



Our commitment to
the environment
Extract from the UBS
Environmental Report 1998-99



Foreword

The Group Executive Board's view

On 15 July 1998, shortly after the merger, the Group Executive Board of UBS AG passed the new environmental policy. This signals the high priority UBS assigns to environmental issues. For UBS, environmental sustainability plays a considerable part in solid and responsible management practices.

Our environmental policy concentrates on the fields of banking, in-house ecology and environmental management. In banking, we aim to take advantage of environmental opportunities and duly take environmental risks into account in our risk management.

For UBS, environmental sustainability plays a considerable part in solid and responsible management practices.

With regard to in-house operations, we wish to reduce air, soil and water pollution whilst focusing on the reduction of greenhouse gas emissions. We strive to ensure the efficient implementation of our measures by a lean and effective environmental management system. In all our efforts, we seek open and active dialogue with all stakeholders concerned.

UBS AG is a globally active, dynamic financial institution and, as such, must pay regard to the objectives of its divisions and also to the varying demands and aspirations of shareholders, clients, staff and society. The implementation of our environmental policy, therefore, presents a special challenge for all involved.

Over the past few months we have developed our existing environmental management system further, in accordance with the requirements of the ISO 14001 international environmental

standard. SGS International Certification Services AG recently confirmed that our system conforms to these requirements. This means that we are the first financial service institution to have a world-wide environmental management system certified according to ISO 14001.

We are proud to present, with this report, our own contribution to a better environment.



Marcel Ospel
President & Group CEO

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The 1998-99 environmental report

Facts and basis

UBS is one of the world's leading financial service providers and boasts excellent financial ratings. At the end of 1998, the group had a total of CHF 1,572 billion of assets under management and total balance sheet assets of CHF 944 billion.

The 5 divisions

The **Private and Corporate Clients** division has a network of 520 branch and agency offices (as at 31 Dec., 1998) in Switzerland, servicing approximately 4.4 million private clients, 180,000 business clients and 10,000 larger corporate clients.

The **Private Banking** division provides customized services for high-net-worth individuals world-wide.

The **Warburg Dillon Read** division provides a comprehensive range of investment banking services, on a global basis.

The **UBS Brinson** division is a world-wide operation. It specializes in international investment business, which includes asset management for institutional investors.

The **UBS Capital** division is a world-wide operation specializing in private equity business. Its portfolio, at the end of 1998, amounted to approximately CHF 1.8 billion.

Reporting

The 1998-99 environmental report illustrates how environmental aspects are integrated into the group's business activities and details the environmental

Number of employees (as at 31 Dec., 1998)

Private and Corporate Clients	24 043	staff
Private Banking	7 634	staff
Warburg Dillon Read	13 794	staff
UBS Brinson	1 497	staff
UBS Capital	122	staff
Corporate Center	921	staff
Total	48 011	staff
No. of which in Switzerland	32 706	staff

performance of UBS. In our in-house operations, environmental performance is quantified, whilst for bank products, it is described with reference to established processes and specific examples. This report shows how far we have progressed in implementing our environmental policy, including the successes already achieved and the areas in which there is further room for improvement.

How the report was produced

At the outset of the environmental report, we conducted a broad-based survey of environmental experts to identify the requirements that an environmental report must satisfy. The detailed contents were provided by the various divisions of UBS in cooperation with our external consultants. Additionally, a neutral expert accompanied the drafting of this report. Responsibility for the report lies with the Environmental Risk Management Services specialist unit at UBS. The internal and external members of the project team may be found on the internet. The deadline for the validity of the contents of the printed version is 22 April 1999.

The scope of the report

The environmental report covers the world-wide bank products and services of UBS AG, together with all in-house operations carried out, across all UBS divisions, in Switzerland. It does not cover the operations of UBS subsidiaries, health and safety aspects nor social considerations.

The complete UBS environmental report, for 1998-99, is published on the Internet.

This brochure is only an extract of the full environmental report, which is available on the Internet at <http://www.ubs.com/environment>. The Internet version is regularly updated and contains further information and greater detail. In addition, the printed brochure can be downloaded from the Internet as a .pdf file.

This brochure is only an extract of the full environmental report, which is available on the Internet at <http://www.ubs.com/environment>.

Environmental management at UBS

Continuous improvement

The aim of environmental management at UBS is to systematize the environmental measures taken by the bank and to improve the efficiency of all environmentally-related action.

The environmental management system

Completed in 1998, after the merger, the UBS environmental management system is in line with the international ISO 14001 standard for environmental management systems and was designed to be compatible with the classic management cycle.

Environmental policy

In July 1998, the Group Executive Board decided on the new UBS AG environmental policy (see page 14). This policy states the UBS pledge to integrate environmental aspects into the three action areas of "banking operations, financial products and services", "in-house ecology" and "management".

