

# GRI supplement document 2016

Additional information for **GRI-reporting purposes**

## **About this GRI Supplement Document**

UBS strives to report openly and transparently about the firm's corporate responsibility & sustainability approach and activities both via the UBS and Society section in the UBS annual report and on the UBS and Society website (i.e. the download center). Additional relevant information is provided in the employees section in the annual report and on the UBS employees website.

We use the Global Reporting Initiative (GRI) as the basis for our corporate responsibility & sustainability reporting and apply a careful process weighing up the materiality and relevance of the information reported and the expectations of all our stakeholders.

**The purpose of this GRI Supplement Document is to provide additional information required for GRI-reporting purposes which is not included in the aforementioned reporting channels. It is therefore supplementing those channels and not a stand-alone GRI / sustainability report.**

UBS's reporting has been reviewed by Ernst & Young Ltd (EY) against the GRI Sustainability Reporting Guidelines. The content has been prepared **in accordance with the comprehensive option of GRI G4** as evidenced in the EY assurance report. Both, the GRI content index and the assurance report, can be downloaded from [www.ubs.com/gri](http://www.ubs.com/gri).

10 March 2017  
UBS Group AG

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# 1 How we do business

## 1.1 Sustainability at UBS

For the past five years, we have worked to build our capital strength, improve efficiency and effectiveness, and further strengthen our risk management. These three pillars are the basis of our business strategy and for everything we do. At the same time, we have been developing a new corporate culture geared toward generating sustainable value for the long term.

Client focus and sustainable performance are at the heart of our business model and we strive for excellence in everything we do, from the people we employ to the products and services we offer to our clients. These concepts are integrated into our corporate decision-making and people management processes, and they shape the daily actions of our employees.

We also recognize that it is important to understand key societal challenges and opportunities – and to consider their relevance to UBS as well as potential (mid-to-long-term) actions our firm may need to take. UBS must strike a careful balance between such likely actions on societal developments with a potentially less immediate materiality to our firm - and the immediate requirements demanded to ensure our bank's successful and sustainable performance.

This balance is reflected in our firm's GRI-based 2016 materiality assessment, which was again undertaken on behalf of the Corporate Culture and Responsibility Committee. The 2016 materiality assessment demonstrates that our stakeholders clearly understand that economic sustainability is the core foundation for societal sustainability. As most relevant topics they have focused on those that ensure a sustainable performance, notably financial stability, client protection, corporate governance and conduct & culture.

The 2016 materiality assessment also provided a useful snapshot of the key opportunities and challenges in terms of corporate responsibility and sustainability. This is demonstrated in particular by the solid position on the matrix of such topics as "sustainable investing" or "climate change". They relate very directly to our key corporate responsibility and sustainability activities in 2016, specifically the advancement of "UBS and Society", which encompasses all our activities and capabilities in sustainable investing and philanthropy, environmental and human rights policies that govern client and supplier relationships, managing our own environmental footprint, as well as our firm's community investment.

In 2016, our performance and activities in the area of sustainability were again confirmed by UBS being confirmed as leader in the Diversified Financials industry group of the Dow Jones Sustainability Indices (DJSI), the most widely recognized sustainability rating. The Industry Group Leader report for UBS explains that, through the implementation of UBS and Society, UBS ensures that it fulfills its commitment to provide consistent and sustainable returns to its clients, while also promoting ethical practices for the common good. It highlights innovative financial products launched by UBS, cites the firm as exemplary in social and environmental reporting practices, and emphasizes on UBS's impressive progress in mitigating risk.

[Achievements 2016 & Objectives 2017 table](#)

## 1.2 Chairman's statement

### Chairman's statement

The Board of Directors' Corporate Culture and Responsibility Committee (CCRC) monitors the current state and implementation of UBS's programs and initiatives pertaining to corporate culture and corporate responsibility, and reviews and oversees the respective UBS policies and guidelines. In a forward-looking manner it monitors and reviews societal trends and transformational developments and assesses their potential relevance for the Group. Furthermore, the CCRC regularly reviews stakeholder expectations and concerns about UBS's societal performance and corporate culture.

In this statement, UBS Chairman and CCRC Chairperson Axel A. Weber provides his views on UBS's sustainability efforts.

Sustainability is firmly enshrined in one of our firm's principles. "Sustainable performance" – along with our other two principles "Client focus" and "Excellence" – is what we stand for as a firm. Our emphasis is on the long-term, on ensuring that we create sustainable value for UBS: our investors, our clients, and our stakeholders more broadly. Sustainability also includes environmental and social considerations as we believe that any company focusing on the long-term needs to take into account societal expectations and concerns in an evolving environment.

Sustainability in banking means both seizing opportunities and managing risk. We are constantly looking for better ways to do business and support our clients and communities. The UBS Oncology Fund is such an example, raising USD 471 million, the largest amount ever for an impact fund dedicated to a single specific cause. Our concept of stewardship goes beyond our clients' assets to encompass taking care of what we leave behind for future generations. This means we also measure our performance relating to the environment, good governance, our social impact and other key components of sustainability.

We see a strong business rationale for catering to the growing importance of and demand for sustainability – and UBS has clearly positioned itself to deliver on it. In 2016, the GEB under Sergio Ermotti's leadership and the CCRC, which I chair, approved a strategy with two elements. The first, 'sustainable investment products and services', is a continuation of the important work our business divisions have been doing over recent years. The second and new element, 'mainstreaming sustainable performance', means integrating sustainability thinking – or, to put it more technically, environmental, social and governance (ESG) considerations – into our core investment processes.

Last but not least, a successful sustainability strategy also means understanding the views of our stakeholders on the topics they regard as most relevant to our firm. We do so in various ways, notably through our annual UBS Materiality Assessment, as defined by the Global Reporting Initiative (GRI). In 2016, the CCRC again carefully considered the results of this Assessment, providing us with valuable insights into how effective our firm's efforts already are, and how we can continue our journey towards long-term sustainable value creation.

## **UBS's commitment to the UN Global Compact**

UBS was among the first companies to sign the Global Compact in 2000. We are also a member of the UN Global Compact Network Switzerland. As reflected in detail in our 2016 sustainability disclosure (in Annual Report, Annual Review, and on [www.ubs.com/ubsandsociety](http://www.ubs.com/ubsandsociety)), we have a comprehensive set of commitments and activities in place pertaining to the principles of the Compact.

### **1.3 Materiality**

#### **Materiality assessment process**

Undertaken on behalf of and supervised by the UBS Corporate Culture and Responsibility Committee (CCRC), UBS's comprehensive materiality assessment process is managed by a UBS-internal, cross-business division and cross-regional materiality assessment team. The team consists of a group of experts who – due to their function – deal with stakeholder expectations and concerns on a daily basis. The team is responsible for delivering the outcome of the materiality assessment to the CCRC on an annual basis. Additionally, the CCRC is also informed about potentially relevant developments arising from the (ongoing) materiality assessment on a regular basis.

We regard clients, shareholders, employees and governments as key stakeholders. These have a direct and immediate effect on the company's (financial) performance. The impact of other stakeholders upon UBS's performance tends to be more indirect, notably via our company's reputation.

We put great emphasis on learning the views and values of our stakeholders as regards the business activities of UBS and its role in society. Annually, we therefore conduct a materiality assessment based on the Global Reporting Initiative (GRI) to find out which topics are of relevance to our stakeholders.

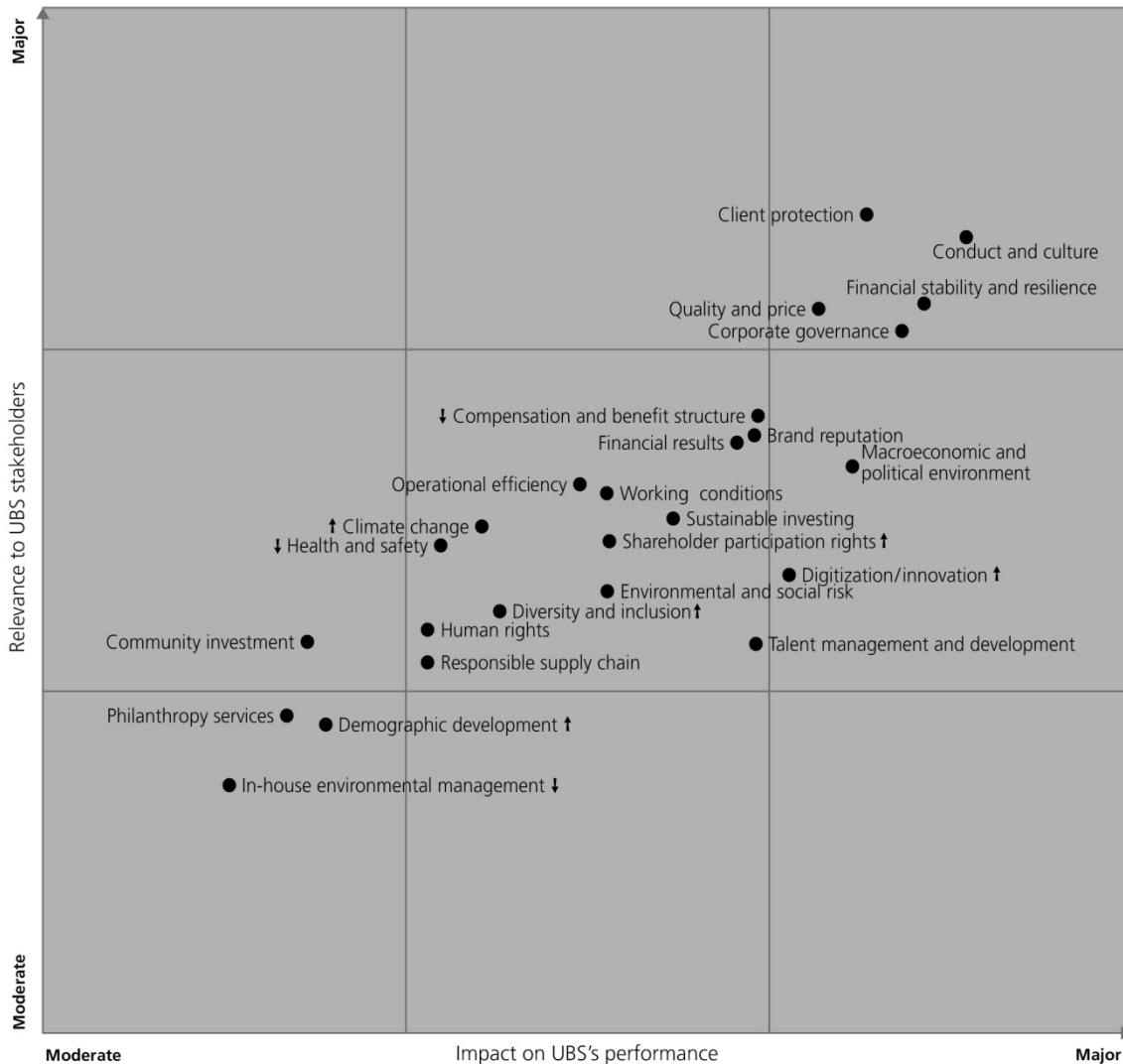
We regularly invite stakeholders to directly share their views, be it – as was the case in 2014, via an online survey open to all, or via a survey targeting particular groups, as was the case in 2015, when we tasked a student organization to interview students on their expectations regarding the banking sector.

The following topics received the highest relevance scoring in the 2016 materiality assessment:

- Conduct and Culture
- Client Protection
- Financial Stability and Resilience

As in previous years, the overall result of the analysis was reviewed by the Corporate Culture and Responsibility Committee. It also becomes part of the decision-making processes of this Board of Directors committee with a particular focus on those topics that were assessed as very relevant or have considerably increased their relevance since last year.

### UBS Materiality Matrix 2016



↑↓ Trends indication: A topic which is expected to increase or decrease in terms of relevance to UBS stakeholders and impact to UBS's performance over the next 5 years.

## Results 2016

For the GRI G4 materiality assessment the GRI indicators were mapped with the [materiality matrix](#) and rated material/immateral (decision factors were: significance to stakeholders and impact on sustainable performance). We have identified the following material aspects:

- Economic Performance
- Indirect Economic Impacts
- Materials
- Energy
- Emissions
- Effluents and Waste
- Transport
- Supplier Environmental Assessment
- Employment
- Labor/Management Relations
- Occupational Health and Safety
- Training and Education
- Diversity and Equal Opportunities
- Equal Remuneration for Women and Men
- Supplier Assessment for Labor Practices
- Labor Practice Grievance Mechanisms
- Non-Discrimination
- Supplier Human Rights Assessment
- Anti-Corruption
- Public Policy
- Anti-competitive Behavior
- Compliance
- Supplier Assessment for Impacts on Society
- Grievance Mechanisms for Impacts on Society
- Product and Service Labeling
- Marketing Communications
- Customer Privacy
- Product Portfolio
- Audit
- Active Ownership

All material aspects are relevant to all entities consolidated within UBS. Information describing any relevant impacts of the aspects outside UBS is provided as part of the description of the respective GRI indicator/aspects.

### 1.4 Direct economic value generated and distributed

Indicator	CHF Million
Total operating income	28,320
Tax expense / (benefit)	805
Personnel expenses	15,720
Dividends paid on UBS shares	3,164
Community investments	53 (incl. UBS Education Initiative, Optimus and Swiss foundations)
Procurement of products and services	10,700

## 1.5 Our Stakeholders

We engage with our stakeholders, both key groups (clients, investors, employees, governments/regulators) and others, on a regular basis and on a wide range of topics. This engagement with stakeholders yields important information on their expectations and concerns and thus makes a critical contribution to our understanding and management of issues of potential (positive and negative) relevance to our bank. By actively fostering such interactions we are in a position to address stakeholder expectations and concerns in an informed and effective manner.

Our relationships with stakeholders are multi-faceted and include major single interactions with large groups (e.g. employee survey), regular communications throughout the year with representatives from a particular group (e.g. media), as well as dialogue meetings with single individuals (e.g. client enquiries).

### 1.5.1 Clients

Clients are at the center of our activities. We are committed to building and sustaining relationships with clients based on trust and integrity. Regular dialogue with clients and their feedback ensures that we understand their expectations.

Our clients increasingly want financial advice as well as the right products in order to use their resources to address societal issues. As the world's largest wealth manager, we are well placed to provide this support, based on a consistent Group-wide approach. We use our manifold interactions with clients to better understand their needs. Client feedback (including via our Quality Feedback management system) enables the firm to act and continuously improve products and client service standards in order to provide the best client experience.

