity boards, or their regional equivalent, in assessing progress made on relevant issues. The global diversity team coordinates regional efforts and integration into the HR process.

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

Our corporate responsibility governance process



External commitments and initiatives

In implementing environmental and social standards and conventions into our business practices, we benefit from participating in various external initiatives, including the UN Global Compact and its local network in Switzerland, the Wolfsberg Group, the UNEP Finance Initiative, and the UN Principles for Responsible Investment (UNPRI). In relation to the UN Global Compact, we publicly acknowledged the significance of the looming climate crisis by supporting the Compact's "Seal the Deal!" campaign calling for a fair, balanced and effective post-Kyoto climate agreement. In his testimonial for "Seal the Deal!", UBS's Chairman of the BoD confirmed a cornerstone of our climate change strategy in that we seek to help clients address risks and take advantage of opportunities presented by climate change and the transition to a low carbon economy.

We also recently joined the Global Corporate Volunteer Council (G-CVC), an initiative of the International Association for Volunteer Efforts (IAVE). G-CVC is a network for companies with leading international employee volunteer programs, which aims to showcase best practices in corporate volunteering, and raise awareness of the impact of employee engagement in communities around the world.

External ratings, assurance and awards

Our performance and efforts were reflected in key external ratings and rankings, which take account of sustainability issues. We were named an index component for the Dow Jones Sustainability Index (DJSI) World, and are a member of the FTSE4Good index series. We have been a continuous member of both indices since their inception. With regard to the three dimensions rated for the DJSI – economic, environmental, and social - we scored well in the social dimension and are one of the financial sector's leaders in the environmental dimension. A lower score in the economic dimension – a reflection of a challenging period for us during 2008 and 2009 – meant, however, that we dropped out of the DJSI STOXX, a second Dow Jones Sustainability Index.

We ranked among the leaders in a benchmark report on climate strategies within banks, as published by Sustainable Asset Management (SAM). The report shows that we are among the top 5% of banks, which have, compared with many of our peers, comprehensively integrated the issue of climate change into core business processes.

In 1999, we were the first bank to obtain ISO 14001 certification for our worldwide environmental management system. The management system covers the entire scope of our products, services and in-house operations which may give rise to an environmental impact. It is audited annually and re-certified every three years by SGS. These comprehensive audits (24 audit days and 163 employees in the 2008 re-certification) verify that appropriate policies and processes are in place to manage environmental issues, and that they are executed in day-to-day practice. In 2009, SGS confirmed

that a well-performing environmental management system, integrated in the organization and suitable for managing environmental risks and improving environmental performance on a continual basis, was put into place. We took second place in the rankings for "Leading Brokerage Firm for Socially Responsible Investment (SRI) Research" in the 2009 Thomson Reuters Extel and UKSIF Socially Responsible Investing & Sustainability Survey.

In May 2009, the US Environmental Protection Agency (EPA) awarded UBS Tower at One North Wacker Drive, Chicago, with the Energy Star Award for superior energy efficiency and environmental protection. In June 2009, our office building on 1285 Avenue of the Americas, New York, received the Leadership in Energy and Environmental Design (LEED) for Existing Buildings Silver Certification.

Finally, in late 2009, we received two awards for our use of the web as a strategic tool for corporate responsibility communications. We came second in the first global survey of "online CSR communications" and first in the national survey for Switzerland. The surveys confirmed the significance of our website for communicating with stakeholders who wish to gain a comprehensive understanding of our corporate responsibility efforts.

→ Refer to the "Our employees" section of this report for information on diversity awards

Stakeholder dialogue and capacity building

Dialogue with external parties is an important contributor to our understanding and approach to corporate responsibility. In 2009, communications with experts and stakeholders covered a series of topics ranging from general (e.g. individual vs. corporate responsibility) to specific (e.g. environmental and social issues pertaining to particular industries).

Input on the corporate responsibility strategy and activities we pursue are also regularly sought from employees. An internal, cross-divisional network of experts plays a particularly important role with our members providing critical input on stakeholder expectations and concerns. These contributions are provided to the CRC and add valuable features to the information gathered through other established monitoring channels.

Training and awareness raising

Equally, to advance employees' awareness of our corporate responsibility processes, activities, commitments and relevant topics, these are integrated into internal education offerings and broader awareness raising activities. General information is published on our intranet and on the corporate responsibility website. In 2009, nearly 10,000 employees participated in training and awareness-raising activities dealing with corporate responsibility. Furthermore, 4,140 employees participated in training on environmental issues, with 3,047 receiving general education on our environmental policy and programs, and 1,093 employees receiving spe-

cialist training targeted at their area of expertise and impact. Awareness of corporate responsibility was also raised in induction programs via an intranet-based presentation. Employees are also required to undergo regular training in AML-related issues; this may include online training, awareness campaigns or seminars.

Responsible banking

The financial crisis has shown that an overly dominant focus on short-term thinking resulted in too many compromises on quality and sustainability. A fundamental lesson has therefore been to re-focus on long-term thinking. While actions centered on the short-term undoubtedly have their place, the overall focus must be on sustainable banking.