In 1992, UBS was amongst the first, of what have since grown to 140 banks, to sign the UNEP (United Nations Environment Programme) bank declaration. UNEP hopes that this declaration will help to anchor environmental considerations in all areas in which financial service providers operate.

Annual objectives and environmental programme

The different divisions are responsible for drafting their own annual objectives and environmental programme. These are formulated after intensive discussions between the functional environmental units and the front line units, before being approved and adopted by the chief line unit responsible.

As part of their functional responsibilities, all managers and employees are charged with the task of implementing the bank's environmental policy.



Also factored into this planning process are: the annually updated analysis of the environmental impact of the bank's products; the environmental performance evaluation (EPE) of the bank's operations (analysis of the main materials and energy flows); and the monitoring of our compliance with legal provisions and other environmental regulations.

Organization and implementation

The ultimate responsibility for environmental matters lies with the UBS Chief Executive Officer. However, as part of their functional responsibilities, all managers and employees are charged with the task of implementing the bank's environmental policy. In addition, the functional environmental units provide support for the work carried out by the line units.

When integrating environmental considerations into staff training, the aim is to make employees aware of environmentally-friendly conduct and to motivate and empower them to act accordingly. Overall, in 1997 and 1998, environmentally-related training modules were taught to more than 1,300 members of staff; induction and technical training was provided to more than 600 individuals, whilst more than 170 managers attended environmentally-related courses.

Controlling and audit

We are constantly and actively developing the environmental controlling for the activities of our divisions. Accordingly, we attach great importance to our environmental audits – extensive and systematic annual, internal reviews of environmental organization and environmental management throughout the bank's activities and operations. In 1998, for example, we performed some 100 environmental audits of our banking activities in the Private and Corporate clients, Warburg Dillon Read, Private Banking and UBS Brinson divisions, as well as approximately 35 audits of energy management and in-house ecology.

Management review

Each year the Group Executive Board takes stock of the progress made toward implementing the environmental policy and, based upon the results of the internal audits, sets overall environmental objectives. In 1998 this evaluation by top management took place on 17 December.

► Further information on the Internet

- environmental management objectives
- environmental management cycle
- environmental training

Environmental communications

Information at all levels

In accordance with our environmental policy, we pursue an open information policy with all UBS stakeholders concerning the environmentally-related aspects of our activities. We aim to use our environmental track record to enhance our profile and thereby promote our banking products. At the same time, we act to raise our business partners' awareness of environmental issues.



Client requirements and shareholders' interests

We endeavour to inform our customers of our environmentally-friendly products and services, as well as about the environmental risks and opportunities arising in business management.

In the case of **shareholders**, we mainly interact with equity analysts who are interested in our environmental management and environmental performance, and in their consequences for shareholder value.

Members of staff are kept constantly informed of environmental issues. Besides technical training, the emphasis in staff communications is on ways to make behaviour at the workplace more environmentally-friendly.

Working with the authorities

As a matter of priority, we have entered into voluntary collaboration with the authorities on environmental matters at international, national and local levels.

For instance, as part of the "Zurich Energy Model" scheme, UBS, and other major energy consumers, have reached a voluntary agreement with the government of the Canton of Zurich to increase energy efficiency.

UBS actively supports the Confederation's "Energy 2000" programme and is represented on the steering committee of the "Services and Commerce" section. This, of course, is in addition to implementing the measures of "Energy 2000", such as energy-saving weeks, ourselves.

In 1997, in conjunction with the BBL (Swiss Federal Department of Civil Engineering and Logistics), we compiled the brochure "Environmental management for building construction projects", complete with detailed checklists for use by construction specialists.

Partners for environmental training

We encourage environmental initiatives, in particular those aiming to integrate environmental aspects into all forms of management training. For instance, we support the "Prince of Wales Business and Environment Programme" and the establishment of the European-wide, environmental economics, students' initiative, "oikos international".

Environmental organizations

Our contributions, to the work of environmental organizations, encourage the exchange of experience and the development of new approaches to environmental management.

For example, we are involved in or working with:

- the UNEP Financial Services Initiative
- the World Business Council for Sustainable Development (WBCSD)
- the Global Reporting Initiative (GRI)
- the Swiss Association for Ecologically Aware Company Management (öbu)
- the Banks and the Environment working group of the Swiss Bankers' Association
- the Environmental Issues Advisory Panel of the British Bankers' Association

Environmental awards

In 1997, our new Lugano Suglio administrative complex was awarded both the Swiss and European Solar prizes for being a pioneering project in energy-related, ecological and architectural terms.