For additional topics of relevance to clients see [www.ubs.com](http://www.ubs.com)

### Quality feedback management system

In Wealth Management and Personal & Corporate Banking, the Quality Feedback system provides a comprehensive and systematic platform to receive and process feedback and suggestions from both clients and employees. Feedback is received in a wide range of formats, including letters, electronically, verbally (e.g. comments made to employees in UBS branches), social media and via the Swiss banking ombudsman.

Client feedback, including complaints and suggestions, is of crucial importance to UBS as it supports the development and introduction of new products and services as well as the adaption of our offering in a client-oriented manner. This strengthens client relationships, restores client satisfaction, and makes a tangible improvement to client service and overall banking services. Having a wide variety of quality feedback from our clients enables us to systematically evaluate and review our actions. By sharing their views, clients definitely contribute to make targeted quality improvements at all levels.

UBS strives to respond directly to each individual who provides feedback. Moreover, on significant topics and key developments, UBS also provides a collective response in its external reporting (Quarterly/Annual Report, Letter to the Shareholders). In 2016, key topics and developments included some targeted products and services: mostly the functionalities of the UBS e-banking platform with various requests and suggestions for improvement of existing features and with regard of its means of access & security. Moreover, some amount of client feedback related to pricing card issues.

Feedback from employees – quality tips and ideas or proposals – helps to foster creativity and innovation arising from their knowledge and experience in improving and updating products, processes and services.

### 1.5.2 Shareholders / investors

Investor Relations serves as the point of contact for UBS's investor community. Our senior management and the Investor Relations team regularly communicate with investors, financial analysts and rating agencies. We also interact with shareholder groups focused on corporate social responsibility to discuss topics such as compliance, corporate culture, and climate change. We strive to achieve a consistently fair valuation for UBS shares through best-in-class disclosure, transparency and communication practices.

In 2016, we demonstrated again that UBS's balanced business mix and geographic diversification are important differentiators. We are the world's largest and only truly global wealth manager with a strong presence in mature and high-growth regions. We are the number one bank in Switzerland, and we have competitive and specialized



Investment Bank and Asset Management divisions, which are critical to our success and our ability to deliver solid performance in a variety of market conditions. We achieved a net profit attributable to UBS's shareholders of CHF 3.3 billion and ended the year with a strong fully-applied CET 1 capital ratio of 13.8%. Our solid results and disciplined execution, together with our strong capital position, allow us to deliver attractive returns to our shareholders.

Find out more about topics of relevance to shareholders: [www.ubs.com/investors](http://www.ubs.com/investors)

### 1.5.3 Employees

Our employees are the link between us and our clients, so we work hard to ensure our employees are well informed and engaged as partners in the firm's long-term success.

As a global company, we inform employees about our strategy, priorities and policies, as well as things like goal-setting, development planning, new technologies and required training. We also highlight collaboration and efficiency initiatives such as our Group Franchise Awards, key diversity initiatives like our new UBS Career Comeback program, and community efforts such our work with lower-income, first generation college-goers in the US through UBS NextGen Leaders. We communicate through a number of news and information channels such as the intranet, Connections (our internal social network), UBS TV, and interactive help/information sites such as "goto/HR" and "goto/assist."

We also interact directly with employees through personal meetings, emails, all-staff sessions, large and small-scale employee surveys, and the firm's Quality Feedback system. In 2016, employees in all businesses and regions attended a number of town halls and small group meetings to discuss relevant issues directly with senior management. For example, regular "Ask the CEO" events allowed employees in every region to learn about (and ask questions on) topics like the firm's strategy and direction.

In mid-2016, we surveyed all employees globally. We were specifically interested in their views on whether we're living up to our principles and behaviors, effectively communicating our strategy and providing a positive and empowering work environment. We informed employees of the results and use them to continuously improve.

In 2016, we supported 32 employee networks globally, with around 18,500 members. Our networks help employees build cross-business relationships and support an open workplace. The Women's Business Network, for instance, is a group of more than 2,500 UBS employees in Switzerland that supports women's personal and professional development through networking, mentoring and education.

Find out more about topics of interest to employees and potential employees: [www.ubs.com/employees](http://www.ubs.com/employees)

### 1.5.4 Governments and regulators

Financial market stability is largely dependent on the overall economic, regulatory and political environment and the conduct of the firms within the sector. We actively participate in political discussions to share our expertise surrounding proposed regulatory and supervisory changes including corporate responsibility-related issues such as culture and conduct, and sustainability issues.

In 2016, discussions regarding the future regulatory framework for financial institutions continued to figure prominently among the major topics of the intense dialogue between UBS senior management and specialized functions, governments, regulators and supervisory bodies. Topics included further changes to the prudential framework for banks, recovery and resolution planning, loss absorbing capacity (i.e. bail-in debt) to support resolution of global systemically important financial institutions, and market and product reforms including OTC Derivative Reforms, US FATCA/OECD Exchange of Information and the EU Markets in Financial Instruments Directive and Regulation (MIFID/R).

With regard to corporate responsibility & sustainability issues we actively participated in discussions with government bodies. A pertinent example was our efforts pertaining to the implementation of the commitments made at the Paris Climate Change conference in November 2015. UBS actively participated in the relevant industry discussions and, among others, contributed to the FSB Task Force on Climate-related Financial Disclosure. In our home country Switzerland, we continue to actively contribute to pertinent sustainability discussions with various government bodies.

For more information on regulatory topics see [UBS's quarterly reports or annual report](#)

### 1.5.5 *Politicians and political parties*

We maintain a regular dialogue with politicians globally and strive to establish long-term relationships with political representatives. This dialogue contributes to promoting the interests of UBS and enhancing the firm's reputation.

#### **Support of the Swiss militia system**

UBS appreciates the important role of political parties in the Swiss democratic system, which is the foundation of state, politics and society in Switzerland. Swiss citizens actively and voluntarily engage in political institutions at all three levels of the Swiss state (federal, cantonal, local) as public officials (e.g. members of parliament, members of commissions, executive mandates), while they continue to pursue other professional activities. This arrangement – citizens taking on public tasks and mandates on a part-time basis – is referred to as militia system.

In Switzerland, political parties do not receive state funding, and members of parliament in Switzerland are (usually) not professional politicians. It is for this reason that UBS views the support of the militia system as a crucial component of its societal responsibility in its home market Switzerland. In recognition of the vital function of Switzerland's political parties, UBS provided a total of CHF 0.7 million to political parties in 2016 as a contribution to their operational costs (provided they commit to free competition and the market economy). Financial contributions are calculated based on the number of parliamentary seats the respective party holds at federal and cantonal level. Swiss parties are eligible to apply for a financial contribution if they either form a parliamentary group in the federal parliament or are represented in at least one cantonal government. Financial contributions to parties are granted without any conditions attached. UBS views its contribution to political parties in Switzerland as a long-term commitment, which is, however, subject to regular reviews.

UBS complies with legal requirements on disclosing political donations, as applicable in the relevant jurisdiction. However, UBS does not provide financial support to political parties outside Switzerland. In the US, eligible employees may make financial contributions through a federal Political Action Committee (PAC), the UBS Americas Fund for Better Government. The PAC then makes contributions to federal candidates. These contributions do therefore not constitute political donations by UBS.

#### **Annual "Political Forum" for employees who hold elected public office in Switzerland**

UBS expressly supports the political involvement of its employees. About 300 employees currently hold political office at federal, cantonal and local level. If necessary employees may spend a certain amount of their working time on their public duties. UBS organizes an annual "Political Forum" at which senior management and political office holders discuss topics of relevance to UBS in Switzerland.

For more information on governmental topics pertaining to Switzerland see [www.ubs.com/gga](http://www.ubs.com/gga)

### 1.5.6 *Peers*

We actively engage in regular discussions on corporate responsibility and sustainability issues with specialists in peer banks, and more widely through trade bodies and associations. Sharing experiences and assessments of corporate responsibility issues helps us to compare and improve our strategy, approach and tools.

UBS is a founding member of the Wolfsberg Group, an association of global banks, which aims to develop financial services industry standards regarding anti money laundering, know-your-client and counter-terrorist financing policies. Meeting regularly, the Wolfsberg Group also works closely with the Financial Action Task Force, an inter-governmental body that helps to develop international and national policies to combat money laundering and terrorist financing in consultation with the private sector.

In 2011, UBS was a driving force behind the establishment of the Thun Group of Banks, which has in the meantime published two discussion papers that seek to establish a framework to facilitate the identification of the key challenges and best practice examples for the banking sector's implementation of the UN Guiding Principles on business and human rights. The Thun Group maintains regular discussions, both in calls and in annual meetings at the UBS Conference Center in Thun, Switzerland.

UBS is also an active member of the London Benchmarking Group, an internationally recognized standard for measuring corporate community investment.

### 1.5.7 Communities

We have a responsibility towards the communities in which we operate. We therefore have a longstanding global Community Affairs strategy, executed through regional programs focused on two key themes: education and entrepreneurship. We build sustainable partnerships with non-profit organizations and social enterprises to overcome disadvantages in our local communities.

Our approach is founded on building sustainable and successful partnerships with non-profit organizations and social enterprises to ensure we make a lasting impact. We engage beyond just financial support – our employees are key to the success of our community programs. We encourage employees to support our local communities by:

- facilitating employee volunteering,
- offering employees up to two days a year to volunteer, and
- matching employees' donations to charities

For further information and data of relevance to the communities we do business in, see [www.ubs.com/community](http://www.ubs.com/community)

### 1.5.8 Suppliers

**In 2016 UBS spent CHF 10.7 billion on a broad range of products and services.**

A large proportion of this expenditure comprises real estate, outsourcing, IT as well as consultancy and legal fees. Our sourcing and procurement services are provided by an external company, Chain IQ, which applies UBS's responsible supply chain management (RSCM) framework and processes. The experienced procurement and sourcing specialists at Chain IQ perform supplier due diligence and establish remediation measures, supported by a centralized team of experts within UBS.

We aim to ensure that our social and environmental values are being followed throughout the supply chain. Since 2008 a firm-wide guideline provides systematic assistance on identifying, assessing and monitoring supplier practices in the areas of human and labor rights, the environmental protection and corruption. A central component of this guideline is the UBS Responsible Supply Chain Standard to which our direct suppliers are bound by contract. UBS expects its suppliers to apply the same standards in the relationships with their suppliers.

For further information on our responsible supply chain management, see [www.ubs.com/rscm](http://www.ubs.com/rscm)

### 1.5.9 Rating and research agencies

We actively engage in dialogue with analysts in rating and research agencies. The evaluation of specialized agencies helps to evaluate our sustainability performance and activities, and provides a useful means for benchmarking.

In 2016, we provided detailed information on our sustainability performance to a range of agencies either in response to questionnaires or via meetings or calls (with environmental, social and governance analysts). Our UBS and Society website regularly serves as a key source of information for these agencies.

### 1.5.10 Non-governmental organizations

We regularly interact with non-governmental organizations (NGOs) and appreciate their input and insight, as it helps the firm consider its approach to, and understanding of, societal issues and concerns.

NGOs have long established themselves as the most critical "watchdogs" of companies, both scrutinizing and challenging how we address a broad range of environmental, social and human rights concerns. In 2016 discussions with NGOs focused on the subjects of human rights, climate change, and food speculation.

### 1.5.11 International organizations and initiatives

UBS participates actively in several organizations and initiatives that promote the advancement of corporate responsibility and sustainability. We are among the thought leaders in sustainability in banking.

These memberships and commitments include the United Nations Global Compact, the Global Reporting Initiative, the United Nations Environment Program Finance Initiative, the CDP and the Principles for Responsible

Investment. Our representatives participate in external meetings, events and conferences and use these platforms to exchange ideas, promote joint actions among participants and gain valuable input for the development of our approach to corporate responsibility and sustainability.

In 2016, UBS representatives participated in major corporate responsibility and sustainability events, including the UN Global Compact Leaders Summit at which UBS Group AG's Chairman Axel Weber gave a keynote address.

### 1.5.12 Media

#### **We conduct an active and consistent dialogue with media in all of our major locations worldwide.**

Our media teams have established direct and long-term relations with media representatives across all our business regions and provide timely information on a wide range of global, regional and local topics of relevance to the firm. Senior management (BoD and GEB-level) also regularly gives account to journalists, predominantly through interviews. In addition to the interviews at our firm's major corporate events (i.e. quarterly and annual reporting and annual general meeting) senior management conducted many other interviews in 2016.

We also communicated with media representatives – through interviews or background talks – on a broad range of corporate responsibility or sustainability topics such as climate change, food speculation and environmental and social risks.

#### [Further information on UBS media relations](#)

## 1.6 Ratings and recognitions

Our commitment and progress in the area of sustainability is reflected in important external ratings, rankings and recognitions.

#### **Sustainability ratings and recognitions<sup>1</sup>**

Ratings and recognitions	Scope	UBS result
<b>Dow Jones Sustainability Indices (DJSI)</b>	Environmental, Social and Governance (ESG) performance	Industry Group Leader Index member of DJSI World and DJSI Europe
<b>FTSE4Good Index</b>	ESG performance	Index member
<b>CDP</b>	Climate change	Climate A List
<b>Sustainalytics</b>	ESG performance	ranked eighth among 249 sector peers
<b>MSCI</b>	ESG performance	BBB score
<b>STOXX ESG Leaders Index</b>	ESG performance	Index member
<b>Oekom</b>	ESG performance	Corporate responsibility prime status
<b>GRESB</b>	Sustainability assessment of real estate (RE) equity and RE debt funds	– Green Star status for 14 AM Global equity funds – Highest rating (five stars) for seven out of 14 funds
<b>GRESB</b>	Sustainability assessment of infrastructure funds	– UBS International Infrastructure Fund (IIF I) ranked first for infrastructure funds globally – IIF I and IIF II top-ranked in Management & Policy rankings
<b>Bloomberg New Energy Finance</b>	Ranking of global renewable energy and cleantech financing	– ranked third in the Public Markets co-lead manager category – ranked fifteenth in the M&A financial adviser category
<b>UK Stewardship Code</b>	Quality of asset manager's reporting as regards the UK Stewardship Code's seven principles and supporting guidance	Tier 1 signatory
<b>Better Society Award (UK)</b>	Partnership with a National Charity	Winner
<b>National CSR Award (UK)</b>	Best Community Development	Winner
<b>Company for Good</b>	Driving corporate giving in Singapore	Founding Member (status by invitation only)

<sup>1</sup> All information provided is as of 31 December 2016.