We have set our focus on earning the trust of our stakeholders, aiming for more sustainable earnings and creating long-term shareholder value. In ensuring that banking activities are undertaken in a responsible manner, and that products and services are suited to the needs and requirements of clients, we aim to fulfill the heightened expectations of clients and stakeholders.

Combating financial crime

We believe it is of utmost importance to actively prevent potentially irresponsible or harmful actions. First and foremost, this means that our employees must uphold the law, adhere to relevant regulations, and behave in a responsible and principled manner.

In 2009, we made forceful strides to ensure that all employees are conscious of their responsibilities and of the importance of abiding by the law in all of their actions. We have clearly laid out a solid foundation for this via new risk and compliance processes and the publication of a new Code of Business Conduct & Ethics in January 2010, and have also instigated an in-depth process of communicating to and with employees about their responsibilities.

We continued to strengthen our efforts to both prevent and combat financial crime. Taking responsibility to preserve the integrity of the financial system, and our own operations, we are committed to assisting in the fight against money laundering, corruption and terrorist financing. We employ a rigorous risk-based approach to ensure our policies and procedures correspond with those risks, and that relationships that are classified as higher risk are dealt with appropriately. We adhere to strict know-your-clients regulations, which do not, however, seek to undermine clients' legitimate right to privacy. Ongoing due diligence and monitoring is undertaken to assist in the identification of suspicious activities, including the utilization of advanced technology to assist in the identification of transaction patterns or unusual dealings which, if discovered, are promptly escalated to management or control functions.

As part of our extensive and ongoing efforts to prevent money laundering, corruption and terrorist financing, the internal global AML policies were reviewed in 2009, and enhancements to address more specific risks in relation to corruption and terrorist financing will be implemented globally in 2010. As part of our review of trade financing prohibitions regarding certain war materials, these were expanded from nuclear, biological and chemical weapons and anti-personnel land mines to include cluster bombs, depleted uranium for military purposes as well as components of all such weapons.

We are a founding member of the Wolfsberg Group, an association of 11 global banks established in 2000, which aim to develop financial services industry standards and related products for Know Your Customer, Anti-Money Laundering and Counter Terrorist Financing policies. Together with the other members of the Group, we have actively engaged with the Financial Action Task Force (FATF), which is an inter-governmental body that develops and promotes national and international policies to combat money laundering and terrorist financing in the context of its consultation processes with the private sector. Special attention has been placed on developing a risk-based approach to money laundering, implementing guidelines around Weapons of Mass Destruction Proliferation Finance, and actively contributing to the revision of FATF Recommendation 9 ("Customer due diligence and record-keeping"), which states that financial institutions, intermediaries or other third parties must perform certain aspects of the customer due diligence process.

Managing environmental and social risks

Environmental and social risk is broadly defined as the possibility that we encounter reputational or financial damage as the result of transactions, products, services or investments that involve a party associated with environmentally or socially sensitive activities, or that we are exposed to risks such as environmental liabilities, human rights infringements, or changes in regulations.

We seek to identify, manage and control these environmental and social risks in our business transactions. However, not all products and services we provide have the same risk potential: we therefore take a risk-based approach to environmental and social risk management and regularly analyze our portfolio of products and services to assess their respective environmental and social risk potential. With our current business profile and operating environment, our potential for material risk is greater within the context of our lending and capital markets businesses, as well as our direct real estate and infrastructure investments. For these products and services, we have designed procedures and tools for the identification, assessment and management of environmental and social risks. These procedures and tools are integrated into standard risk management processes, such

as due diligence on transactions or investments, helping to ensure that material environmental and social risks are identified, assessed and escalated in a timely fashion.

For example, Wealth Management & Swiss Bank and Wealth Management Americas have introduced a standardized check to identify material environmental risk in their lending to all relevant clients. Transactions with significant environmental risk undergo a detailed environmental assessment. In 2009, nearly 100,000 lending transactions in Switzerland were subject to an environmental risk check, of which 24 were referred to the business division's environmental risk competence center for detailed assessment. In the Investment Bank, the environmental risk framework covers all banking activities including debt and equity underwriting, financial advisory services and lending. Investment Bank personnel identify potential environmental risks in the initial due diligence phase and alert the Investment Bank's Environmental Advisory Group (EAG) in case of significant potential risks. Assessments by lawyers and/or external consultants are routinely sought for certain sectors and products. The EAG works with the relevant business and control functions to assess the risks, determine any mitigating measures and direct further due diligence as required (69 transactions in 2009). In this way, the relevant senior business committee may fully consider the potential environmental risk in the course of its review of the transaction and/or client. Global Asset Management has put environmental due diligence processes in place for their real estate and infrastructure funds. In 2009, all properties acquired or developed by Global Real Estate for their direct investment vehicles were subject to a thorough environmental due diligence process, in accordance with local regulations and internal best practice guidance. Similar processes are in operation in Infrastructure Asset Management.