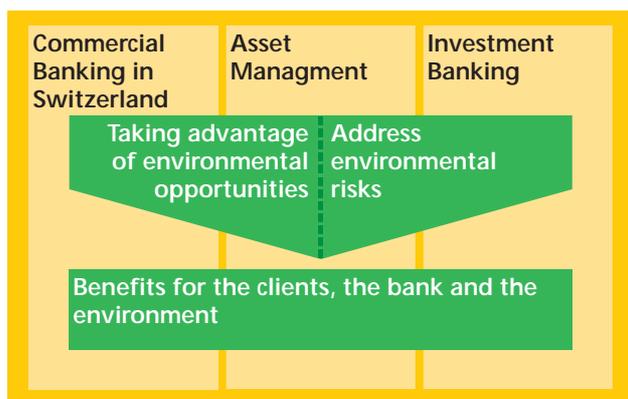
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► Further information on the Internet

- communication with our stakeholders
- examples of co-operation
- our contributions to environmental organizations
- questionnaires drafted by environmental analysts

Banking and the environment

Seize opportunities, reduce risks



“We seek to build shareholder value by taking advantage of environmental market opportunities. At the same time, we will incorporate due consideration of environmental risks into our risk management processes, especially in lending and investment banking.”

(UBS environmental policy)

Environmentally-related opportunities and risks in commercial banking

New business opportunities and lower costs are benefits of being an environmentally-oriented company. At the same time, environmental risks incurred by our credit clients can also have consequences for UBS.

In the long term, the successful companies will be those which display high levels of resource efficiency and which market ecologically responsible products.

In as early as 1994, in order to identify these risks and opportunities, UBS incorporated the systematic assessment of environmental aspects into its credit application processes – especially in relation to corporate and business clients.

Increased value with less pollution in asset management

In the long term, the successful companies will be those which display high levels of resource efficiency and which market ecologically responsible products. The underlying idea behind this theory is the concept of eco-efficiency. The primary objective of eco-efficiency is to reduce the amount of energy and resources consumed per unit of added value: increased value with less impact on the environment.

Environmentally-oriented investment products have been available in the Anglo-Saxon countries since the late 1960s. They are based first and foremost on ethical principles and are geared towards excluding companies with particularly poor environmental records. Since the mid-1990s, these have been joined by investment fund products, such as the UBS Eco-Performance-Portfolios, which are increasingly geared to the concept of eco-efficiency. Although such eco-efficient investment products still account for only a small share of the market, that share is growing rapidly.

Environmental and financial risks in Investment Banking

To include environmental risks, where appropriate, in investment banking, Warburg Dillon Read approved the new Global Environmental Risk Policy, which came into force in February 1999.

Our clients’ business performance could be damaged by inadequate consideration of environmental aspects. The requirement to comply with new environmental legislation, or the obligation to clean up contaminated land, can cost companies dearly, much to the detriment of future cash flows.

Special criteria on which certain investors insist, such as conformity with World Bank standards, also have to be considered in certain cases. In initial public offerings (IPOs) and equity issuing business, we endeavour to factor any existing environmental risks into our pricing structures and into our procedures for placing the issues.

In addition to this, environmentally controversial transactions are increasingly being targeted by pressure groups.

Future trends in banking

In asset management we now offer environmental investment funds and, in our Swiss commercial banking operations, we have integrated the assessment of environmental aspects into our credit application processes.

But what does the future hold? Currently, we are investigating the possible environmental market opportunities in the field of private equity, as well as looking at the increasingly significant impact of global climate policies on our banking business. In order to carry out these assessments as expeditiously as possible, we are making progressively greater use of information and other services provided by external companies which specialize in these areas.

Commercial banking Switzerland

Assessing environmental aspects

Since 1994, UBS has operated a three-phase procedure for the systematic assessment of environmental aspects in its lending operations.

Three-phase assessment procedure

1. During discussions with our client, we explore possible environmental opportunities and risks. To this end, our client advisor is issued with a checklist and other tools.

2. Where environmental credit risks are present, in the second phase the client advisor raises these with the in-house credit officer and values them with a view to establishing whether financing the proposed loan is a viable proposition.

3. In the third phase of evaluating the credit application, if further clarifications are required, we are able to call upon the services of the external environmental specialists, Ecofact AG.

Decision on viability and conditions

During credit application processing, UBS takes due account of all financially relevant environmental aspects: they are factored into the credit assessment procedure in the same way as more conventional rating factors (key finan-

Three-phase rating procedure:

1. Recognizing environmental opportunities
2. Assessing credit risks
3. Deeper analysis of important environmental aspects

Environmental training in commercial banking

External functional unit

cial figures/ratios, industry in which the client operates or the quality of the management).

When assessing the extent to which assets offered as security will maintain their value, we also include potential clean-up costs or loss of value, as a result of site contamination, in our calculations. The results of the environmental assessment may also affect the terms and conditions on which a loan is granted.