In 2016, our firm maintained its leadership position in the Diversified Financials industry group of the Dow Jones Sustainability Indices (DJSI), the most widely recognized sustainability rating. The DJSI evaluates companies' sustainability practices and recognizes the best performers. The Industry Group Leader report for UBS explains that, through the implementation of UBS and Society, UBS ensures that it fulfills its commitment to provide consistent and sustainable returns to its clients, while also promoting ethical practices for the common good. It highlights innovative financial products launched by UBS, cites the firm as exemplary in social and environmental reporting practices, and emphasizes on UBS's impressive progress in mitigating risk practices and recognizes the best performers. The Industry Group Leader report for UBS cites our support to clients and communities and our integration of societal and financial performance. It also pointed to our work to build UBS's capital strength, improve efficiency and effectiveness, and strengthen risk management through UBS and Society.

## **1.7 Training and raising awareness**

We actively engage in internal and external education and awareness-raising on corporate responsibility and sustainability topics and issues. Through induction, education and broader awareness-raising activities, we ensure that our employees understand their responsibilities in complying with our policies and the importance of our societal commitments. General information is published on our intranet and on our UBS and Society internet site.

In 2015, we developed a new mandatory conduct and culture training module, which includes a comprehensive section on UBS and Society. It was rolled out for the second time to all employees in December 2016.

Throughout the year, we also continued training and raising the awareness of employees, embracing the Code of Conduct and Ethics. All employees have to confirm annually that they have read UBS's key documents and policies, including the Code. Employees were also informed of the firm's corporate responsibility and sustainability activities through other training and awareness-raising activities.

See 1.8 UBS and Society Management indicators table for detailed information.

### **Combating financial crime**

Employees are required to undergo regular refresher training in issues relating to anti-money laundering, sanctions compliance and anti-corruption. This includes online training, awareness campaigns and seminars.

The Code also focuses on preventing the misuse of the financial system, including in relation to bribery. The specific anti-corruption standards of conduct that apply to all employees are also set out in the Group Policy Against Corruption. The policy sets out our zero-tolerance stance towards corruption and prohibits all forms of bribery by the firm and our employees, including so-called facilitation payments.

Web-based training modules are regularly refreshed to address compliance issues, including anti-corruption standards. Employees in specific areas also receive targeted training on client-related corruption, including the bank's own corruption risks in relation to intermediaries, gifts and entertainment, or when major new developments require additional training (e.g. UK Bribery Act).

## 1.8 UBS and Society Management Indicators

### UBS and Society Management Indicators 2016<sup>6</sup>

	GRI <sup>1</sup>	For the year ended			% change from
		31.12.16	31.12.15	31.12.14	31.12.15
<b>Personnel in financial businesses (full time equivalents)</b>		<b>59,387</b>	60,099	60,155	(1)
Personnel in specialized units/functions (full time equivalents) <sup>2</sup>		<b>90</b>	91	27	(1)
<b>Awareness raising</b>					
Training participation (headcounts)	FS4	<b>78,044</b>	44,721	1,435	75
<b>Specialized training<sup>3</sup></b>					
Training participation (headcounts)	FS4	<b>13,931</b>	4,533	1,371	207
<b>External audits<sup>4</sup></b>					
Audit participation (headcounts)	FS9	<b>100</b>	91	116	10
Auditing time (calendar days on site)	FS9	<b>13</b>	15	16	(10)
<b>Internal audits<sup>5</sup></b>					
Audit participation (headcounts)	FS9	<b>292</b>	243	93	20
Auditing time (person days)	FS9	<b>592</b>	194	29	205

1 Global Reporting Initiative (see also [www.globalreporting.org](http://www.globalreporting.org)). FS stands for the Performance Indicators defined in the GRI Financial Services Sector Supplement.

2 Employees which are part of the UBS and Society organization and/or have specialized knowledge relevant for the UBS and Society management system.

3 Specialized training is provided to employees in front-office and support functions who are dealing directly with UBS and Society aspects in everyday business processes.

4 ISO 14001, ISO 14064 and Global Reporting Initiative (GRI).

5 Audits / reviews conducted by specialized internal units. The implementation of environmental and social risk policies is also audited by Group Internal Audit.

6 Since 2015 indicators cover the UBS and Society scope. Therefore, 2015 and 2016 figures aren't comparable with previous years.

## 1.9 Sustainable performance and compensation

Our compensation framework has remained largely unchanged since 2012 with no material changes for 2016. We focused on ensuring stability of our overall framework and reinforcing our principles. The consistency in our approach to compensation over the past five years has strengthened our culture of sustainable performance, accountability and appropriate risk-taking.

Compared with most of our peers' compensation frameworks, we believe our framework ensures a closer alignment of employee and investor interests by linking a greater proportion of variable compensation to the firm's own equity and debt instruments and subjecting awards to longer deferral periods. With this approach, our compensation framework rewards longer-term performance, supports our capital base and allows us to pay competitively.

### Total Reward Principles

Our compensation philosophy is to align the interests of our employees with those of our clients and investors building on our guiding principles of client focus, excellence and sustainable performance. Our Total Reward Principles establish the framework for determining our performance award pool and guide the allocation and delivery mechanisms of compensation to employees, including deferred compensation programs. The Principles underpin our approach to compensation by establishing a framework that balances performance and prudent risk-taking with a focus on conduct and sound risk management practices.

Our compensation structure is aligned with our strategic priorities. It encourages employees to develop a strong client franchise, create sustainable value and achieve the highest standards of performance. Moreover, we reward behavior that helps build and protect the firm's reputation – specifically integrity, collaboration and challenge. We strive for excellence and sustainable performance in everything we do. Compensation for each employee is based

on individual, team, business division and Group performance, within the context of the markets in which we operate.

Our Total Reward Principles outline how we structure our compensation framework and apply it to all employees globally. They may vary in certain locations due to local laws and regulations.

### **Managing a high-performing workforce**

We have salary ranges applicable to all employees with differentiation by location, rank and role, as well as a global role classification framework.

Clearly, managing our people well is key for our long-term success. Personal accountability and effective HR processes mean that teams and businesses perform better, individuals can advance in their careers, and ultimately, the firm can deliver its strategy.

Our global performance management process evaluates both performance and behavior. Employees even receive two separate ratings in their year-end evaluations. This helps all of us take a close look at how well integrity, collaboration and challenge (the firm's expected behaviors) are demonstrated in daily business activities. It also makes our management, promotion and reward processes more transparent. For 2016, 99% of eligible employees received a performance review.

Objectives focusing on our key corporate responsibility and sustainability commitments are set for managers and employees in pertinent departments or units. Most notably, this would include managers and employees in UBS and Society, corporate responsibility, anti-money laundering, human resources, environmental, and community affairs functions.

### **Group Executive Board**

Annual performance awards for the Group CEO and other GEB members are at the full discretion of the Board of Directors (BoD) and, in aggregate, subject to shareholder approval at the AGM.

We use individual balanced scorecards to assess the GEB members' performance against a number of quantitative and qualitative key performance indicators (KPIs). The quantitative measures for the Group CEO are based on overall Group performance. For other GEB members, they are based on both Group performance and the performance of the relevant business division and/or region; for those who lead Group control functions, or who are solely regional Presidents, are assessed on the performance of the Group and the function or region they oversee. Quantitative measures account for 65% of the assessment.

Qualitative measures, which relate to our Pillars, Principles and Behaviors, account for 35% of the assessment and are the same for all GEB members, including the Group CEO. The weighting between Group, business division, regional and functional KPIs varies depending on a GEB member's role. A significant weight is given to Group KPIs for all GEB members.

For each GEB member, at least 80% of the performance award is deferred, while a maximum of 20% can be paid out in the form of immediate cash, subject to a cap of CHF / USD 1 million (or local currency equivalent). Any amount above this cap is granted in notional shares under the Equity Ownership Plan (EOP).

Compensation plan forfeiture provisions enable the firm to reduce the unvested deferred portion if the compensation plans' relevant performance conditions are not met. Our compensation framework contains a number of features designed to ensure that risk is appropriately managed with safeguards to discourage inappropriate risk-taking.

### **Board of Directors (BoD)**

As set out in the Organization Regulations of UBS Group AG, BoD members, as a group, must have the necessary qualifications, skills and diversity to perform all Board duties and must together possess financial literacy, experience in banking and risk management, international experience, including experience of international financial matters, and knowledge of the duties of directors.

Performance and effectiveness of the Chairman, the Board as a whole and each BoD Committee are assessed annually, a process overseen by the Governance and Nominating Committee (GNC). All BoD committees perform a self-assessment of their activities and report back to the full BoD.

The Corporate Culture and Responsibility Committee (CCRC) members, as a group, must have the necessary qualifications and skills to perform all of their duties. In particular the CCRC members are expected to: (i) commit such time to the role as may be necessary for the proper discharge of their duties. An indication of the time expected for this purpose will be set out in each of the CCRC members' letter of appointment; and (ii) have good knowledge of corporate culture and corporate responsibility and relevant societal issues and such other experience as the Board considers desirable in order to enable the CCRC to perform its duties. The CCRC's chairman is expected to have good knowledge of the Committee's relevant area of responsibility together with such other experience as the Board considers desirable in the context of that Committee's work.

[Compensation report](#)  
[Achievements 2016](#)  
[Objectives 2017](#)

## 1.10 Our track record

<b>1954</b>	Beginnings of Community Affairs at Wealth Management US
<b>1962</b>	Establishment of Union Bank of Switzerland's 100 <sup>th</sup> anniversary foundation (since 1999: UBS Culture Foundation)
<b>1971</b>	Launch of "A Helping Hand from UBS Employees" (UBS Mitarbeiter helfen) in Switzerland
<b>1972</b>	Establishment of Swiss Bank Corporation's 100th anniversary foundation (since 1999: UBS Foundation for Social Issues and Education)
<b>1978</b>	Beginnings of Community Affairs in EMEA Establishment of first energy functional unit
<b>1982</b>	Co-founder member of <i>Business in the Community</i> in the UK
<b>1988</b>	First bank in Switzerland with the position of environmental officer
<b>1989</b>	First formal energy guidelines
<b>1992</b>	Among the first signatories of the UNEP bank declaration (UNEP FI)
<b>1993</b>	Introduction of first Environmental Policy
<b>1994</b>	Publication of first environmental report and introduction of environmental credit assessment procedure for Swiss corporate clients
<b>1995</b>	Introduction of employee volunteering at Wealth Management US and of matched-giving scheme for London employees
<b>1996</b>	Launch of first cohesive and branded Community Affairs programme, "Tomorrow's Adults"
<b>1997</b>	Launch of Socially Responsible Investment (SRI) Funds Establishment of IB Community Affairs in Stamford (monetary and in-kind donations, and employee volunteering).
<b>1998</b>	<i>Merger of Union Bank of Switzerland and Swiss Bank Corporation to create UBS</i>
<b>1999</b>	Founding member of Wolfsberg Group First bank to obtain ISO 14001 certification for worldwide environmental management system in banking business and launch of Environmental Risk Policy in IB Establishment of UBS Optimus Foundation



<b>2000</b>	<p>UBS among first companies to sign UN Global Compact</p> <p>Wolfsberg Group Anti-Money Laundering (AML) Principles for Private Banking (revised 2002)</p> <p>UBS commences reporting on corporate responsibility in Annual Report</p>
<b>2001</b>	<p>Establishment of Corporate Responsibility Committee, a Board of Directors committee, and publication of first Corporate Responsibility section in Annual Report</p> <p>Establishment of a Global Diversity Steering Committee within the Investment Bank</p> <p>Founding member of European Social Investment Forum (Eurosif)</p> <p>Wolfsberg Group Commitment against Terrorism</p> <p>Employee volunteering time off policy introduced for London employees</p>
<b>2002</b>	<p>Wolfsberg Group Statement on Fight against Financing of Terrorism and AML Principles for Correspondent Banking</p> <p>Launch of group-wide Diversity initiative</p> <p>Founding signatory of CDP (originally known as Carbon Disclosure Project)</p> <p>Commencement of joint WM and IB Community Affairs programme in Chicago</p> <p>Expansion of in-house environmental program to Corporate Services outside Switzerland</p>
<b>2003</b>	<p>First financial services firm to formally register interest as an Academy sponsor in the UK (leads to the opening of the The Bridge Academy, Hackney, in 2007)</p> <p>Institution of NGO communications &amp; analysis function</p>
<b>2004</b>	<p>Establishment of SRI Equity Research in Investment Bank</p>
<b>2005</b>	<p>Establishment of coordination function for Community Affairs in Switzerland</p> <p>Setting up of UBS Tsunami Relief Fund</p> <p>UBS commences social reporting in Annual Report (section on employees)</p>
<b>2006</b>	<p>Introduction of Climate Change Strategy</p> <p>Adoption of UBS Statement on Human Rights</p> <p>Wolfsberg Group releases Investment Banking FAQs, Guidance for Mutual Funds and Pooled Vehicles, Correspondent Banking FAQs, and Guidance on the Risk Based Approach</p>
<b>2007</b>	<p>Establishment of SRI Research in Global WMBB</p> <p>Wolfsberg Group Statement against Corruption and Wolfsberg Group Statement on Transparency in International Payments</p> <p>First company-wide volunteering at Wealth Management US</p>
<b>2008</b>	<p>Introduction of group-wide Responsible Supply Chain Guideline</p> <p>Wolfsberg Group Revised PEP FAQs</p>
<b>2009</b>	<p>UBS applies Global Reporting Initiative (GRI) framework to its 2008 non-financial disclosure</p> <p>UBS's Sustainability Disclosure 2008 meets the requirements of level A+ of the GRI (continued in subsequent years)</p> <p>UBS Global Asset Management becomes a signatory to the Principles for Responsible Investment (PRI)</p>
<b>2010</b>	<p>Launch of UBS's new Code of Business Conduct &amp; Ethics</p> <p>Publication of UBS Position on Controversial Activities</p>
<b>2011</b>	<p>Convener of Thun Group of Banks on banking of human rights</p> <p>Establishment of UBS Environmental &amp; Social Risk Committee</p> <p>Awarded with UK Big Society Award (established by the UK Prime Minister)</p>
<b>2012</b>	<p><i>UBS celebrates its 150<sup>th</sup> anniversary (see <a href="http://www.ubs.com/history">www.ubs.com/history</a>)</i></p> <p>Setting up of the UBS International Center of Economics in Society at the University of Zurich</p> <p>Global roll-out of the Investment Bank's ESG Analyzer</p>
<b>2013</b>	<p>Thun Group launches discussion paper on banking and human rights</p> <p>Renewal of Climate Change Strategy</p>