Some of our clients operate in sectors that are considered to be particularly environmentally and socially sensitive. To support the consistent identification and assessment of environmental and social risks (including human rights) across the Group, we have developed internal industry sector guidelines. The sector guidelines currently cover chemicals, oil and gas, utilities, infrastructure, forestry products and biofuels and metals and mining. These guidelines are being adopted by each of our business divisions in transactional and client due diligence processes. These guidelines provide an overview of key environmental and social issues that arise in the various life cycles of the sector, and summarize industry standards in dealing with them. We believe that our commitment to our clients and to society requires us to search for solutions whenever possible. We seek to help clients to move towards more environmentally and socially responsible practices by engaging with them. This can benefit their business and decrease financial and reputational risk. However, where engagement is not possible or successful, we may decline the transaction altogether.

Products and services

Equally important to the management of environmental and social issues is the provision of financial products and services, which help clients manage their environmentally and socially-related business opportunities and risks. We seek to help investors benefit from related market opportunities and by integrating environmental and social considerations, where relevant, in research and investment analysis. This offering currently stretches across our businesses in wealth management, investment banking, asset management, retail, and commercial banking. It includes SRI funds, research and advisory services provided to private and institutional clients, access to the world's capital markets for renewable energy firms and, in Switzerland, "eco" mortgages.

Taking environmental, social and governance (ESG) issues into account in investment processes is of increasing interest to clients and consultants across all of our investment areas. In 2009, Global Asset Management took another step in demonstrating commitment to ESG by becoming a signatory to the UN Principles for Responsible Investment (UNPRI). UNPRI is a global investor initiative that is designed to provide a framework for better integration of ESG issues into mainstream investment practice.

Also in 2009, we decided to establish a new competence center within our Wealth Management & Swiss Bank business division, which draws and expands on our resources and expertise in the areas of philanthropy and SRI. In a "one-stop" approach, the competence center will provide clients with a unique opportunity to access a comprehensive range of philanthropic, SRI and values-based wealth management services.

Finally, our senior scientific advisor, Sir David King, continued to advise on all scientific matters with particular emphasis on global climate change and the challenges it poses to sustainable economic growth. Our clients benefit from Sir David's expertise and can get further insight into a variety of timely scientific topics through a quarterly series of science-focused bulletins. In 2009, these bulletins included briefs on climate change, biofuels and mobility. Sir David also discussed energy efficiency and low carbon technologies in the November issue of the UBS Investor's Guide.

Investment products and advisory

In 2009, we continued to expand our SRI offering in response to growing demand from a number of markets, including the launch of two new SRI products, the UBS (Lux) Equity SICAV – Sustainable Global Leaders and the UBS (Lux) Equity SICAV – Climate Change. Our offering is diverse and includes products managed according to ESG criteria and theme-based approaches. The ESG offering includes an all cap SRI Global Equity strategy, which was among the first of its kind. The theme-based approach focuses on innovative companies providing solutions to the challenges of climate change, water scarcity and demographic change. We offer a

range of products focusing on each individual theme and the flagship UBS (Lux) Equity Fund Global Innovators, which spans all three themes.

Additionally, we offer customized client portfolios in the form of segregated mandates/institutional accounts based on “negative” screening, which exclude certain controversial stocks or sectors based on their negative social or environmental impact, as perceived by the client. Our global platform and investment research enable us to offer such tailor-made solutions. In addition to fund management services, we provide stock-broking and account management services to alternative energy and SRI fund managers.

Finally, we also offer SRI portfolio management solutions to selected private client segments. This offering combines internal and external SRI expertise and includes SRI-focused portfolios in Switzerland and SRI-managed accounts in the US, where ESG criteria are embedded into the fundamental investment process, or where clients have the ability to identify and exclude securities from ownership based on issue-oriented screens. This allows private clients to customize mandates to their particular social policy criteria. Our open architecture approach also allows clients to invest in SRI bond, equity and microfinance products from leading third-party providers.

In past years, we experienced increasing client demand for SRI and expanded our SRI product offering. As per 31 December 2009, SRI invested assets had gone up to CHF 26.85 billion, representing 1.2% of our total invested assets.

Engagement and voting rights

The SRI team in Switzerland engages in dialogue with companies represented in the SRI funds they manage. The analysts and portfolio managers provide positive and negative feedback on relevant ESG issues that may impact investment performance, as part of regular communication with corporate management teams. When controversial information on the company’s environmental and social performance is received, the SRI analysts contact the company and provide

management with a chance to demonstrate what measures have been taken to solve the issues. If the company can demonstrate how it is dealing with the problem and what progress has already been achieved, an investment is possible. These engagement activities are, in addition to the positive screening processes, applied to the SRI funds.

We believe that voting rights have economic value and should be treated accordingly. In the UK, the asset management business seeks to influence the corporate responsibility and corporate governance practices of the companies it invests in. Where we have been given the discretion to vote on behalf of our clients, we will exercise our delegated fiduciary responsibility by voting in a manner we believe will most favorably impact the value of their investments. Good corporate governance should, in the long term, lead towards both better corporate performance and improved shareholder value. As such, we expect board members of companies in which we have invested to act in the service of their shareholders, view themselves as stewards of the company, exercise appropriate judgment and practice diligent oversight of the management of the company.