Environmental training in commercial banking

Our client advisors and credit units receive carefully targeted training on the subject of environmental opportunities and risks. To this end, we have developed an environmental training module entitled "Credit risks from environmental risks".

External environmental specialists

The tasks performed by the external environmental specialists, Ecofact AG, include the co-ordination of technical investigations into sites which may be contaminated, compilation of back-

ground documentation for client advisors and collaboration in training activities. Ecofact AG is an integral part of our environmental management system within commercial banking, and has performed approximately 400 "third-phase" environmental audits, since 1994.

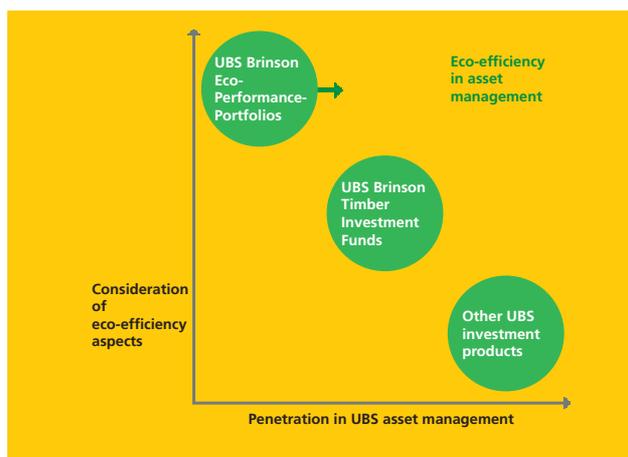
During credit application processing, UBS takes due account of all financially relevant environmental aspects: they are factored into the credit assessment procedure in the same way as more conventional rating factors.

► Further information on the Internet

- environmental objectives for commercial banking
- environmental training within commercial banking
- case studies
- results of the environmental audits
- benefits for commercial banking

Asset management

Eco-efficiency as investment strategy



UBS' asset management is carried out in the Private Banking, UBS Brinson and Private and Corporate Clients divisions. The bank offers environmentally-friendly investors two investment products: the Eco-Performance-Portfolios and the timber investment funds of UBS Brinson, Inc.

Eco-Performance-Portfolios

In June 1997, UBS broke new ground with the launch of its Eco-Performance-Portfolios. These consist of investment funds for private investors and of an investment foundation for Swiss occupational pension schemes. The most important characteristics of these products are:

- they are globally diversified equity funds investing in all the leading countries and sectors;
- they invest only in ecologically sound companies which seize environmental market opportunities; and
- they select and/or invest in a firm only if conventional financial analysis criteria are also fulfilled.

The fund has been designed to ensure that the stocks selected for investment are those which carry above-average ratings for both financial and environmental performance. By selecting companies whose environmental commitment leads to reduced environmental risks and opens up new market opportunities, UBS aims to offer investors a combination of extra environmental benefits, in addition to levels of return at least in line with the market.

At UBS Brinson, the functional unit "Environmental Performance Analysis" is responsible for making the relevant environmental assessments. Since 1996, this unit has been dedicated to integrating ecological criteria into investment products.

UBS Brinson, Inc.

The UBS Brinson, Inc. timber investment funds offer institutional investors the opportunity to invest in forestry. UBS Brinson manages a total of ten funds, investing in timberland projects in the USA, New Zealand, Argentina, Chile and Uruguay.

These funds invest in forestry assets and co-invest in forestry companies that are managed in an environmentally responsible manner. One of these companies, in New Zealand, has already earned the ISO 14001 certification. The average return achieved by the funds since 1988 is 14.2 %.

Volume

The total volume of assets managed according to ecological criteria at UBS is approximately CHF 180 million in the UBS Eco-Performance-Portfolios, CHF 150 million in individual discretionary management mandates and CHF 1.6 billion in the UBS Brinson, Inc. timber investment funds (as at 31 Dec., 1998). This corresponds to roughly 0.12 % of the total assets under management at UBS.

If demand for ecological investment products from institutional and private investors continues to strengthen in the future, we expect the volume of assets managed according to ecological criteria to increase.

Other investment products

In the past, environmental aspects were factored into asset management by a general clause contained in the Internal Investment Guidelines of the investment funds. However, the wisdom of maintaining this clause and extending it to cover the whole area of fund management has been questioned, since putting it into practice is very problematical. One of the main problems is the difficulty investment funds face in achieving a benchmark return calculated without allowance for investment constraints.

► Further information on the Internet

- environmental objectives in asset management
- stock selection and investment strategy of the Eco-Performance-Portfolios
- development of the Eco-Performance-Portfolios
- benefits in asset management

By selecting companies whose environmental commitment leads to reduced environmental risks and opens up new market opportunities, UBS aims to offer investors a combination of extra environmental benefits, in addition to levels of return at least in line with the market.

Investment banking

Comprehensive strategy

Warburg Dillon Read (WDR) is one of the world's leading investment banks and, to our knowledge, is one of the first to institute its own environmental policy.

