

## UBS Modern Slavery Act Statement 2016

### 1. Introduction

UBS welcomes the implementation in the United Kingdom of the Modern Slavery Act 2015 ("MSA"), which brings together offences of slavery, servitude, forced or compulsory labor and human trafficking within one piece of legislation, and identifies the critical role of large companies in tackling modern slavery. As a global firm, UBS recognizes the importance of corporate responsibility and a sustainability agenda. "How we do business" is a core pillar of the UBS and Society program, which is focused on identifying clear guidelines and principles to further stakeholder management, environmental and social risk management (including, for example, child labor and forced labor issues), and UBS's environmental footprint.

UBS was among the first companies to pledge to the UN Global Compact – the largest corporate responsibility initiative globally – and its principles on human rights, labor standards, the environment and anti-corruption. Indeed, UBS has stipulated that we will not knowingly provide financial or advisory services to corporate clients whose primary business activity or proposed transaction is associated with severe environmental damage, or involves the use of child labor or forced labor. The same standards apply when UBS purchases goods or services from suppliers. We are also a member of the European Bankers Alliance, an initiative dedicated to the fight against human trafficking.

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

### 2. Overview of UBS's business

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

### 3. Our Business

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

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

The [Code of Conduct and Ethics of UBS](#) (the "Code") defines the way UBS does business. The principles and standards set out in the Code apply to all aspects of our business and the way we engage with our stakeholders. The Code aims to support a culture where ethical and responsible behavior is ingrained. It

includes a commitment constantly to look for better ways to do business which are environmentally sound and socially responsible, including monitoring, managing and reducing any negative impact we might have on the environment and on human rights.

UBS also has a whistleblowing policy and established procedures for dealing with concerns that staff may have about suspected breaches within UBS of laws, regulations, policies, procedures or other matters covered by the Code.

**b. UBS and Society Policy**

The Code incorporates key components of the UBS and Society program, notably managing environmental and social risks, investing sustainably, and contributing to the well-being of our local communities to promote our goal of generating long-term, sustainable and measurable benefits for our clients, shareholders and communities. The scope, principles, responsibilities and structure of UBS and Society are set out in detail in our [UBS and Society Policy](#). It defines principles and responsibilities for embedding sustainability, including human rights, systematically across all relevant business areas.

**c. Risk Management in UBS's Business**

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

One such tool is our environmental and social risk ("ESR") framework (the "ESR Policy Framework"), which is rooted in the UBS and Society Policy and is used to identify and manage potential adverse impacts to human rights, as well as the associated risks our clients and our own assets are exposed to. The Framework sets firm-wide ESR standards governing client and supplier relationships and stipulates that UBS will not do business with clients whose business activities or transactions are associated with forced or child labor.

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

**d. Policies and procedures to combat financial crime**

Our policies and procedures are designed to detect and mitigate financial crime-related risks. We have developed extensive policies intended to prevent, detect and report money laundering, corruption and terrorist financing. As any proceeds stemming from the offences in the MSA would be the proceeds of crime, instances of slavery or human trafficking would also come within the scope of UBS's money laundering reporting procedures.

**e. Application of international environmental management standards**

UBS is certified according to ISO 14001, the international environmental management standard. In accordance with this standard, UBS annually analyzes its portfolio of products and services, own operations and supply chain to assess the significance of environmental and social risks.

**f. Transparency in Reporting**

UBS uses the [Global Reporting Initiative](#) ("GRI") as the basis for our corporate responsibility & sustainability reporting and applies a careful process weighing up the materiality and relevance of the information reported and the expectations of all our stakeholders. UBS's reporting is reviewed annually by Ernst & Young Ltd against the GRI Sustainability Reporting Guidelines. The content of the reporting is prepared in accordance with the comprehensive option of GRI G4 as evidenced in the EY assurance report. This audit covers topics such as labor practices, significant actual or potential human rights impacts in the supply chain, and procedures for assessing and screening environmental and social risks in business lines.