Research

Our SRI research teams analyze emerging socio-economic and environmental trends and assess their potential impact on investment markets and companies’ share prices. Identifying material SRI issues is challenging. As such, three things help determine which environmental and social issues are critical: society’s perception of what is important; the nature of the competitive pressures facing firms in an industry; and how costs and benefits are (or will be) distributed between stakeholders.

Our SRI research teams were established in each of our business divisions to serve their respective clients. In the Investment Bank, the equity research team writes recommendations and reports for institutional investment clients on renewable energy, the carbon markets and the impact of climate change on companies in a wide range of sectors. SRI

Socially responsible investments invested assets¹

CHF billion, except where indicated	GRI ²	For the year ended			% change from
		31.12.09	31.12.08	31.12.07	
UBS		2,233	2,174	3,189	3
UBS SRI products and mandates					
positive criteria	FS11	2.72	2.12	5.20	28
exclusion criteria	FS11	22.44	14.05	33.33	60
Third-party	FS11	1.69	1.85	1.08	(9)
Total SRI invested assets	FS11	26.85³	18.03	39.61	49
Proportion of total invested assets (%) ⁴		1.20%	0.83%	1.24%	

¹ All figures are based on the level of knowledge as of January 2010. ² Global Reporting Initiative (see also www.global-reporting.org). FS stands for the performance indicators defined in the GRI Financial Services Sector Supplement. ³ 5.5% of reported assets have newly been included in 2009 due to adjustments in the reporting process and boundaries. ⁴ Total SRI/UBS’s invested assets.

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: companies or 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.

Third-party: Our open product platform gives clients access to socially responsible investment products from third-party providers. This includes both positive and exclusion criteria, and microfinance investments.

and sustainability research is provided by a dedicated team. In 2008, the SRI and sustainability research team initiated dedicated coverage of corporate governance issues and corporate governance was the theme of our 2009 SRI conference. In addition to publishing regular research reports on the topic, we have incorporated selected governance data within some of our research tools. In the asset management business, an internal SRI research team manages portfolios around themes such as climate change/energy efficiency, water and demographics. The SRI research team in our wealth management business conducts SRI research and provides advice to private clients on SRI investment solutions.

Client interest in some aspects of SRI – for instance climate change, demographics and water – has grown, and so has research coverage. The SRI teams regularly collaborate with analysts in other teams to write about emerging SRI themes, and relevant research content is regularly published by a growing number of specialists within the mainstream research effort.

Financing and advisory services

Our renewable energy investment banking business arranges financing and provides strategic and financial advisory services for companies in the solar, wind, wave and other renewable energy sectors. Since 2006, we have led over 35 financing transactions in these sectors, raising over USD 24 billion for renewable energy companies worldwide. In 2009, we acted as the joint lead underwriter and joint lead manager for the USD 2.6 billion initial public offering of the wind power developer and operator, China Longyuan Power Group. With over 3,300 mega-watts of installed wind capacity as of September 2009, and targeting 6,500 mega-watts by the end of 2010, Longyuan Power is the largest wind power company in Asia and the fifth largest in the world.

Carbon trading

In cap and trade emissions markets, such as the EU Emissions Trading Scheme (EU ETS), companies have annual caps on the amount of emissions their facilities are allowed to produce. Companies who are able to reduce their emissions below their cap have the ability to sell their unused quota to other entities, thereby creating an emissions market. Through the use of financial instruments, we are able to help clients manage their exposure to the emissions markets. UBS Exchange Traded Derivatives (ETD) is an active member of the major emission exchanges in Europe and North America, and offers execution and full service clearing for contracts on EU ETS allowances (EUA), UN Certified Emissions Reductions (CER), Regional Greenhouse Gas Initiative allowances, Chicago Carbon Exchange (CCX) carbon financial instruments and nitrogen oxide and sulfur dioxide.

Corporate responsibility in operations

We have long taken a very keen and active interest in lowering the environmental footprint of our operations and in our supply chain. Following the establishment of our first energy functional unit in the late 1970s, we were also the first Swiss bank to establish the position of an environmental officer in the 1980s. Years later, we persist to improve the environmental efficiency of our operations.

Environmental and CO₂ footprints

We directly impact the environment in a number of ways: our businesses consume electricity; employees travel for business purposes and use paper and generate waste in the course of their work; and offices require heating and cooling systems. Improving the use of these resources can reduce costs and enhance environmental performance; therefore, we have a series of measures to efficiently manage our environmental impact.