WDR Global Environmental Risk Policy

The WDR Global Environmental Risk Policy has been in force since February 1999. It sets out principles which must be considered, where appropriate, in the business commitment and credit processes at WDR.

Environmental risk management processes

In order to ensure that environmental risks can be accurately identified and managed, potential risks of this nature, arising in connection with a transaction, must be given suitable attention at an early stage. This then enables the bank to make cost-effective decisions. Due consideration of environmental risks will be incorporated, where appropriate, into the business commitment decision, the credit analysis, and the due diligence and credit decision processes.

Help Desk

Environmental Risk Management Services (ERMS) has established an Help Desk to provide business and credit officers with support in assessing and managing environmental risks associated with financial transactions. Among the services typically provided by the Help Desk are the identification of suitable external experts, the formulation of due diligence strategies, the evaluation of environmental assessment reports, and staff training. Additionally, the Help Desk provides information internally about environmental risks and answers environmentally-related enquiries from investors and environmental groups.



Risk management tools

The tools at our disposal are the World Bank standards and guidelines, which include, for instance, sectoral emission standards as well as terms of reference for environmental impact assessments. We also have a list of environmental consultants, upon whom we can call, to carry out due diligence investigations.

Training and awareness raising

To raise the awareness of the environmental policy and the associated processes throughout the entire WDR division, a wide-ranging information and training campaign is being designed. In addition, our website on the intranet provides tools for, and information regarding, environmental risk management at WDR. We have also installed an on-line Help Desk request facility. In addition, a newsletter is published monthly, to keep readers informed of trends in the different sectors, in environmental policy and in the legal sphere.

In order to ensure that environmental risks can be accurately identified and managed, potential risks of this nature, arising in connection with a transaction, must be given suitable attention at an early stage.

► Further information on the Internet

- environmental objectives in investment banking at WDR
- explanation of WDR Environmental Risk Policy
- benefits in investment banking

In-house ecology

Taking the responsible attitude

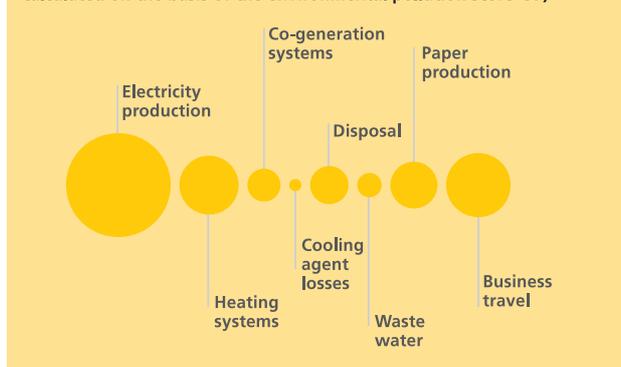
“We will actively seek ways of reducing the environmental impact to air, soil and water from our in-house operations. The main focus is the reduction of greenhouse gas emissions.”

(UBS environmental policy)

The environmental aspects of in-house operations

According to our environmental performance evaluation (EPE), which follows the environmental pollution score '97 methodology, the greatest impact on the environment resulting from our in-house operations comes from electricity consumption (for IT, air conditioning, lighting, etc.) and also from running our heating systems. We perceive ongoing energy management, eco-efficient building design and the use of energy-saving appliances, as opportunities to optimize our energy consumption.

The environmental relevance of important process groups in the 1997 UBS Environmental performance evaluation (colored area = relative significance, calculated on the basis of the environmental pollution score '97)



The line units bear general responsibility for in-house environmental objectives and measures.

Business travel, particularly air travel, and our employees' commuting, likewise contribute to environmental pollution.

The environmental pollution caused by UBS in-house operations in Switzerland, is expressed as contributions to the greenhouse effect (CO₂), to acid rain (SO₂, NO_x) and to hazardous waste (nuclear energy).

Responsibility in line units

The line units bear general responsibility for in-house environmental objectives and measures: the cleaning service, for example, is responsible for the implementation of waste disposal objectives; the construction department, for construction ecology and the consideration of energy aspects in construction projects; and the purchasing department, for the integration of environmental aspects into procurement.

Integrating our outsourcing partners

The contractors chosen for cleaning services, post and freight transport and office supply storage are likewise integrated into the UBS environmental management system. Our environmental requirements are stipulated in the contracts.

Functional environmental units as centers of competence

The In-house Ecology functional unit supports staff members with environmental responsibilities and deals directly with such issues as paper consumption, business travel and staff commuting, which do not in themselves constitute line functions. In addition, the In-house Ecology unit ensures that responsible line units have access to current environmental legislation.