<b>2014</b>	Introduction of UBS Environmental and Human Rights Policy Launch of UBS and Society, UBS's sustainability organization Publication of UBS's comprehensive Environmental & Social Risk framework document UBS's Sustainability Disclosure 2013 meets the requirements of GRI G4 comprehensive
<b>2015</b>	DJSI industry group leadership
<b>2016</b>	DJSI industry group leadership maintained Introduction of UBS and Society Policy (replacing and expanding upon UBS Environmental and Human Rights Policy)

For further information on the history of UBS visit [www.ubs.com/history](http://www.ubs.com/history)

## 1.11 External Commitments and Memberships

### Advancing sustainability in the financial sector – UBS's key activities in 2016

Initiative	Focus topic	Role / activity of UBS	Key outcome of initiative in 2016
UN Global Compact (UNGC)	Sustainable Development Goals (SDGs)	Keynote speech by UBS Chairman at UNGC Leaders Summit on the financial sector's role in implementing the SDGs	Call to action for companies to integrate SDGs in their activities
G20 Green Finance Study Group (GFSG)	Green finance	UBS case study on climate change stress testing presented at GFSG meeting and included in input paper for G20 summit	Input paper <i>Environmental risk analysis by financial institutions – a review of global practice</i>
UN Environment Programme (UNEP)	Sustainable financial system	Member of Swiss team and contributor to Swiss report <i>Proposals for a Roadmap towards a Sustainable Financial System in Switzerland</i>	Report <i>UNEP Inquiry: Design of a Sustainable Financial System</i>
Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD)	Climate change	Member of TCFD and feedback provider on its draft reports	TCFD recommendations
European Financial Services Round Table (EFR)	Climate change	UBS Chairman signed the <i>Call for a strong, ambitious implementation of the Paris Agreement (Call)</i> UBS case study on climate change	<i>Call</i> document submitted for the 22 <sup>nd</sup> Conference of the Parties (COP)
Natural Capital Finance Alliance (NCFA)	Natural capital	Project partner to pilot test drought scenarios in bank portfolios	Drought stress testing tool and report under development
Natural Capital Finance Alliance (NCFA)	Natural capital	Member of technical advisory panel	Project launch in Switzerland (hosted by UBS)
National Action Plan (NAP) Switzerland	Human rights	Participant in multi-stakeholder consultation process	Publication of NAP
Thun Group of Banks	Human rights	Convener of Group	Discussion paper on the implications of UN Guiding Principles 13 and 17 (January 2017)
Organisation for Economic Co-operation and Development (OECD)	Due diligence	Member of the advisory board of the OECD Responsible Business Conduct project	OECD paper on responsible business conduct for institutional investors
Principles for Responsible Investing (PRI)	Proxy voting	Co-lead of PRI collaboration platform <i>Exploring the proxy voting chain</i>	Publication of findings
Policy Outlook (POLO) Platform	Sustainability regulation	Co-convener of Platform	Platform's first annual roundtable
WWF Banking on World Heritage Sites	UNESCO (natural) world heritage sites	Participant in WWF-organized workshops	Assessment of banks' policies wording and implementation

## Sustainability & Corporate Responsibility

- [UN Environment Programme Finance Initiative](#) (UNEP FI – member since 1992)
- [Principles for Responsible Investment](#) (PRI – AM signatory since 2009)
- [Swiss Sustainable Finance](#) (members since 2015)
- [UN Global Compact](#) (signatory since 2000)
- [Global Compact Network Switzerland](#)
- [Global Impact Investing Network](#) (GIIN – member since 2011)
- [Sustainable Finance Geneva](#) (member since 2012)
- [Association for Environmental Management and Sustainability in Financial Institutions](#) (VfU member since 1996)
- [Swiss Better Gold Association](#) (member since 2014)
- [Business in the Community](#) (founding member)
- [Institute of Business Ethics](#) (IBE – subscriber since 1987)
- [Conference Board](#)
- [USSIF](#) (member since 2015)
- [CSFI](#) (member since 2015)

## Human rights

- [Thun Group of Banks](#) (founding participant in 2011 and convener)
- [UNEP FI work / research on human rights](#) (participant in project)
- [LBMA Responsible Gold Guidance](#) (founding member of LBMA in 1987)
- [University of Zurich Competence Center for Human Rights](#) (UZHR – member of advisory board)
- [Swiss Center of Expertise in Human Rights](#) (SCHR – member of advisory board)

## Environment & climate

- [CDP](#) (founding signatory in 2002 of the Carbon Disclosure Project)
- Banking Environment Initiative's and Consumer Goods Forum's [Soft Commodities Compact](#) (member since 2013)
- [Roundtable on Sustainable Palm Oil](#) (RSPO – member since 2012)
- [Zurich Energy Model](#) (founding member in 1987)
- [Swiss Energy and Climate Summit](#) (Premium Partner since 2013)
- [RE100](#) (member since 2015)
- ISO 14001 certified Environmental Management System

## Transparency & reporting

- [Global Reporting Initiative](#) (user of GRI G4)
- [SASB](#) (Sustainability Accounting Standards Board, member of board of directors since 2013)
- ISO 14064 certified GHG Emissions

## Other

- [Wolfsberg Group](#) (founding member in 2000)
- [European Venture Philanthropy Association](#) (EVPA – member since 2007)
- [Global Apprenticeships Network](#) (GAN – member since 2013)

### 1.12 Environment and Human Rights

We view the proper management of our firm's own environmental footprint and our supply chain as important proof points for how we do business in a sustainable manner. This is equally true of our comprehensive management of environmental and social risks (ESR). Our in-house environmental management, our responsible supply chain management, and our ESR standards and management are aligned with UBS and Society and enforced firm-wide.

### 1.12.1 Environmental and Social risks

(For a comprehensive description refer to the [Environmental and Social Risk Policy Framework](#))

We have established comprehensive rules and procedures to prevent or manage environmental and social risks (ESR) for our clients and our firm. Our comprehensive ESR standards govern client and supplier relationships and are enforced firm-wide.

Our rules apply to our transactions, products, services and activities.

#### **In concrete terms:**

- Potential clients are assessed for environmental and social risks associated with their business activities as part of UBS's know-your-client compliance processes.
- Environmental and social risks are identified and assessed as part of transaction due diligence processes.
- New financial products and services are reviewed before their launch in order to assess their compatibility and consistency with UBS's environmental and human rights standards.
- Our operational activities and employees, or contractors working on UBS premises, are assessed for compliance with relevant environmental, health and safety, and labor rights regulations.
- Environmental and social risks are assessed when selecting and dealing with suppliers.
- We regularly review sensitive sectors and activities prone to bearing environmental and social risks, at portfolio level.

#### 1.12.1.1 Our standards

##### **Controversial Activities: Where UBS will not do business**

UBS will not knowingly provide financial or advisory services to corporate clients whose primary business activity, or where the proposed transaction, is associated with severe environmental or social damage to or through use of:

- **world heritage sites** as classified by the [United Nations Educational, Scientific and Cultural Organization \(UNESCO\)](#)
- **wetlands** on the [Ramsar](#) List
- **endangered species** of wild flora and fauna listed in Appendix 1 of the [Convention on International Trade in Endangered Species \(CITES\)](#)
- **high-conservation-value forests** as defined by the six categories of the [Forest Stewardship Council \(FSC\)](#)
- **uncontrolled and / or illegal use of fire for land clearance**
- **illegal logging**, including the purchase of illegally harvested timber (logs or roundwood)
- **child labor** as defined by the [International Labor Organization's](#) Conventions 138 (minimum age) and 182 (worst forms)
- **forced labor** as defined by the [International Labor Organization's](#) Convention 29
- **indigenous peoples' rights** as defined by the [International Finance Corporation's](#) Performance Standard 7

The above standards also apply when UBS purchases goods or services from suppliers.

##### **Areas of Concern - Where UBS will only do business under stringent criteria**

Specific guidelines and escalation criteria apply to transactions with corporate clients engaged in areas of concern. These include **soft commodities** (palm oil, soy and timber), **power generation** (coal-fired power plants, large dams and nuclear power) and **extractives** (hydraulic fracturing, oil sands, arctic drilling, coal mining, precious metals, and diamonds).

Transactions in these areas trigger an enhanced due diligence and approval process. In addition to the assessment of regulatory compliance, adherence to UBS's controversial activities standards, past and present environmental and human rights performance, as well as concerns of stakeholder groups, these transactions require an assessment of the criteria as set out in the UBS ESR Policy Framework.

## Controversial weapons

UBS does not directly or indirectly finance the development, production or purchase of controversial weapons of such companies determined to fall within the "Swiss Federal Act on War Materials".

*On the topic of cluster munitions and anti-personnel mines:*

UBS does not provide credit facilities to nor conduct capital market transactions for companies that are involved in the development, production or purchase of cluster munitions and anti-personnel mines. UBS does not include securities of affected companies in its actively-managed retail and institutional funds and in discretionary mandates. UBS draws upon external expertise to decide whether a company is subject to the restrictions imposed by Swiss law.

### 1.12.1.2 Environmental and social risk assessments

	GRI <sup>1</sup>	For the year ended			% change from
		31.12.16	31.12.15	31.12.14	31.12.15
<b>Cases referred for assessment<sup>2</sup></b>	FS2	2,671	2,192	1,812	22
<b>by region</b>					
Americas	FS2	395	295	354	34
Asia Pacific	FS2	556	520	317	7
Europe, Middle East and Africa	FS2	341	257	297	33
Switzerland	FS2	1,379	1,120	844	23
<b>by business division</b>					
Wealth Management	FS2	429	396	291	8
Wealth Management Americas	FS2	20	20	21	0
Personal & Corporate Banking	FS2	1,226	980	749	25
Asset Management	FS2	2	0	7	
Investment Bank	FS2	971	776	654	25
Corporate Center <sup>3</sup>	FS2	23	20	90	15
<b>by sector</b>					
Metals and mining	FS2	221	217	375	2
Oil and gas	FS2	263	235	357	12
Agribusiness <sup>4</sup>	FS2	330	190	178	74
Utilities	FS2	221	147	89	50
Chemicals	FS2	93	64	56	45
Infrastructure	FS2	88	25	31	252
Other <sup>5</sup>	FS2	1,455	1,314	726	11
<b>by outcome</b>					
approved <sup>6</sup>	FS2	2,304	1,732	1,561	33
approved with qualifications <sup>7</sup>	FS2/FS3	258	373	187	(31)
rejected or not further pursued <sup>8</sup>	FS2	83	87	64	(5)
pending <sup>9</sup>	FS2	26	0	0	

1 Global Reporting Initiative (refer to [www.globalreporting.org](http://www.globalreporting.org)). FS stands for the Performance Indicators defined in the GRI Financial Services Sector Supplement.

2 Transactions and client onboarding requests referred to the environmental and social risk (ESR) function.

3 Relates to procurement / sourcing of products and services.

4 Includes e.g. forestry products, biofuels, food and beverage.

5 Included e.g. financial institutions, aerospace and defence, telecom, technology, commodity trading (from 2015).

6 Client / transaction / supplier subject to an ESR assessment and considered in compliance with UBS's ESR framework.

7 Client / transaction / supplier subject to an ESR assessment and approved with qualifications. Qualifications may include ring-fencing of certain assets, conditions towards client / supplier or internal recommendations.

8 Client / transaction / supplier subject to an ESR assessment and rejected or not further pursued.

9 Decision pending. Pending cases 2014 / 2015 have been closed and reallocated to the other outcome categories.

### 1.12.2 In-house Environmental Management

Our environmental program was introduced in the 1970s, and since 1999, we have managed the program through an Environmental Management System in accordance with ISO 14001. In addition, our greenhouse gas (GHG) emissions data is externally verified on the basis of ISO 14064 standards.

We constantly strive to reduce our GHG emissions, our waste production, energy and paper consumption and water usage.

#### 1.12.2.1 GHG emissions and energy consumption

We achieve our strong performance by adopting energy efficiency measures and increasing the proportion of renewable energy. Emissions - such as from business travel by air - that cannot be reduced by other means are offset.

#### **GHG emissions**

In 2016, we further reduced UBS's GHG emissions by 1.8%, or 2.8% per full-time employee, year on year, a total reduction of 54% from baseline year 2004.

#### **Energy consumption**

In 2016, we reduced our energy consumption by more than 14% compared with 2012, thus outperforming our target of a 10% reduction by 2016. One of the key drivers for this achievement is our Group-wide real estate strategy, which includes:

- consolidating work space in larger and more energy-efficient buildings with alternative workplace concepts, resulting in a smaller, less energy-intensive real estate footprint of our operations;
- investing in energy-efficient infrastructure, such as obtaining green building certifications (Leadership in Energy and Environmental Design or similar) for our flagship buildings and
- implementing established energy reduction measures, such as optimizing heating, air-conditioning and lighting controls in the buildings we occupy.

#### **Renewable energy**

In 2016, 55.6% of UBS's worldwide electricity consumption was sourced from renewable energy. We have been sourcing electricity from 100% renewable sources in Switzerland already since 2007, in Germany since 2012, in the UK and Luxembourg since 2016 (mainly hydropower and wind power). In some countries such as in the Americas region we already purchase a high percentage of renewable electricity, and as part of our RE100 commitment, we aim to gradually increase this in the remaining countries by 2020. As a member of RE 100, we have committed to securing 100% of our electricity from renewable sources by 2020, thereby reducing our own GHG footprint by 75% compared to 2004 levels.

#### **Offsetting CO2 emissions**

In an effort to minimize our CO2 emissions in business travel, we encourage our employees to choose alternatives to air travel, such as high-speed rail, and to use video-conferencing technology instead of travelling. Since 2007, we have been offsetting all our CO2 emissions from business air travel. Projects we selected meet the requirements of the Gold Standard for voluntary emissions reductions.

#### 1.12.2.2 Paper, water and waste

In 2015, all U.S. branch locations and major offices made the transition to Forest Stewardship Council (FSC) certified paper, ensuring the majority of copy paper used in the U.S. is sourced from responsibly managed forest. Globally, 89.5% of all paper consumption was from recycled or FSC certified sources. The continued implementation of bin-less offices in many larger locations has helped us reduce the waste per employee by 11% since 2012, and exceed our 5% reduction target set for 2016. By the end of 2016, our waste recycling ratio remained stable at 54% compared to 2012.