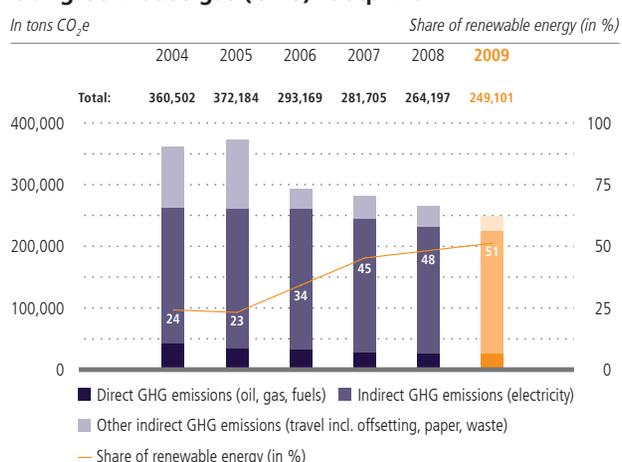
CO₂ strategy and emission reduction

In February 2006, the GEB decided to set a Group-wide CO₂ emission reduction target of 40% below 2004 levels by 2012. We seek to achieve this target by:

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

These measures allowed us to further increase the share of renewable energy we purchase, and reduce our 2009 CO₂ emissions by 31% compared with 2004, another step toward achieving the 40% reduction target by 2012.

Our greenhouse gas (GHG) footprint



Energy consumption and efficiency

Energy consumption represents an important environmental impact area and is the biggest contributor to our overall greenhouse gas emissions. In line with our wider business strategy, improvements in energy efficiency have helped to reduce both emissions and costs. Energy consumption is down 6% (59 gigawatt hours) through a combination of tighter building controls, data center and work station efficiency, and reduced occupancy. Our IT-driven initiatives contributed significantly to these energy savings, most notably through the server efficiency program.

Renewable energy

In addition to our energy efficiency programs, we seek to improve the energy mix purchased by including a higher proportion of renewable energy. The percentage of renewable energy and district heating purchases increased from 24% in 2004 to 51% in 2009. In Switzerland, for example, the percentage of electricity sourced from renewable sources increased to almost 100%. We also purchase renewable energy credits (RECs) in the US electricity markets, which accounted for 18% of our electricity consumption in the US in 2009.

Business travel and offsetting

We experienced a significant reduction (approximately 40%) in business related travel in 2009 due to difficult market conditions and a focus on reducing costs. Although travel is essential for a global financial services firm that strongly believes in personalized client relationships, our previous investments in video conferencing infrastructure have enabled employees to substantially reduce travel for internal meetings.

We have also seen a shift to high speed rail to replace short haul air travel in Europe. Guidelines have also been developed to help us reduce the environmental impact when running client events and conferences.

Carbon emissions resulting from business travel have been offset as in previous years, and we partner with a number of specialists to carefully select global projects that match our criteria for delivering carbon offsets and contributing to the local community. In 2009, we selected projects in Brazil, India, Turkey and China.

Paper and waste

In 2006, we set firm-wide targets to reduce our paper and waste consumption. The goal of reducing paper consumption per employee by 5% for 2009 was exceeded significantly with the average amount of paper used per employee down 31% since 2006. This reduction was particularly strong in 2009, due to a combination of significantly lower publication volumes and the success of e-documents and double-sided printing initiatives.

The share of paper from recycled sources is slightly under our goal of 20%, though our overall environmental footprint from paper use has been improved by increasing the share of Forest Stewardship Council (FSC) certified paper from 0% in 2006 to 17% in 2009.

The waste recycling ratio remained at a low level of around 54%, partially due to the consequence of reduced paper consumption.

Supply chain management

Maintaining our infrastructure, ranging from offices across IT infrastructure to more mundane components such as stationery, would not be possible without the products and services from a substantial range of suppliers and vendors around the world. In 2009, we spent over CHF 6.3 billion purchasing a wide range of products and services from suppliers and contractors. We are committed to responsible supply management, and for many years have established processes to manage environmental and human rights issues in relevant areas of our supply chain. In line with our ambition to achieve continuous improvement in our supply chain, we have developed a guideline which provides Group-wide assistance on identifying, assessing and monitoring supplier practices in the areas of human and labor rights, the environment and corruption. Examples of human rights issues that have been included are avoidance of child and forced labor, non-discrimination, remuneration, hours of work, freedom of association, humane treatment, and health and safety. In 2008, we started implementing this guideline and have gradually broadened its application to new contracts and contract renewals with suppliers over the course of 2009. Since its introduction, approximately 400 suppliers have been screened according to the guideline's social and environmental criteria, and responsible supply chain require-

Environmental indicators per full-time employee

	Unit	2009	Trend	2008	2007
Direct and intermediate energy	kWh/FTE	11,986	→	11,792	11,942
Business travel	Pkm/FTE	7,016	↓	10,281	12,685
Paper consumption	kg/FTE	130	↓	167	190
Waste	kg/FTE	265	↓	298	299
Water consumption	m ³ /FTE	31.9	↑	28.1	26.7
CO ₂ footprint	t/FTE	3.12	→	3.07	3.43

Legend: FTE = full-time employee; kWh = kilowatt-hour; Pkm = person kilometer; kg = kilogram; m³ = cubic meter; t = ton