Energy controlling

For ten years, the Energy Management functional unit has drafted energy reports, which contain energy and water consumption figures for all 700-plus UBS locations. The majority of records for these reports have been kept continually since 1980. Management and specialists are thus kept informed of the success of our energy-saving objectives and of UBS key energy figures (i.e. most important eco-performance indicators). The results of in-house energy optimization in selected buildings are published in the annual energy report and are communicated in

training courses for janitors. In future, they will also be published on the intranet. The building's management and staff thus receive feedback on the results.

In-house eco-controlling and EPE

On the basis of energy and material flows, the In-house Ecology functional unit produces the in-house EPE, a comprehensive survey of all environmental impacts. Future measures are planned on the basis of the results of this in-house EPE.

Environmental audits of in-house operations

Annually, environmental audits of in-house operations are performed by the In-house Ecology functional unit. In 1998, 35 of these were carried out in large and characteristic UBS buildings. The audits focused on compliance with environmental regulations, the use and storage of materials/chemicals, and strategies and recommendations concerning environmental accidents.

Environmentally-friendly solutions

Saving energy on the way to success

Between 1990 and 1997, the volume of electricity consumed by UBS in Switzerland shrank by 18%. Over the same period, staff numbers fell slightly (minus 3.5 %). In absolute terms, heating energy consumption rose by 15%, compared with a 28% increase in the energy-relevant office space.

This means that total energy use per square metre was decreased by 25%, to 244 kWh/m², over the period 1990-97. Since 1990, total water consumption has been reduced by an impressive 21%.

Our energy savings are the result of many combined measures. A new UBS administration building, which was opened in 1997 at Lugano Suglio, contains 700 workplaces and requires roughly 70% less electricity and 50% less heating energy than conventional buildings of comparable capacity.

Cutting costs with LCD screens

One example of the measures that have made it so successful: LCD screens are approximately twice as expensive as standard PC monitors but, thanks to their lower power consumption, emit much less heat. The 60 LCD screens in the offices of the Suglio building made it possible to do without the special air conditioning system that would otherwise be necessary, leading on balance to cost savings of some 30%.

IT waste

When disposing of old PCs and other office equipment, we work only with waste disposal experts who are licensed by SWICO (the Swiss trade organization for information, communication and

1997 Environmental Performance Indicators (UBS AG in Switzerland excl. affiliates)

	absolute value	relative value	data quality
Employees	34 500 EMP		good
Bank area	1 801 000 m ²		good
Balance sheet	1 016 524 m CHF		very good
Electricity consumption	251 000 MWh	7300 kWh/EMP	very good
Percentage computing centres	64 300 MWh	25.6 %	very good
Percentage solar energy	120 MWh	0.05 %	very good
Heat consumption	187 000 MWh	104 kWh/m ²	very good
Percentage district heating	13 900 MWh	7.4 %	very good
Water consumption	811 200 m ³	94 l/EMP/day	good
		450 l/m ²	very good
Paper consumption	8700 t	252 kg/EMP	very good
Recycled paper	700 t	8 %	very good
Chlorine-bleached paper	400 t	4 %	very good
Chlorine-free paper	7600 t	88 %	very good
Copier/printer paper	366 m sheets A4	10 600 sheets A4/EMP	very good
Waste disposal¹	9850 t	285 kg/EMP	medium
Refuse	3450 t	35 %	medium
Paper (recycl.)	4820 t	49 %	medium
Cardboard (recycl.)	630 t	6 %	medium
Recyclable materials (misc.)	290 t	3 %	medium
Special/hazardous waste	660 t	7 %	medium
Business travel	102 m km	3000 km/EMP	good
Flight km.	64 m km	63 %	good
Rail km.	28 m km	27 %	medium
Road km.	10 m km	10 %	medium
Carbon dioxide CO₂	97 900 t	2800 kg/EMP	very good

¹ not including building rubble and those company records which in normal circumstances would be disposed of but which, since 1997, have been kept in compliance with the ban on the destruction of archive documents imposed by the Federal decree concerning the historical and legal investigation into the fate of assets held in Switzerland as a result of events in connection with Germany's Nationalist Socialist regime, issued on 13 December 1996.

organization technology). SWICO consists of a group of office equipment producers who guarantee environmentally sound recycling and disposal of their old equipment.