We reduced our water consumption by 22%, compared with 2012, thus outperforming our 2016 target.

### 1.12.2.3 In-house environmental management - statistics

#### Environmental targets and performance in our operations<sup>1</sup>

	GRI <sup>2</sup>	2016	Target 2016	Baseline	% change from baseline	Progress / Achievement <sup>8</sup>	2015	2014
Total net greenhouse gas emissions (GHG footprint) in t CO <sub>2</sub> e <sup>3</sup>	EN15-17	<b>165'975</b>	-50%	360'501 <sup>4</sup>	-54.0	●	169'026	181'066
Energy consumption in GWh	EN3	<b>661</b>	-10%	774 <sup>5</sup>	-14.6	●	668	707
Share of renewable electricity	EN3	<b>55.6%</b>	100% <sup>6</sup>	43.6% <sup>4</sup>	27.8	●	54.0%	52.0%
GHG offsetting (business air travel) in t CO <sub>2</sub> e	EN18	<b>67'056</b>	100%	0 <sup>4</sup>	100	●	73'592	75'305
Paper consumption in kg per FTE <sup>7</sup>	EN1	<b>114</b>	-5%	122 <sup>5</sup>	-6.9	●	119	121
Share of recycled and FSC paper	EN2	<b>89.5%</b>	60%	55.8% <sup>5</sup>	60.4	●	83.6%	61.8%
Waste in kg per FTE <sup>7</sup>	EN23	<b>206</b>	-5%	232 <sup>5</sup>	-11.0	●	203	213
Waste recycling ratio	EN23	<b>54.1%</b>	60%	53.9% <sup>5</sup>	0.3	●	52.8%	54.6%
Water consumption in m <sup>3</sup>	EN8	<b>0.96</b>	-5%	1.22 <sup>5</sup>	-21.9	●	0.96	1.08

Legend: CO<sub>2</sub>e = CO<sub>2</sub> equivalents; FTE = full-time employee; GWh = giga watt hour; kWh = kilo watt hour; km = kilometer; kg = kilogram; m<sup>3</sup> = million cubic meter; t = ton

1 Detailed environmental indicators are available on the internet [www.ubs.com/environment](http://www.ubs.com/environment). Reporting period 2016 (1 July 2015 – 30 June 2016). 2 Related to Global Reporting Initiative (see also [www.globalreporting.org](http://www.globalreporting.org)). EN stands for the environmental performance indicators as defined in the GRI. 3 GHG footprint equals gross GHG emissions minus GHG reductions from renewable energy and GHG offsets (gross GHG emissions include: direct GHG emissions by UBS; indirect GHG emissions associated with the generation of imported / purchased electricity (grid average emission factor), heat or steam and other indirect GHG emissions associated with business travel, paper consumption and waste disposal). 4 Baseline year 2004 5 Baseline year 2012 6 Target year 2020 7 FTEs are calculated on an average basis including FTEs which were employed through third parties on short-term contracts. 8 Green: on track / amber: behind schedule

## Environmental indicators<sup>1</sup>

		2016 <sup>2</sup>			2015 <sup>2</sup>	2014 <sup>2</sup>
	GRI <sup>3</sup>	Absolute normalized <sup>4</sup>	Data quality <sup>5</sup>	Trend <sup>6</sup>	Absolute normalized <sup>4</sup>	Absolute normalized <sup>4</sup>
<b>Total direct and intermediate energy consumption<sup>7</sup></b>		<b>661 GWh</b>	<b>***</b>	<b>↘</b>	<b>668 GWh</b>	<b>707 GWh</b>
<b>Total direct energy consumption<sup>8</sup></b>	<b>EN3</b>	<b>73 GWh</b>	<b>***</b>	<b>↗</b>	<b>68 GWh</b>	<b>101 GWh</b>
natural gas		86.9%	***	→	85.2%	80.7%
heating oil		8.8%	***	↘	10.1%	15.8%
fuels (petrol, diesel, gas)		3.9%	***	↘	4.6%	3.4%
renewable energy (solar power, etc.)		0.38%	***	↑	0.16%	0.13%
<b>Total intermediate energy purchased<sup>9</sup></b>	<b>EN3</b>	<b>588 GWh</b>	<b>***</b>	<b>→</b>	<b>600 GWh</b>	<b>606 GWh</b>
electricity		527 GWh	***	→	519 GWh	548 GWh
electricity from gas-fired power stations		15.9%	***	→	16.7%	17.7%
electricity from oil-fired power stations		2.6%	***	↘	2.9%	3.0%
electricity from coal-fired power stations		15.9%	***	→	16.0%	16.2%
electricity from nuclear power stations		10.0%	***	→	10.5%	11.2%
electricity from hydroelectric power stations		33.5%	***	↘	36.2%	33.4%
electricity from other renewable resources		22.0%	***	↗	17.8%	18.5%
heat (e.g. district heating)		61 GWh	**	↘	80 GWh	58 GWh
<b>Share of electricity from renewable sources</b>		<b>56%</b>	<b>***</b>	<b>→</b>	<b>54%</b>	<b>52%</b>
<b>Total business travel</b>	<b>EN30</b>	<b>694 m Pkm</b>	<b>***</b>	<b>→</b>	<b>672 m Pkm</b>	<b>684 m Pkm</b>
rail travel <sup>10</sup>		1.8%	***	↘	1.9%	1.8%
road travel <sup>10</sup>		1.4%	***	↘	1.6%	1.0%
air travel		96.8%	***	→	96.5%	97.1%
<b>Number of flights (segments)</b>		<b>296'234</b>	<b>***</b>	<b>→</b>	<b>289'956</b>	<b>296'067</b>
<b>Total paper consumption</b>	<b>EN1</b>	<b>7'077 t</b>	<b>***</b>	<b>→</b>	<b>7'358 t</b>	<b>7'471 t</b>
post-consumer recycled	EN2	14.1%	***	↘	16.1%	18.8%
new fibers FSC <sup>11</sup>		75.5%	***	↗	67.5%	42.9%
new fibers ECF + TCF <sup>11</sup>		10.3%	***	↘	16.3%	38.0%
new fibers chlorine bleached		0.13%	**	↘	0.17%	0.20%
<b>Total waste</b>	<b>EN23</b>	<b>12'858 t</b>	<b>***</b>	<b>→</b>	<b>12'546 t</b>	<b>13'136 t</b>
valuable materials separated and recycled		54.1%	***	→	52.8%	54.6%
incinerated		18.6%	***	→	19.3%	19.8%
landfilled		27.4%	**	→	27.9%	25.5%
<b>Total water consumption</b>	<b>EN8</b>	<b>0.96 m m3</b>	<b>**</b>	<b>→</b>	<b>0.96 m m3</b>	<b>1.08 m m3</b>
<b>Greenhouse Gas (GHG) Emissions in CO2e</b>						
Direct GHG emissions (Scope 1) <sup>12</sup>	EN15	14'154 t	***	↗	13'340 t	18'053 t
Gross indirect GHG emissions (Gross Scope 2) <sup>12</sup>	EN16	185'026 t	***	→	179'082 t	191'837 t
Gross other indirect GHG emissions (Gross Scope 3) <sup>12</sup>	EN17	91'276 t	***	↘	101'394 t	96'710 t
<b>Total Gross GHG Emissions</b>		<b>290'456 t</b>	<b>***</b>	<b>→</b>	<b>293'817 t</b>	<b>306'600 t</b>
GHG reductions from renewable energy <sup>13</sup>		57'425 t	***	↗	51'199 t	50'230 t
CO2e offsets (business air travel) <sup>14</sup>		67'056 t	***	↘	73'592 t	75'305 t
<b>Total Net GHG Emissions (GHG Footprint)<sup>15</sup></b>		<b>165'975 t</b>	<b>***</b>	<b>→</b>	<b>169'026 t</b>	<b>181'066 t</b>



Legend: GWh = giga watt hour; Pkm = person kilometer; t = ton; m<sup>3</sup> = cubic meter; m = million; CO<sub>2</sub>e = CO<sub>2</sub> equivalents

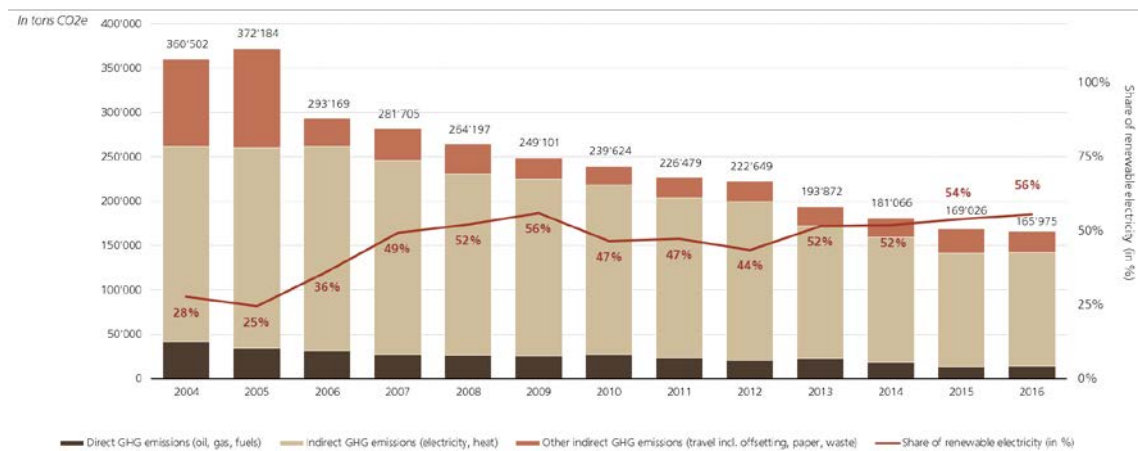
1 All figures are based on the level of knowledge as of January 2017. 2 Reporting period: 2016 (1 July 2015 – 30 June 2016), 2015 (1 July 2014 – 30 June 2015), 2014 (1 July 2013 – 30 June 2014) 3 Global Reporting Initiative (see also [www.globalreporting.org](http://www.globalreporting.org)). EN stands 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](http://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 CO<sub>2</sub> equivalents (CO<sub>2</sub>e). These offsets neutralize GHG emission from our business air travel. 15 GHG footprint equals gross GHG emissions minus GHG reductions from renewable energy and CO<sub>2</sub>e offsets.

## Environmental indicators per full-time employee

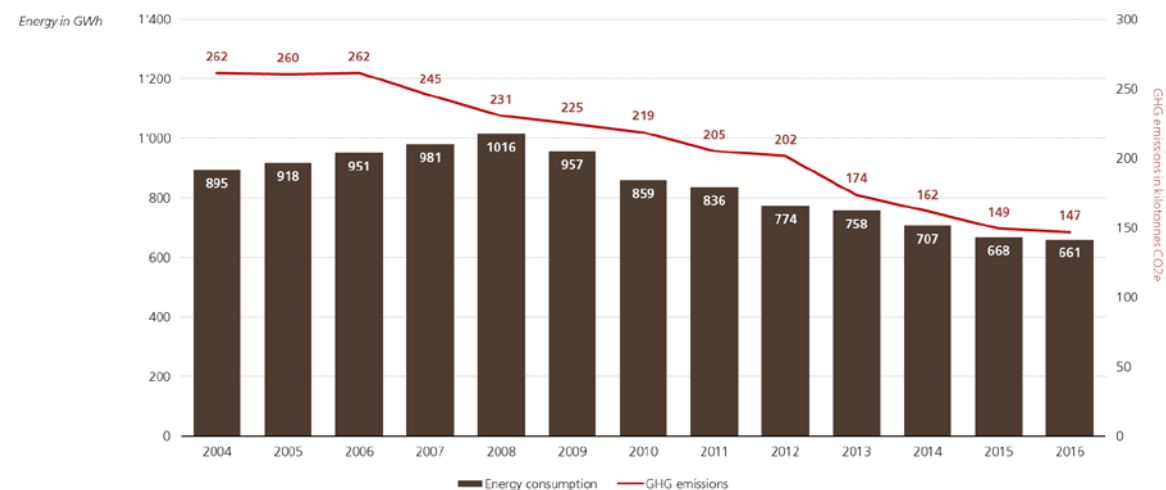
	Unit	2016	Trend	2015	2014
Direct and intermediate energy	kWh / FTE	<b>10,604</b>	→	10,827	11,450
Business travel	Pkm / FTE	<b>11,141</b>	→	10,898	11,086
Paper consumption	kg / FTE	<b>114</b>	→	119	121
Waste	kg / FTE	<b>206</b>	→	203	213
Water consumption	m3 / FTE	<b>15.3</b>	→	15.5	17.5
CO2 footprint	t / FTE	<b>2.66</b>	→	2.74	2.93

Legend: FTE = full-time employee; kWh = kilo watt hour; Pkm = person kilometer; kg = kilogram; m3 = cubic meter; t = ton  
Notes: FTEs are calculated on an average basis including FTEs which were employed through third parties on short-term contracts.