Environmental indicators¹

		2009 ²			2008 ²	2007 ²
	GRI ³	Absolute normalized ⁴	Data quality ⁵	Trend ⁶	Absolute normalized ⁴	Absolute normalized ⁴
Total direct and intermediate energy consumption⁷		957 GWh	***	↘	1,016 GWh	981 GWh
Total direct energy consumption⁸	EN3	132 GWh	**	→	127 GWh	130 GWh
natural gas		84.6%	**	→	83.3%	83.3%
heating oil		10.9%	***	↓	12.2%	12.1%
fuels (petrol, diesel, gas)		4.5%	***	→	4.5%	4.6%
renewable energy (solar power, etc.)		0.05%	***	↑	0.03%	0.03%
Total intermediate energy purchased⁹	EN4	825 GWh	***	↘	890 GWh	851 GWh
electricity from gas-fired power stations		10.6%	**	→	11.7%	12.3%
electricity from oil-fired power stations		2.9%	***	↓	3.7%	4.2%
electricity from coal-fired power stations		17.5%	**	→	18.4%	18.6%
electricity from nuclear power stations		9.5%	**	↘	11.1%	13.6%
electricity from hydroelectric power stations		28.0%	***	↗	25.8%	25.5%
electricity from other renewable resources		23.6%	***	→	23.1%	22.0%
district heating		7.8%	***	↑	6.2%	3.8%
Share of renewable energy and district heating		51%	***	↗	48%	45%
Total business travel	EN29	560 m Pkm	***	↓	886 m Pkm	1,042 m Pkm
rail travel ¹⁰		3.7%	**	→	3.5%	3.3%
road travel ¹⁰		1.0%	**	↑	0.6%	0.5%
air travel		95.3%	***	→	96.0%	96.2%
Number of flights (segments)		258,396	***	↓	398,369	446,274
Total paper consumption	EN1	10,349 t	***	↓	14,403 t	15,593 t
post-consumer recycled	EN2	16.7%	***	→	16.2%	10.5%
new fibers FSC ¹¹		17.1%	***	→	16.6%	10.7%
new fibers ECF + TCF ¹¹		65.9%	***	→	66.8%	78.6%
new fibers chlorine bleached		0.4%	**	↗	0.4%	0.2%
Total waste	EN22	21,183 t	***	↓	25,644 t	24,589 t
valuable materials separated and recycled		54.4%	***	→	54.6%	56.3%
incinerated		12.5%	***	↓	14.3%	15.8%
landfilled		33.1%	**	→	31.1%	27.9%
Total water consumption	EN8	2.55 m m³	**	→	2.42 m m³	2.19 m m³
Greenhouse Gas (GHG) Emissions in CO₂e						
Direct GHG emissions (Scope 1) ¹²	EN16	25,723 t	***	→	26,490 t	26,701 t
Gross indirect GHG emissions (Gross Scope 2) ¹²	EN16	298,338 t	**	→	313,582 t	311,808 t
Gross other indirect GHG emissions (Gross Scope 3) ¹²	EN17	87,867 t	***	↓	129,364 t	149,323 t
Total Gross GHG Emissions		411,928 t	***	↓	469,436 t	487,832 t
GHG reductions from renewable energy ¹³		99,248 t	***	↘	109,238 t	93,127 t
CO ₂ e offsets (business air travel) ¹⁴		63,579 t	***	↓	96,000 t	113,000
Total Net GHG Emissions (GHG Footprint)¹⁵		249,101 t	***	↘	264,197 t	281,705 t

Legend: GWh = giga watt hour; Pkm = person kilometer; t = ton; m³ = cubic meter; m = million; CO₂e = CO₂ equivalents

¹ All figures are based on the level of knowledge as of January 2010. ² Reporting period: 2009 (1 July 2008–30 June 2009), 2008 (1 July 2007–30 June 2008), 2007 (1 July 2006–30 June 2007) ³ Global Reporting Initiative (see also www.globalreporting.org). EN stands for the Environmental Performance Indicators as defined in the GRI. ⁴ Non-significant discrepancies from 100% are possible due to roundings. ⁵ Specifies the estimated reliability of the aggregated data and corresponds approximately to the following uncertainty (confidence level 95%): up to 5%–***, up to 15%–**, up to 30%–*. Uncertainty is the likely difference between a reported value and a real value. ⁶ Trend: at a ***/**/* data quality, the respective trend is stable (→) if the variance equals 5/10/15%, low decreasing/increasing (↘/↗) if it equals 10/20/30% and decreasing/increasing if the variance is bigger than 10/20/30% (↓/↑). ⁷ Refers to energy consumed within the operational boundaries of UBS. ⁸ Refers to primary energy purchased which is consumed within the operational boundaries of UBS (oil, gas, fuels). ⁹ Refers to energy purchased that is produced by converting primary energy and consumed within the operational boundaries of UBS (electricity and district heating). ¹⁰ Rail and road travel: Switzerland only. ¹¹ Paper produced from new fibers. FSC stands for Forest Stewardship Council, ECF for Elementary Chlorine Free and TCF for Totally Chlorine Free. ¹² Refers to ISO 14064 and the "GHG (greenhouse gas) protocol initiative" (www.ghgprotocol.org), the international standards for GHG reporting: scope 1 accounts for direct GHG emissions by UBS; gross scope 2 accounts for indirect GHG emissions associated with the generation of imported/purchased electricity (grid average emission factor), heat or steam; gross scope 3 accounts for other indirect GHG emissions associated with business travel, paper consumption and waste disposal. ¹³ GHG savings by consuming electricity from renewable sources. ¹⁴ Offsets from third-party GHG reduction projects measured in CO₂e equivalents (CO₂e). These offsets neutralize GHG emission from our business air travel. ¹⁵ GHG footprint equals gross GHG emissions minus GHG reductions from renewable energy and CO₂e offsets.