Video conferencing

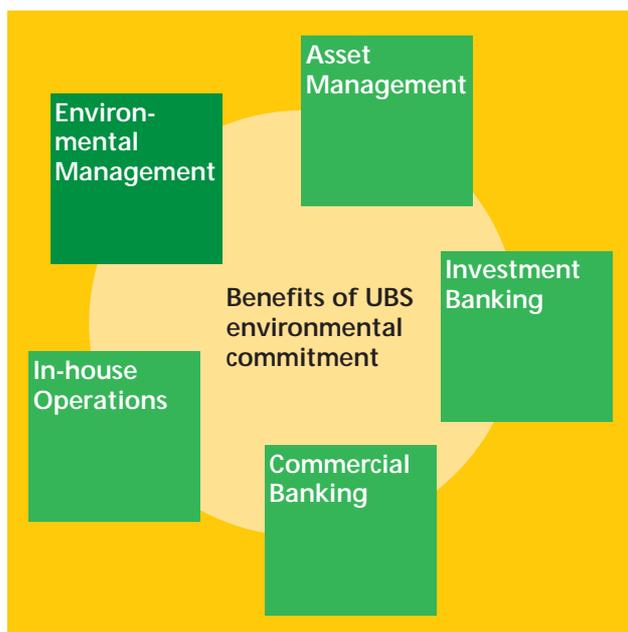
As an alternative to business trips, UBS in Switzerland held more than 1,000 video conferences in 1997. Thus, UBS saved an estimated 6 million kilometres in travel and CHF 1.5 million. In the Group as a whole, about 5,000 video conferences took place in 1997, increasing to over 6,500 in 1998.

► Further information on the Internet

- environmental objectives and next steps in in-house ecology
- methodology and results of our EPE
- environmental measures and examples in energy management, paper procurement, waste disposal and travel
- in-house environmental communications

The benefits of our commitment

For customers, the bank and the environment



UBS's commitment to the environment strengthens our competitive edge: by identifying environmental risks, we are in a position to consider them systematically. At the same time, we also take advantage of environmental opportunities, whilst simultaneously reducing environmental impacts: directly through the increased eco-efficiency of UBS in-house operations, and indirectly through the integration of environmental aspects into UBS services and products.

Our **customers** benefit from these improved UBS services, as a result of:

- reduction of the risks associated with commercial banking;

The **environment** benefits indirectly from UBS's commitment:

- through the ecological influence of services and products in commercial banking, asset management and investment banking; and
- because the bank's commitment to environmentally sound and sustainable behaviour may provide incentives to other businesses and institutions.

Directly the environment can benefit through:

- reduced consumption of energy and materials, and a corresponding decrease in emissions to air, water and soil (the most significant effect in environmental terms being on electricity consumption).

UBS employees benefit from our environmental commitment through:

- potentially improved workplace quality, especially through good energy management and optimized building design; and
- the enhanced reputation of UBS as an employer.

- new products and services in asset management;
- optimized risk management in investment banking; and
- our customer advisors' greater knowledge regarding environmental aspects in finance.

UBS shareholder value can be increased through:

- optimized internal processes, which allow us to reduce risks in commercial and investment banking, for UBS and its clients;
- new products and services in asset management;
- lower in-house operational costs due to improved energy efficiency, reduced waste disposal costs, etc.; and
- the enhanced reputation of UBS and the strengthened motivation of UBS employees.

We reduce environmental impacts: directly through the increased eco-efficiency of UBS in-house operations, and indirectly through the integration of environmental aspects into UBS services and products.

The next steps

Continually attaining new objectives

The UBS environmental programme, for 1999-2000, aims to bring about improvements in our banking products, in-house operations and environmental organization. We performed approximately 140 in-house environmental audits, the results of which served as the basis for planning what measures are necessary and how we should proceed. The most important "next steps" are outlined below.

Next steps: environmental management

- Maintain the ISO 14001 certification capacity of the UBS environmental management system.
- We will further develop environmental performance indicators in banking.
- In collaboration with the responsible internal units, we will further develop our communications strategy for environmental issues.

Next steps: commercial banking

- We will further develop the checklists used for assessing environmental and sector-specific risks.
- We intend to develop key environmental management figures for our credit monitoring systems, so that in future we are better able to quantify the effectiveness of our assessment system.
- As part of the restructuring of UBS's training activities, we will formulate a new underlying concept for ecology training in commercial banking.

Next steps: asset management

- In our Eco-Performance-Portfolios, we aim to achieve a significant increase in the volume of assets under management.
- The Environmental Performance Analysis functional unit intends to provide clients and investment consultants with a structured flow of information regarding funds and the results of company ratings.
- The Environmental Performance Analysis functional unit aims to strengthen its already close contacts with the companies previously evaluated.
- As a part of the restructuring of the UBS training activities, we will formulate a new underlying concept for ecology training in asset management.

Next steps: investment banking

- We aim to achieve continuous improvement of implementation methods of environmental risk management processes.

- We aim to intensify the Business and Credit Officers' training, regarding the new WDR Global Environmental Risk Policy.
- The existence and services of the Help Desk facility have to be communicated within WDR.
- We aim to achieve continuous improvement in the controlling mechanisms for the environmental policy.