## Our Greenhouse Gas (GHG) footprint

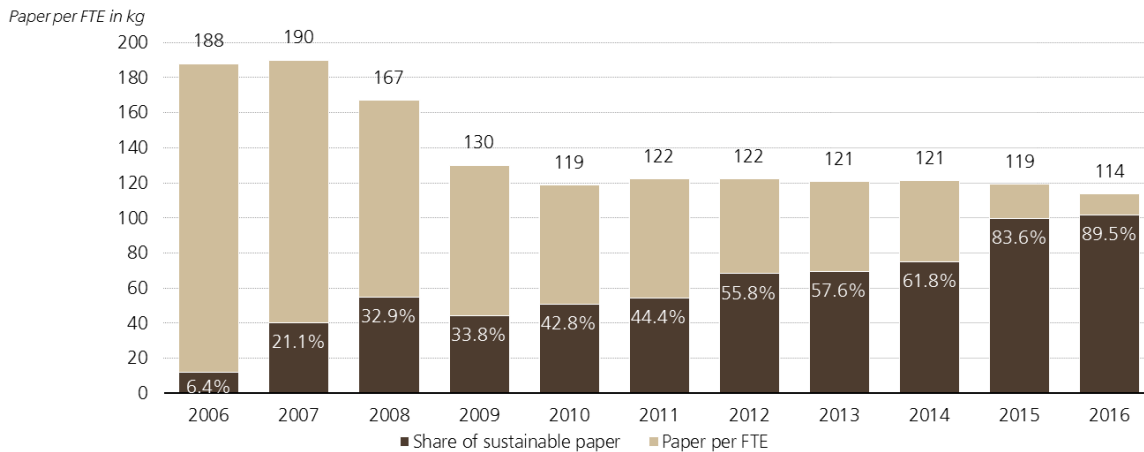


## Energy consumption and related greenhouse gas emissions time series



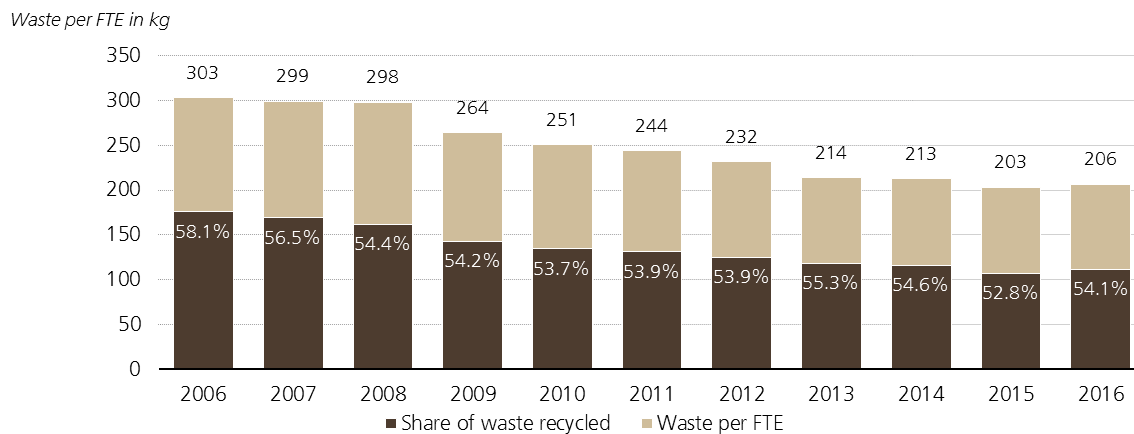
Footnote: GHG emission = Direct GHG emissions (scope 1) + Gross indirect GHG emissions (Gross scope 2) - GHG reductions from renewable energy + GHG emissions from leased assets not included in scope 1 and 2.

## Paper consumption time series



Note: FTEs are calculated on an average basis including FTEs which were employed through third parties on short-term contracts.

## Waste generation time series



Note: FTEs are calculated on an average basis including FTEs which were employed through third parties on short-term contracts.

### 1.12.3 Responsible supply chain management

We embed environmental and social standards into our sourcing and procurement activities. Our responsible supply chain management (RSCM) framework is based on identifying, assessing and monitoring supplier practices in the areas of human and labor rights, the environment, health and safety and anti-corruption, in line with our commitment to the UN Global Compact and the UBS and Society Policy.

#### Committing suppliers to comply with our standards

We aim to reduce negative environmental and social effects of the goods and services UBS 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, the environmental protection and corruption. A central component of this guideline is the UBS Responsible Supply Chain Standard to which our direct suppliers are bound by contract. The standard defines our expectations towards suppliers and their subcontractors regarding legal compliance, environmental protection, avoidance of child and forced labor, non-discrimination, remuneration, hours of work, freedom of association, humane treatment, health and safety and anti-corruption issues.

The UBS Responsible Supply Chain Standard can be downloaded in the UBS and Society [Download Center](#) in various languages.

## *Identifying, assessing and monitoring high-impact suppliers*

We identify high-impact suppliers when establishing new contracts or renewals based on the suppliers' provision of goods and services that have either a substantial environmental and social impact or are sourced in markets with potentially high social risks. Such high-impact suppliers are requested to fulfill further requirements towards product and service provision and are assessed against the UBS Responsible Supply Chain Standard. If this assessment reveals any non-compliance with our standard, UBS defines and agrees, together with the supplier, on specific improvement measures which we monitor. Lack of improvement may lead to the termination of the supplier relationship. We also regularly screen active suppliers as part of our environmental and social risk control processes.

The RSCM framework includes an impact assessment of newly sourced goods and services, which takes into account potential negative environmental and social impacts along the lifecycle of a product or a service, and all purchased goods and services are categorized accordingly.

Suppliers of potentially high-impact goods or services, are requested to conduct a self-assessment on their responsible management practices and to provide corresponding evidence. Actual and potential negative impacts that are considered in the impact assessment of purchased goods and services include:

- Adverse environmental impacts due to inefficient use of resources (e.g. water, energy, biomass) and emissions during the lifecycle of the product
- Hazardous substances, emissions, pollutants and limited recyclability of products, adversely affecting people and the environment
- Unfair employment practices, such as low wages, excessive overtime, absence of occupational health & safety measures
- Risks for consumer health and safety
- Procurement and use of materials with a strongly negative environmental and/or social impact
- Insufficient management of subcontractors regarding sustainability aspects

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.

## **1.13 Governance**

### *1.13.1 Board of Directors and sustainability*

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

All BoD committees have responsibilities and authorities of direct relevance to our goal of creating sustainable value. The Governance and Nominating Committee, for instance, addresses all relevant corporate governance issues affecting the UBS Group. The Compensation Committee supports the BoD in its duties to set guidelines on compensation and benefits and evaluates the effectiveness of pay for performance across the firm. While the Risk Committee reviews and proposes to the BoD the guiding principles and framework for risk management and control (including risk appetite, delegation of risk authorities and major risk limits) relative to UBS's operations and recommend any required changes to that framework.

The Corporate Culture and Responsibility Committee (CCRC) shoulders the main undertaking for corporate culture, responsibility and sustainability. As set out in its charter, the CCRC supports the Board in its duties to safeguard and advance the Group's reputation for responsible and sustainable conduct. Its function is forward-looking in that it monitors and reviews societal trends and transformational developments and assesses their potential relevance for the Group. The CCRC's function also encompasses the monitoring of the current state and implementation of

the programs and initiatives within the Group pertaining to corporate culture and corporate responsibility. For the UBS and Society platform, the CCRC defines the strategic direction and goals.

Senior-level committees in charge of key aspects of corporate responsibility and sustainability include the UBS and Society Operating Committee, which we established in 2015 to oversee and coordinate the execution of UBS and Society. In 2016, the Committee was chaired by the Wealth Management and Asia Pacific Presidents.

The Global Environmental & Social Risk Committee, also at GEB level, defines the environmental and social risk (ESR) framework and independent controls that align UBS's ESR appetite with UBS and Society. It is chaired by the Group Chief Risk Officer, who is responsible for the development and implementation of principles and appropriate independent control frameworks for ESR within UBS.

The GEB oversees our efforts to combat money laundering, corruption and terrorist financing. These efforts are led by a dedicated financial crime team of anti-money laundering (AML) compliance experts. Also overseen by the GEB is our approach to diversity and inclusion. We have a global head of diversity and inclusion to drive a group-wide strategy complemented by divisional and regional initiatives.

### *1.13.2 Key Policies and Guidelines*

Refer to the [Download Center](#) of the UBS & Society websites for further relevant materials such as our Environmental and Social Risk Policy Framework document and Our Climate Commitment.

#### *1.13.2.1 Code of Conduct and Ethics*

The "Code of Conduct and Ethics of UBS" sets out the principles and practices that UBS expects all of its employees and directors to follow unreservedly both in letter and in spirit. The principles and standards set out in the Code should characterize all of UBS's business activities and all its dealings with the firm's stakeholders including clients, colleagues, shareholders, regulators and business partners. It is the basis for all UBS policies, guidelines and statements relating to each of the firm's employees' personal commitment to appropriate and responsible corporate behavior.

[www.ubs.com/code](http://www.ubs.com/code)

#### *1.13.2.2 UBS and Society Policy*

The UBS and Society policy defines principles and responsibilities for embedding sustainability systematically across all relevant business and for implementing the ethical standards defined in the Code of Conduct and Ethics that govern UBS's interaction with society and the environment.

#### *1.13.2.3 Combating financial crime*

We have developed extensive policies intended to prevent, detect and report money laundering, corruption and terrorist financing. These policies seek to protect the firm and our reputation from those who may be intending to use UBS to legitimize illicit assets. Anti-corruption policies and procedures are in place in all business divisions, which aim to prevent bribery occurring throughout our operations. These policies are derived from the standards that are set out in the Group Policy Against Corruption and the Group Policy on Gifts and Business Entertainment

#### *1.13.2.4 Community Affairs*

A set of global Guidelines are in place which set out UBS's Community Affairs activities. They seek to ensure a coherent and consistent approach to Community Affairs globally. They outline responsibilities, focus areas, the scope of the programs as well as minimal criteria applicable to all Community Affairs activities and any financial contributions to charities and non-profit organizations made by UBS.

#### *1.13.2.5 Whistle-blowing protection*

We continue to promote a culture of constructive challenge, encouraging employees to speak up. Our whistleblowing policy provides a formal framework and multiple channels for all employees to raise concerns, either openly or anonymously, about suspected breaches of laws, regulations, rules and other legal requirements to which the Group is subject, or our Code of Business Conduct and Ethics, policies, or any relevant professional standards. Employee awareness through training and communication is integral, underpinned by our procedures which ensure whistleblowing concerns are investigated, that appropriate and consistent action is taken and that there is independent governance and oversight.

## 1.14 Combating financial crime

We take a rigorous risk-based approach in our commitment to combatting money laundering, corruption and terrorist financing. We are also committed to complying with sanctions laws.

Our policies and procedures are designed to detect and mitigate financial crime-related risks. We adhere to strict know-your-client rules and use advanced technology to help identify suspicious transaction patterns. If suspicious activities are discovered, they are promptly escalated to independent control units and external authorities, as required by law. We assess annually the money laundering, bribery and corruption and sanctions risks associated with all our business operations against our control framework, and take actions to further mitigate that risk.

We are a founding member of the Wolfsberg Group, an association of global banks that aims to develop financial services industry standards for policies on preventing money laundering and terrorist financing, and on know-your-client principles.

Together with the other members of the Group we work closely with the Financial Action Task Force (FATF), an inter-governmental body that helps develop national and international policies on preventing money laundering and terrorist financing through consultation with the private sector. The Wolfsberg Group continued to influence anti-money laundering (AML) through its annual forum and regional reach-out meetings with banks globally. It continues to work on guidance papers in key areas of AML.

## 1.15 Our employees

Our employees' drive, skill, insight and experience are key to meeting our clients' needs and growing our businesses.

### 1.15.1 Diversity and Inclusion

Our global workforce is already diverse in many aspects; we consider this a competitive strength. We are committed to further increasing our diversity and ensuring an inclusive workplace, because both are key to achieving our goals. Diversity is both a cultural and a business imperative. In all our businesses, we seek to hire and retain a broad range of talent with diversity in race, ethnicity, age, gender, background, education, sexual orientation and other aspects, because diverse employees better understand and relate to clients' needs. Our workforce is truly global. At the end of 2016, our employees worked in offices in 52 countries, spoke more than 150 languages and were citizens of 137 countries. Our human resource policies and processes have global coverage and outline our commitment to a non-discriminating, harassment-free workplace with equal opportunities for all employees.

#### [More on Diversity & Inclusion](#)

### 1.15.2 Performance and compensation

We know that effective people management is key to sustaining a high-performing and culturally cohesive organization. We assess performance and behavior, the two elements that impact long-term profitability and culture. Our year-end reviews thus measure both what was achieved and how those results were achieved. Separate ratings underscore the importance of the firm's behaviors to individual and Group success, and both are considered in development, reward and promotion decisions. We have salary ranges applicable to all employees with differentiation by location, rank and role, as well as a global role classification framework.

### 1.15.3 Health and safety

UBS is committed to ensuring that all staff have a working environment that protects their health, safety and wellbeing. In fact, our Code of Conduct & Ethics includes a commitment to follow health and safety rules and implement best practices to ensure as safe a workplace as possible. Our activities are based on the following principles:

- We aim to maintain a working environment that supports the general health and well-being of all staff.
- We build and maintain innovative work places that allow employees to work efficiently and collaboratively.
- Our flexible working options (and our leave and benefit arrangements) are designed to support employees' work and personal lives.

- We actively promote an open and respectful work environment.
- We strive to ensure that our working environment is as safe as possible, including addressing issues such as protection of non-smokers, radiation exposure risk assessments, etc.
- We have measures in place to mitigate potential emergencies in the workplace and while travelling on business.
- Travel and security experts, crisis management committees, first aid providers, health specialists, social counselors and other specialists are available to employees.
- UBS has a range of services and programs (for example, our Employee Assistance Programs, Social Counseling and online support materials) to help employees navigate through various personal issues, including health, family care, addiction and dependency problems.
- Workplace issues can also impact employee wellbeing. We have appropriate routes for employees to raise any concerns, including documented grievance, complaint and whistleblowing processes.

### [Read the full UBS statement on health and safety](#)

#### 1.15.4 The UBS workforce: 2016

##### 1.15.4.1 Our workforce at a glance

In 2016, we had 59,387 employees (full-time equivalents/FTEs), 712 fewer than in 2015. This included Swiss apprentices on three-year limited contracts who received equivalent benefits to permanent employees.

- An additional 2,155 FTEs were employed through third parties on short-term contracts to fill positions on an interim basis.
- Also, 32,755 external contractors were active at the end of 2016, primarily in technology, operations and premises-related roles. Not all would have been onsite at any one time.
- Switzerland is our largest cross-border importer; China is our largest cross-border exporter.
- Our average age is 41 and average years of service is 9.
- 1,005 employees changed business divisions; 505 changed region in 2016.
- More than 50% of employees in Switzerland have worked here 10+ years.
- Employee turnover in 2016 was 14.0% (vs 14.6% in 2015); employee-initiated turnover was 8.0% (down from 9.0%) in 2015.
- Globally, 16,488 work days were self-reported by our employees as having been impacted by accidents in 2016; 175,253 were impacted by illness.

(All data was calculated on / as of 12/31/16, unless otherwise noted.)