ments were included in the arrangement with relevant suppliers who were awarded contracts. Also since 2008, approximately 260 procurement and sourcing officers have been trained on the relevance and application of the new guideline. The centralization of all units performing supply management activities within Supply & Demand Management (SDM) in the Corporate Center in 2009 further contributed to a stringent implementation of the guideline when interacting with our suppliers.

Community investment

In 2009, we continued the well-established tradition of supporting the advancement and empowerment of organizations and individuals within the communities we do business in. From an early focus on direct cash donations, we have progressed to a position where our community investment program encompasses employee volunteering, matched-giving schemes, in-kind donations, disaster relief efforts and/or partnerships with community groups, educational institutions and cultural organizations in all of our business regions.

Community affairs

Community affairs at UBS are founded on a global strategy defined by the GEB, and are based on a global community affairs guideline. Activities are governed in a decentralized fashion. Every region has a dedicated community affairs team which reports directly to senior management. With regional guidelines in place, the teams coordinate charitable commitments by our firm and our employees. The Corporate Center ensures global coordination of these activities and also provides a central reporting structure to collate community investment data from across UBS as a whole.

In 2009, we set clear savings goals across the firm; these also had an impact on the activities of the regional community affairs functions. Direct cash donations by UBS and our affiliated foundations to carefully selected non-profit partner organizations and charities were lower than in previous years totaling nearly CHF 27 million, assigned, primarily, to our continuing community affairs key themes, "Empower-

ment through Education" and "Building Stronger Communities", with some contributions to other activities, including disaster relief. These donations combined with other significant activities, notably the volunteering activities of employees, have continued to provide substantial benefit to projects and people around the world (as highlighted in the examples given on the next page).

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 2009, more than 9,200 employees spent almost 78,800 hours volunteering. We support their commitment by offering up to two working days a year for volunteering efforts, and also match employee donations to selected charities.

In Switzerland, our community investment efforts are also advanced by the UBS Culture Foundation, the UBS Foundation for Social Issues and Education and the association A Helping Hand from UBS Employees. In 2009, these organizations have again made valuable contributions to important societal causes, including fostering humanities and the creative arts, supporting communities in need, and helping disabled and disadvantaged people.

Client foundation

Charitable organizations and projects across the globe – usually in regions without a UBS business presence – also benefit from the dynamic activities of our client foundation, the UBS Optimus Foundation, which invests donations into a number of programs and organizations. The foundation focuses on the key themes of "Education and Child Protection" and "Global Health Research". The UBS Optimus foundation celebrated its tenth anniversary at the end of 2009, and proudly looked back at a successful year in which it donated CHF 22 million in support of 93 projects and two major initiatives in Africa, Asia Pacific, Europe and North and South America. Over the past ten years, the UBS Optimus Foundation has supported 146 projects in 63 countries with a total of more than CHF 79 million. For its anniversary year, it has set itself ambitious targets to further expand the benefits it extends to charitable projects around the globe.

Examples of UBS community investment activities across the globe

Americas (I): The *Power Lunch* literacy mentorship program celebrates a decade long partnership. Over the past ten years over 1,400 employees from UBS Americas have volunteered from sixty to ninety minutes each week to read aloud to at-risk public elementary school students. Studies have shown that student-reading skills are enhanced through the use of mentor relationships. The program began with Everybody Wins, a non-profit organization based in New York City, and has served children in Chicago, IL, Jersey City, NJ, Los Angeles, CA, New York, NY, Stamford, CT and Weehawken, NJ. Over 1,600 students have participated in the reading program over the last decade; they have been the recipients of approximately 50,000 volunteer hours. "The fact that UBS supports these programs means a lot to me, and helps connect me to the firm and to the UBS culture", says Maryellen Frank, a UBS employee who has participated in *Power Lunch* since its inception. "I have been here almost 20 years, and the constant connection between the firm and the community is something to be very proud of."