Next steps: in-house ecology

- We look to achieve further improvements in our energy and materials consumption.
- We will take further steps to ensure that all members of staff are informed of, and adequately trained in, methods to make their business conduct more environmentally-friendly and, in particular, to make more economical use of energy.
- We aim to further promote the use of audio-visual communication media (video conferencing, tele-conferences, etc.), by means of an information and awareness-raising campaign.
- We aim to increase the in-house usage of recycled paper.

We aim to maintain the ISO 14001 certification capacity of the UBS environmental management system.

The UBS environmental policy

Our engagement

Environmental policy of UBS AG

Environmental protection is one of the most pressing issues facing our world today. Consequently environmental issues are a challenge for all companies in all sectors. UBS regards sustainable development as a fundamental aspect of sound business management and was one of the first banks to sign the United Nations Environment Programme's "Statement by Financial Institutions on the Environment and Sustainable Development". UBS is committed to continuing the integration of environmental aspects into its business activities.

To make this happen, our environmental policy focuses on three action areas:

UBS regards sustainable development as a fundamental aspect of sound business management.

Banking, financial products and services

We seek to build shareholder value by taking advantage of environmental market opportunities. At the same time, we will incorporate due consideration of environmental risks into our risk management processes, especially in lending and investment banking.

Operations

We will actively seek ways of reducing the environmental impact to air, soil and water from our in-house operations. The main focus is the reduction of greenhouse gas emissions.

Management

We seek to ensure the efficient implementation of our environmental policy via an environmental management system which includes sound objectives, programs and monitoring. We ensure compliance with regulatory requirements and furthermore, we integrate environmental aspects in internal communication and training. We welcome open dialogue and communicate actively with all relevant stakeholders.

The implementation of this environmental policy is a process of continuous improvement which will take several years to complete. Although many goals have already been achieved, there are still areas which need to be addressed. The content of this policy will be reviewed periodically by the management.

Zurich, 15 July 1998



Marcel Ospel
President & Group CEO

Validation by SGS International Certification Services AG

"We have verified the correctness of the statements in the 1998-99 environmental report (web-version) of UBS AG and, where necessary, have requested that proof be presented.

We hereby confirm that the report has been prepared with the necessary care, that its contents are correct, that it describes the essential aspects of the environmental management system at UBS AG and that it reflects the actual practices and procedures at UBS AG."

Elvira Bieri and Dr Franz Heinzer
Zurich, 20. May 1999

ISO 14001 certification for UBS AG

In May 1999 UBS AG received certification according to the ISO 14001 environmental standard. This makes UBS the first bank in the world to have its environmental management system in banking operations certified according to ISO 14001 on a world-wide basis. The bank's in-house operations in Switzerland were also recognized as being in accordance with ISO 14001. Certification was carried out by SGS International Certification Services AG.



► **Further information on the Internet**

► **report of the neutral expert Deloitte & Touche, Copenhagen**

Our environmental functional units

Implementation in the divisions

The central environmental unit

The central Environmental Risk Management Services unit (ERMS) monitors the implementation of the UBS environmental policy throughout the corporation, the development of the environmental management system and environmental communication. ERMS acts as an Help Desk for Warburg Dillon Read and is also responsible for innovations in the field of product ecology as well as for environmental controlling.

Asset management

The Environmental Performance Analysis functional unit analyzes the eco-efficiency of companies and manages the "UBS (Lux) Equity Fund-Eco Perfor-

mance CHF" and the "World Equities Eco Performance" investment foundation. UBS Brinson, Inc. manages investment funds which invest in timberland stewardship in the USA, Argentina, New Zealand, Chile and Uruguay.

Commercial banking

In commercial banking our client advisors have the opportunity to call upon the external functional unit, Ecofact AG, for support in assessing and valuing environmental aspects, e.g. with regard to site contamination.

Ecology Training

The Ecology Training functional unit, a part of Private and Corporate Clients, is responsible for integrating environmentally-related modules into trainee, specialist and management training courses.

In-house Ecology and Energy Management

The In-house Ecology and Energy Management functional units provide line units with advice and support concerning in-house ecology and energy monitoring in Switzerland. They also draft the environmental performance evaluation of UBS in Switzerland.

For information and to order copies:

UBS AG
Environmental Risk Management
Services (ERMS)
Bahnhofstr. 45
CH-8098 Zurich
e-mail: environment@ubs.com
<http://www.ubs.com/environment>
tel: + 41 - 1 - 234 20 40
fax: + 41 - 1 - 234 32 45

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Can economics and ecology go hand in hand? Or must one always flourish at the expense of the other? It's a question a business like ours, in a world like ours, must face every single day.

And how we answer it is what makes us not only globally successful, but also successful global citizens. If you share our concerns, come and get to know us better: www.ubs.com/environment



UBS AG
Environmental Risk Management Services
Bahnhofstr. 45
CH-8098 Zurich
environment@ubs.com
www.ubs.com
tel: + 41-1-234 11 11