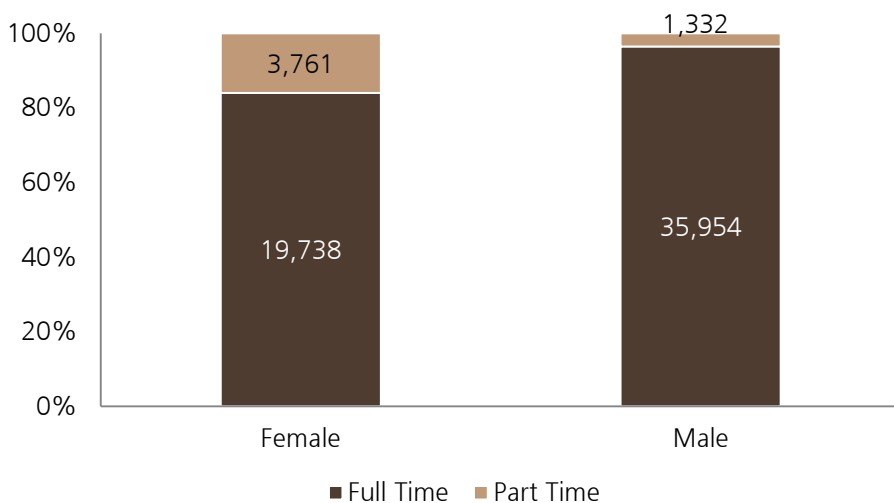
##### 1.15.4.2 UBS employees 2016 – by the numbers

To give the most accurate view of our global and diverse workforce, HR reporting considers a person (working full or part time) as one headcount. This accounts for the total UBS employee number of 60,785 as of 31 December 2016, which excludes staff from UBS Card Center, Hotel Seepark Thun, Wolfsberg and the Widder Hotel. The sole exception to this approach in this document is the personnel by region chart, sourced from the Group Finance Report, which (as noted) is calculated on a full-time equivalent basis (and which includes the staff excluded from HR reporting).

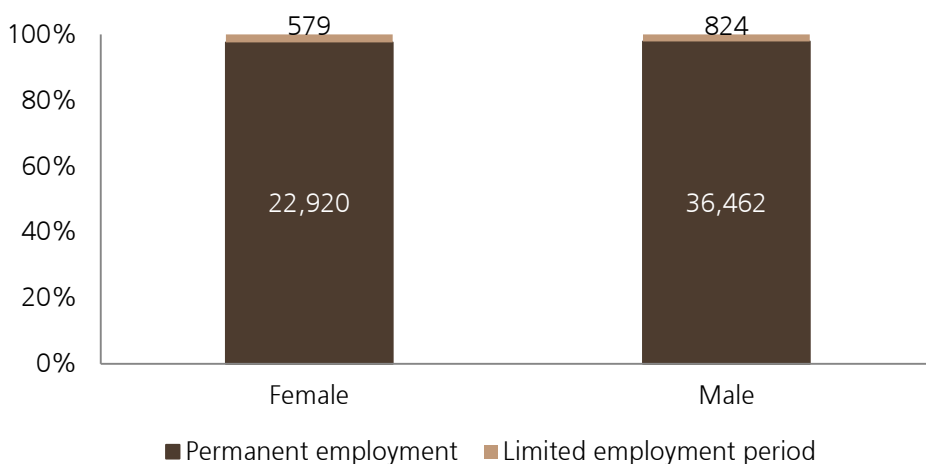
#### **UBS employees 2016: personnel by region (FTE)**

		As of		% change from
<i>Full-time equivalents</i>	<b>31.12.16</b>	31.12.15	31.12.14	31.12.15
Americas	<b>20,522</b>	20,816	20,951	(1)
<i>of which: USA</i>	<b>19,695</b>	19,897	19,715	(1)
Asia Pacific	<b>7,539</b>	7,539	7,385	0
Europe, Middle East and Africa	<b>10,746</b>	10,505	10,254	2
<i>of which: UK</i>	<b>5,206</b>	5,373	5,425	(3)
<i>of which: Rest of Europe</i>	<b>5,373</b>	4,957	4,663	8
<i>of which: Middle East and Africa</i>	<b>167</b>	176	166	(5)
Switzerland	<b>20,581</b>	21,238	21,564	(3)
<b>Total</b>	<b>59,387</b>	60,099	60,155	(1)

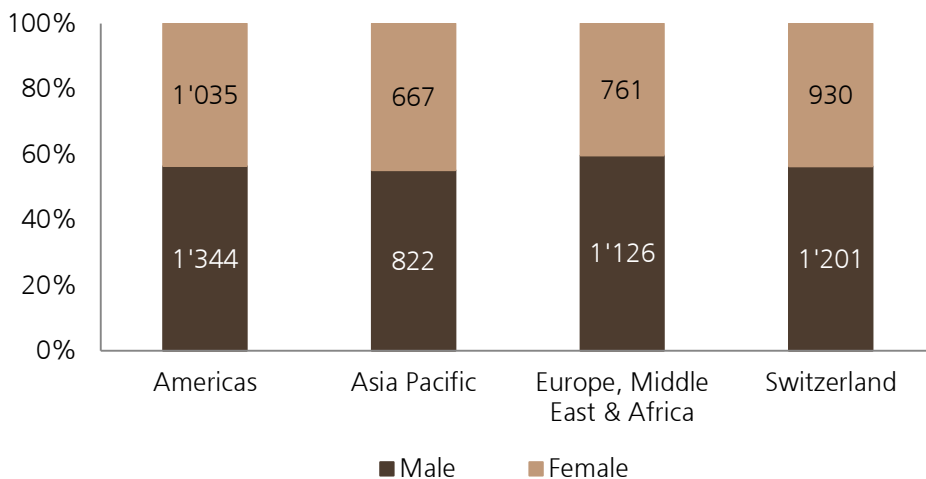
**UBS employees 2016: full-time and part-time employees**



**UBS employees 2016: permanent and "limited employment period" employees**

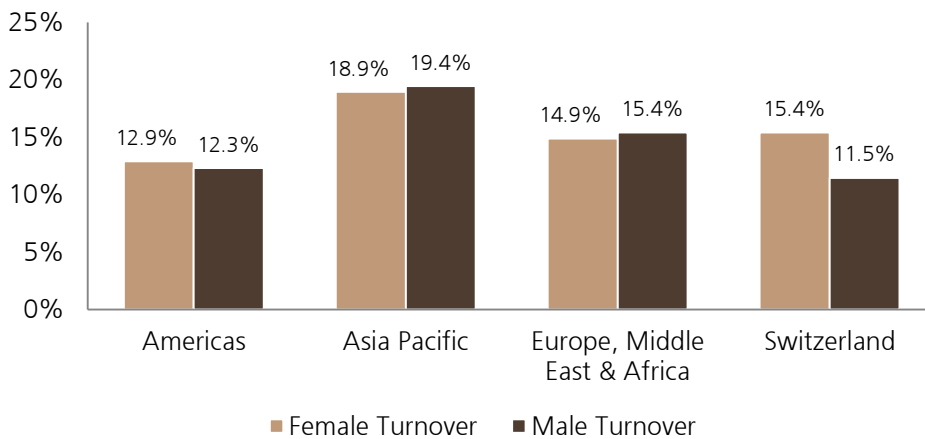


**UBS employees 2016: external hires**

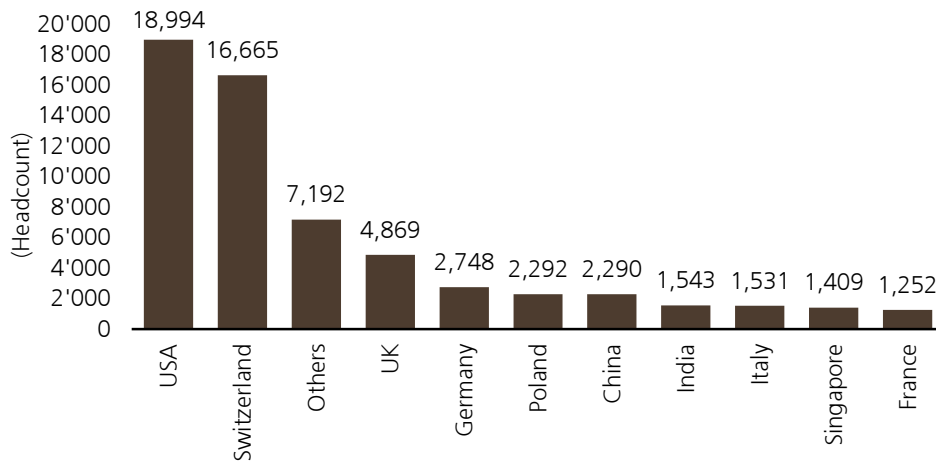




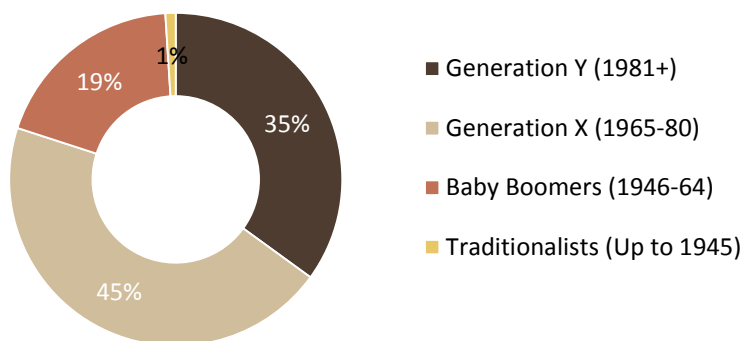
### UBS employees 2016: employee turnover



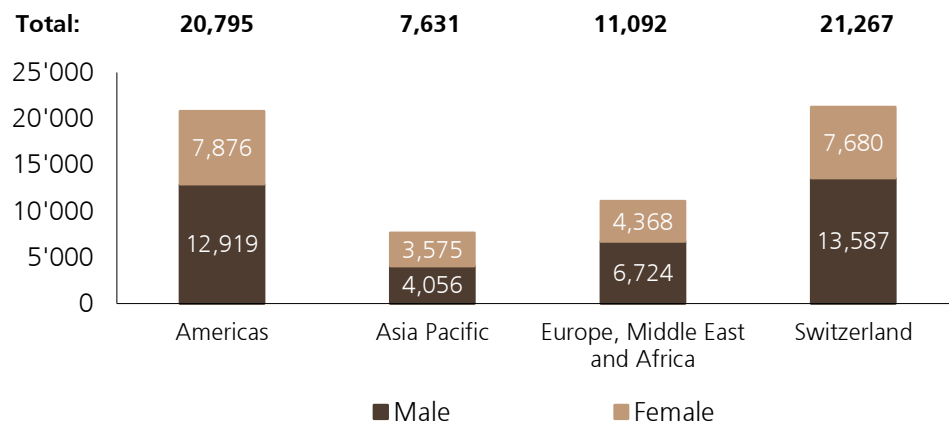
### UBS employees 2016: citizenship highlights



### UBS employees 2016: by generation



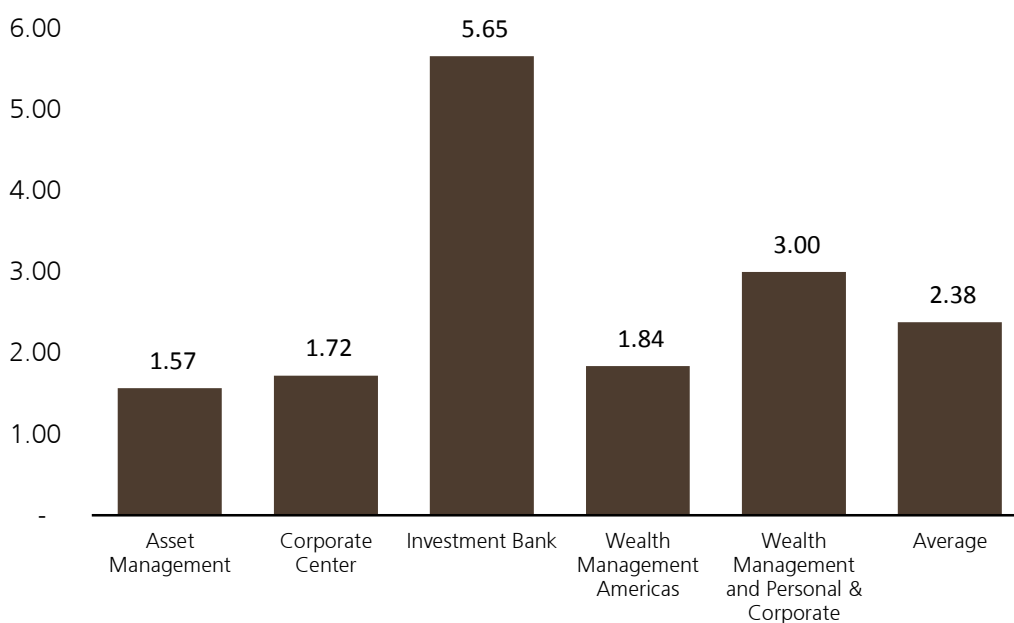
## UBS employees 2016: men and women, by region



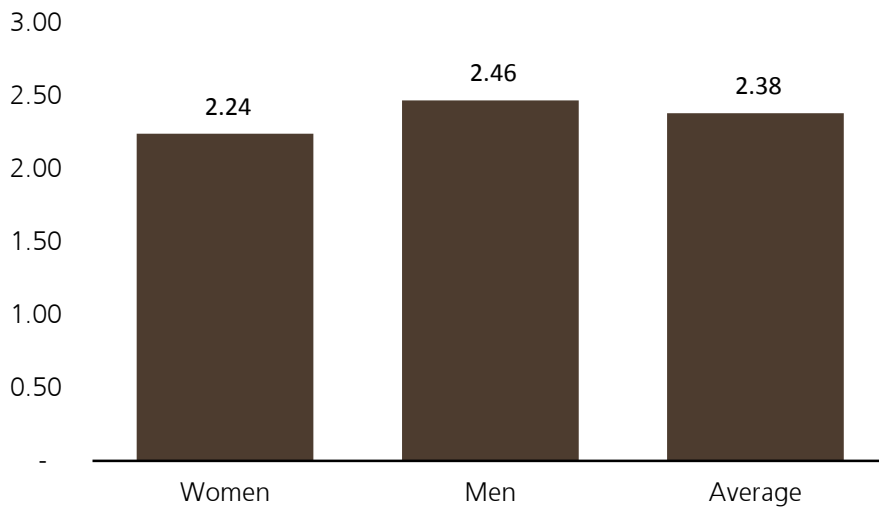
## UBS employees 2016: men and women, by rank group