Americas (II): In October 2009, Wealth Management Americas organized an Employee Giving Campaign, a new addition to its Building Brighter Futures program, which aims to make schools and other education-based community organizations into dynamic learning centers. The primary goal of the Campaign was to raise funds for educational organizations with the firm matching employee donations dollar for dollar, and 29 charities were nominated by our employees. By making a significant monetary contribution (nearly USD 600,000) towards the enhancement of school buildings, and the gathering

of various resources to offer students the chance to achieve success, we have made a difference in the lives of the children and families involved. October 2009 was also Building Brighter Futures' Community Engagement Month. Its goal is to cultivate school and civic collaboration to help transform schools or education-focused organizations into dynamic learning centers. Through our partnership with the Hands On Network, a non-profit organization focusing on community service, over 1,100 UBS employees participated in locally-driven volunteer activities. Since the launch of Community Engagement Month in 2007, over 5,700 employees, their friends and their families have volunteered across the country.

Asia Pacific: In order to maximize the impact of our grants in Singapore and Tokyo, we are now working with the Community Foundation of Singapore and Social Venture Partners Tokyo. With both partners, we are able to strengthen the capacity of community organizations to meet local needs and provide corporate philanthropic leadership. Through the creation of a donor-advised fund in Singapore in 2009, we will continue to support our existing community partners. "UBS's leadership in corporate responsibility in Singapore is a great example for other corporations", says Stanley Tan, Chairman of the Community Foundation of Singapore. "Their strategic approach to the commitment of funds and employee skills are a tremendous investment in our community." In Tokyo, promising social entrepreneurs have the opportunity to apply for funding through a competitive process, with the successful projects receiving strategic business counseling as well as funding.

Europe, Middle East and Africa:

Throughout the region, we continue to support regeneration efforts, particularly in areas close to where we conduct our business. In Milan and Paris, employees are involved in projects supporting the development and education of young adults from disadvantaged communities. In London, our efforts were recognized by the Business in the Community Example of Excellence Award for Project Shoreditch, a targeted and collaborative regeneration partnership involving UBS, Deutsche Bank, Linklaters, and community partners East London Business Alliance and Shoreditch Trust. Project Shoreditch has placed over 5,000 employee volunteers with organizations in the Shoreditch area, and leveraged over GBP 450,000 in in-kind support. Carsten Kengeter, co-CEO of the Investment Bank, joined a group of 30 colleagues to take part in an employee volunteering project in Shoreditch, working with students at The Bridge Academy, Hackney, our flagship EMEA Community Affairs partnership, raising student aspirations by taking part in practical and group work.

Switzerland: Young Enterprise Switzerland (YES) develops and supervises practice-oriented economic education programs for students, with the aim of connecting the economy with schools. The non-profit organization focuses on young people who are empowered to network in economic relations, act entrepreneurially, and be responsible and successful in finding their way within the global economy. Thanks to a quadrennial partnership, YES and UBS jointly enhance the power of innovation and competitiveness of young Swiss students.

→ Refer to www.ubs.com/community for more information on our community investment activities



ASSURANCE STATEMENT

SGS STATEMENT ON ASSURANCE OF UBS GRI Sustainability Disclosure 2009

SCOPE

SGS was commissioned by UBS to conduct an independent assurance of the GRI based Sustainability Disclosure for 2009. The scope of our engagement was limited to the GRI disclosure requirements and indicators as contained in the GRI index published at www.ubs.com/gri. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included all text and 2009 data in accompanying tables, contained in the printed Annual Report 2009 and referenced information on the webpage of UBS as quoted in the GRI index. Earlier data were not included in this assurance process.

CONTENT

The information in the report and on the webpage and its presentation are the responsibility of the directors or governing body and the management of the organization. SGS has not been involved in the preparation of any of the material included in the GRI index and acted as an independent assessor of the data and text using the Global Reporting Initiative Sustainability Reporting Guidelines 2006 as a standard. The content of this Assuror's Statement and the opinion(s) it gives is the sole responsibility of SGS.

ASSUROR INDEPENDENCE AND COMPETENCIES

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from UBS, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders. The assurance team was assembled based on their knowledge, experience and qualifications for this assignment.

METHODOLOGY

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines (2006). In a separate engagement, SGS has certified the environmental management system in accordance with ISO 14001:2004 and verified the greenhouse gas emissions in accordance with ISO 14064. The assurance comprised a combination of pre-assurance research; interviews with relevant employees; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to its source as part of this assurance process.

OPINION

On the basis of the methodology described, we are satisfied that nothing has come to our attention that causes us not to believe that the information and data contained within the Disclosure referenced in the GRI index 2009 is accurate, reliable and provides a fair and balanced representation of UBS's sustainability activities in 2009. We are satisfied that the Sustainability Disclosure as referenced in the GRI index meets the requirements of level A+ of the GRI (2006), as declared. At the same time it fulfills the requirements for Communication on Progress (COP) under the UN Global Compact. Recommendations regarding the further development of the sustainability disclosure and management system at UBS were communicated to the firm in an internal report.

SIGNED FOR AND ON BEHALF OF SGS

Dr. Christine Jasch
Lead auditor, SGS

Elvira Bieri
Lead auditor, SGS



Zurich, 19 February 2010

WWW.SGS.COM