**4. Our Supply Chain**

UBS aims to reduce negative environmental and social effects of the goods and services it purchases and we engage with suppliers to promote responsible practices. Since 2008, a firm-wide guideline has provided systematic assistance on identifying, assessing and monitoring supplier practices in the areas of human and labor rights, environmental protection and corruption. A central component of this guideline is the UBS Responsible Supply Chain Standard (the "Standard") to which our suppliers of potentially high risk goods or services are bound by contract. The Standard defines our expectations towards suppliers and their subcontractors and includes express requirements that suppliers shall not use any form of child or forced labor and that they must ensure humane treatment of their employees.

UBS's sourcing and procurement services are provided by an external company, Chain IQ, which act as our agent in performing supplier due diligence and establishing remediation measures, whilst supported by a centralized team of experts within UBS. Due diligence is undertaken pursuant to a responsible supply chain management ("RSCM") framework, which identifies, assesses and monitors supplier practices with regard to human and labor rights, the environment, health and safety and anti-corruption principles. Suppliers of potentially high-risk goods or services are required to conduct a self-assessment of their RSCM practices and to provide corresponding evidence. Factors that are considered in this supplier assessment include unfair employment practices, such as low wages and excessive overtime, and the extent to which a supplier monitors its own supply chain.

In furtherance of the above, UBS requires that all its suppliers of sourced commodities publish a supply chain code of conduct, which must include procedures to ensure fair employment practices and working conditions in the businesses of their own suppliers. UBS also requires such suppliers to put in place a supply chain

compliance monitoring procedure to assess suppliers' conformity with these requirements.

Where gaps with regard to environmental, human rights, labor, and anti-corruption performance have been identified in the supply chain during the due diligence stage, it is the responsibility of the RSCM expert and the procurement functions within Group Corporate Services, together with the internal business partners involved, to manage remediation plans. Remediation measures may vary in depth depending on the supplier situation (e.g. UBS reviewing due diligence records, engaging in direct dialogue with the supplier, UBS requesting a time bound plan for remediation, independent assurance or third party audits), though it is clear that responsibility for the impact of such gaps remains with the supplier entity. A consistent lack of improvement may, as a last resort, lead to the termination of the supplier relationship.

In 2016, 163 suppliers were classified as suppliers of newly sourced goods or services with potentially high impacts. 40% of these suppliers were considered as in need of improving their management practices. Specific remediation actions were agreed with all of them and the implementation progress has been closely monitored. We also screened all our significant active suppliers for environmental and human rights issues and 23 suppliers with potential material risks were referred to a specialized environmental and social risk unit for enhanced due diligence. In 2016, no UBS supplier relationship was terminated as a result of RSCM assessments. This can partly be related to the fact that we assess the supplier's potential risks before signing a contract.

Please see [www.ubs.com/rscm](http://www.ubs.com/rscm) for more information.

## **5. UBS Employees**

UBS strives to be a responsible employer and to provide a respectful and supportive work environment for our employees. To further this aim, UBS has policies in place to establish minimum hiring and employment standards and provide fair, consistent and transparent treatment for its employees. This includes maintaining open communications with our regional and country-level employee representation groups, which focus on topics such as workplace conditions and health and safety.

All employees have to confirm annually that they have read the Code of Conduct and Ethics of UBS and other key documents and policies. In 2016, we continued training and raising employee awareness by embracing the Code, including through a mandatory conduct and culture training module. Actively engaging employees through sustainability-related training, awareness raising and other activities is also a critical factor in the successful execution of the UBS and Society program strategy. Employees are required to undergo regular refresher training on issues relating to anti-money laundering, sanctions compliance and anti-corruption. This includes online training, awareness campaigns and seminars.

## **6. Further Information**

For more information about our approach to corporate responsibility and sustainability contact [cr@ubs.com](mailto:cr@ubs.com).

**Approved by UBS Asset Management (UK) Limited**

Signature:

A handwritten signature in blue ink, consisting of a large, stylized 'E' followed by a cursive 'B' and a long horizontal stroke.

Name: Eric Byrne

Title: Director

Date: June 2017