Headcount as of 31.12.16	Officers (Director and above)		Officers (other officers)		Employees		Total	
	Number	%	Number	%	Number	%	Number	%
Male	18,021	77	12,100	60	7,165	42	37,286	61
Female	5,432	23	8,165	40	9,902	58	23,499	39
<b>Total</b>	<b>23,453</b>	<b>100</b>	<b>20,265</b>	<b>100</b>	<b>17,067</b>	<b>100</b>	<b>60,785</b>	<b>100</b>

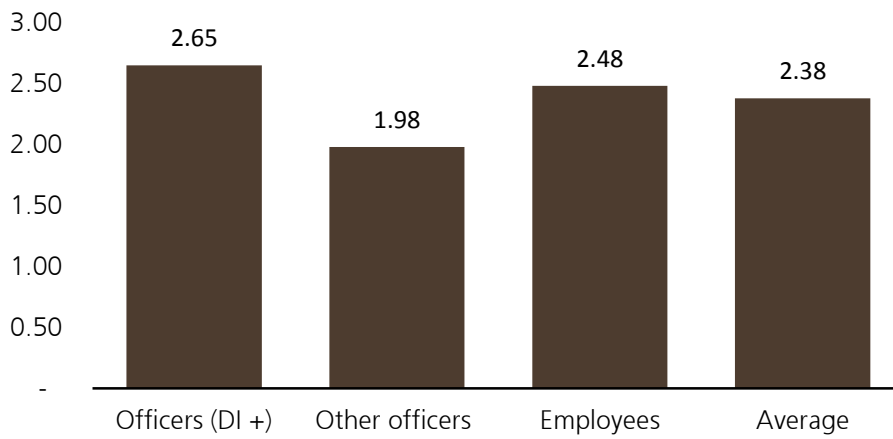
## UBS employees 2016: average training days (business division)



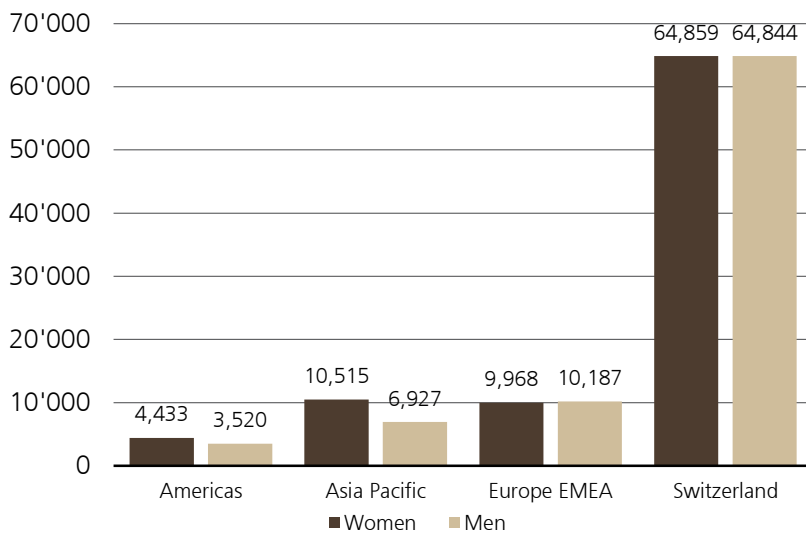
**UBS employees 2016: average training days (gender)**



**UBS employees 2016: average training days (rank group)**



## UBS employees 2016: Sickness days



Note: Labor markets have different laws and regulations, and this leads to differences in reporting of illness/absence information within and between regions. In addition, days off due to illness are self-reported by employees and not controlled by the firm.

### 1.16 Accessibility

We aim to ensure that our facilities are accessible to everyone regardless of disability, capability or technology. We are continuously optimizing our websites to fit the requirements for a AA rating for accessibility (WCAG). All UBS free-standing cash machines correspond to the recommendations made by ADAAG (Americans with Disabilities ACT accessibility Guidelines). These cash machines have access key buttons and PIN keypads which have been made usable for the visually impaired. Employee networks within UBS promote thinking and actions that encourage people to focus on ability, not disability.

## 2 How we support our clients

In 2016, we made a commitment to ensure that all of our investment activities take into consideration long-term and broader perspectives that can be relevant for investment performance. Our clients increasingly want financial advice as well as the right products in order to use their resources to address societal issues. As the world's largest wealth manager, we are well placed to provide this support, based on a consistent Group-wide approach.

### 2.1 Sustainable Investments

Sustainability is expressed through impact-focused, long-term thinking and acting. We help private and institutional customers consider not only potential financial returns, but also potential environmental and social impacts when making their financial decisions. We understand impacts to mean both risks and business opportunities. Accordingly, we give attention to sustainability in all business processes, from analysis and risk management to advisory and investment activities.

#### Key sustainable investing products and services in 2016 (select)

Product / service	Business division	Key features
UBS Oncology Impact Fund <sup>1</sup>	Wealth Management (WM)	<ul style="list-style-type: none"> <li>– Aimed at developing new and innovative treatments for one of the most prominent challenges in healthcare: cancer</li> <li>– Closed at USD 471 million</li> </ul>
UBS Loans for Growth <sup>1</sup>	WM	<ul style="list-style-type: none"> <li>– Provides innovative debt-based funding to emerging markets financial intermediaries, which in turn lend to small and medium-sized companies to support local economic development</li> <li>– USD 50 million impact fund</li> </ul>
Sustainable investing research <sup>1</sup>	WM, Wealth Management Americas (WMA), Investment Bank (IB)	<ul style="list-style-type: none"> <li>– Sustainable value creation in emerging markets; Doing well by doing good: impact investing; Gender diversity matters; Green bonds are investable; Going Further – a philanthropic health portfolio</li> <li>– 38 ESG Industry Postcards</li> </ul>
UBS Long Term Themes Equity Fund <sup>1</sup>	WM, AM	<ul style="list-style-type: none"> <li>– Invests in companies, which are solution providers for challenges including water scarcity, emerging market infrastructure, waste management and recycling and emerging market healthcare</li> </ul>
ESG Portfolio Analyzer <sup>1</sup>	WMA	<ul style="list-style-type: none"> <li>– Provides transparency and analysis of ESG topics in client portfolios</li> </ul>
Philanthropy advisory <sup>1</sup>	WM, WMA	<ul style="list-style-type: none"> <li>– A total of over 400 ultra high net worth individuals or philanthropists attended UBS Philanthropy Forums in Americas, Asia and Switzerland</li> <li>– Substantial advisory services for nearly 1,000 clients</li> </ul>
UBS Optimus Foundation <sup>1</sup>	WM	<ul style="list-style-type: none"> <li>– CHF 59 million raised in donations</li> <li>– CHF 59 million grants to partners approved</li> </ul>
Actively managed funds <sup>1</sup>	AM	<ul style="list-style-type: none"> <li>– Launched in 2016: US Corporate Bond Sustainable, US Enhanced Sustainable Equity, Switzerland Enhanced Sustainable</li> </ul>
Voting (on behalf of clients) <sup>1</sup>	AM	<ul style="list-style-type: none"> <li>– Provided instructions (based on AM's corporate governance principles) to vote on 97,670 separate resolutions, at 9,895 company meetings</li> </ul>
Renewable energy and cleantech financing <sup>1</sup>	IB	<ul style="list-style-type: none"> <li>– Participation in significant renewables and cleantech deals globally, for both established utilities clients and innovative growth stage companies</li> </ul>
Green Bonds <sup>1</sup>	IB	<ul style="list-style-type: none"> <li>– Participation in three major Green Bond issuances</li> </ul>
Energy check-up for SMEs <sup>2</sup>	Personal & Corporate Banking (P&C)	<ul style="list-style-type: none"> <li>– UBS SME efficiency bonus for energy reduction plan with overall energy savings of 20,452 MWh/a, equivalent to the annual energy consumption of approximately 1,000 single-family homes</li> </ul>
Preferred strategic partner for advisory and financing transactions related to Switzerland's energy strategy 2050 <sup>1</sup>	P&C	<ul style="list-style-type: none"> <li>– Supports energy utilities in raising capital on international capital markets to progress their quest for renewable energy</li> <li>– 13 strategic transactions executed for Switzerland's five large energy utilities</li> </ul>

<sup>1</sup> All information provided is as of 31 December 2016. <sup>2</sup> Information provided is as of 31 December 2015.

In Wealth Management, we aim at systematically integrating a Sustainable Investing (SI) optionality in our mainstream under-contract offerings, as well as providing our clients with flagship impact investing and sustainable mutual fund solutions. In 2016, we further expanded the SI optionality to core affluent and high net worth clients from Global Emerging Markets, Germany and Italy. UBS Manage™ offerings with SI focus are constructed with a focus on investing in instruments with a favorable SI rating, while staying in line with our Chief Investment Office House View. On average one in five UBS Manage™ Advanced [CH] clients chooses the SI focus for their newly opened mandate. We also arrange platforms, roundtables and networking events for our clients to exchange ideas and gather know-how.

Asset Management offers a range of SI funds that combine material sustainability factors with a rigorous fundamental investment process. We apply the concept of shared value, according to which companies pursue sustainability practices and create value not only for the shareholder, but also for a wider range of stakeholders. Our investment themes include renewable energy, environmental stewardship, social integration, healthcare, resource efficiency, and demographics. We continue to work on a cutting-edge, multi-year mandate from a large pension fund to build a global impact equities portfolio with measureable societal impact. Once developed and vetted, the social impact metrics arising from the mandate will help influence Asset Management's investment strategies.

The Investment Bank provides capital-raising and strategic advisory services globally to companies offering products that make a positive contribution to climate change mitigation and adaptation, including those in the solar, wind, hydro, energy efficiency, waste and biofuels, and transport sectors, for a total deal value of CHF 59.8 billion in 2016 in equity or debt capital market services, and CHF 106.3 billion in financial advisory services.

Personal and Corporate Banking clients have access to appropriate products from Asset Management and Wealth Management and are participating in our Group-wide approach to sustainable investing. We also support Swiss small and medium-sized enterprises (SME) in their energy-saving efforts. As promoted by the Swiss Energy Agency's SME model, clients benefit from the agency's "energy check-up for SME's" at reduced costs and are granted UBS cash premiums for committing to an energy reduction plan within the scheme.

Having the financial expertise, networks and access to the capital required to build or support innovative financial products, we are committed to introducing novel financial solutions that can be replicated and scaled. With our Oncology Impact Fund and the Loans for Growth impact fund, we confirmed our leading position in the impact investing space.

As of 31 December 2016, we also held green bonds in the amount of CHF 460 million in our high-quality liquid assets portfolios under the management of Corporate Center – Group Asset and Liability Management.

### **Calculating and reporting on climate change-related financing & advisory activities**

For clients that contribute to climate change mitigation and adaptation, the Investment Bank provided equity or debt capital market services in 2016 (total deal value CHF 59.8 billion), or acted as financial advisor (total deal value CHF 106.3 billion).

The methodology behind these numbers consists first in identifying clients who, through the products and services they offer, work to mitigate the effects of global climate change and help to adapt to changing climate impacts. We use internal expertise from UBS's Asset Management Sustainable Equities team and external third party sources to identify these clients. Their activities span all industry sectors, including renewable energy generation and clean tech but also energy efficiency, waste management, transport, infrastructure renewal and development or water management. They reach from small-cap and pure play startups to large international and diversified companies.

We then aggregated total CHF deal value of all global capital market deals in which UBS acted as lead manager or bookrunner for these companies and aggregate total CHF value of deals where UBS acted as either buy-side or sell-side financial adviser. Note that the data represents all our transactions with these clients and not only to transactions that can be classified as directly climate-related.

#### **– [Sustainable Investing at UBS](#)**

## 2.2 Research

In response to growing client demand, we research the impact of environmental, social and governance (ESG) issues on various sectors and companies. Our specialized teams regularly publish research on topics that we believe will shape our future. Our experience and sector knowledge helps us determine what is material by raising questions about the effects of ESG issues on the competitive landscape in the global sectors that we cover, as well as about how companies are affected in relative terms.

Our Chief Investment Office Wealth Management (CIO) regularly translates key societal and environmental concerns into investment themes as part of its Longer Term Investments series and global Research-based Advice. In 2016, some notable examples of this were sustainable value creation in emerging markets, gender diversity and energy efficiency.

For our sustainability-specific strategies in Asset Management, we have developed a cutting-edge database of fundamental sustainability data, at firm and industry group level, that is used alongside valuation data from our analysts to rank the investment universe on both fundamental and sustainability attractiveness. The database mirrors the approach taken by the Sustainability Accounting Standards Board in building its Materiality Matrix™. We believe that this sustainability key performance indicator database gives us a significant proprietary edge in integrating fundamental and material sustainability data in the investment processes. It allows us to ensure that valuation as well as sustainability factors are taken into account and receive equal weighing in the decision-making process.

- [Sustainable Investing at UBS](#)

## 2.3 Voting rights

We believe that voting rights have economic value and should be treated accordingly. Where Asset Management has been given the discretion to vote on behalf of our clients, we will exercise our delegated fiduciary responsibility by voting in the manner we believe will be most favorable to the value of their investments. In the 12-month period ended 31 December 2016, we gave instructions (based on AM's corporate governance principles) to vote on 97,670 separate resolutions at 9,895 company meetings.

Since 2010, Asset Management in Switzerland has been offering UBS Voice, a service enabling holders of Swiss institutional funds to express voting preferences ahead of shareholder meetings of major Swiss corporations. This provides additional shareholder input into the voting decisions of the funds' management company. 41% of invested assets for which UBS Voice is offered are covered by this service.

- [More on UBS Voice \(in German\)](#)

## 2.4 Sustainable investment figures

### Sustainable investments<sup>1</sup>

CHF billion, except where indicated	GRI <sup>2</sup>	For the year ended			% change from
		31.12.16	31.12.15	31.12.14	31.12.15
UBS total invested assets	FS11	2'821	2'689	2'734	5
<b>Core SI products and mandates</b>	FS11	145.43	138.45	110.21	5
Integration <sup>3</sup>	FS11	5.53	3.37	2.62	64
Integration / RPI <sup>4</sup>	FS11	54.60	49.06	34.66 <sup>5,10</sup>	11
Impact investing <sup>6</sup>	FS11	2.49	0.76		228
Exclusionary screening <sup>7</sup>	FS11	76.11	79.20	68.60	(4)
Third-party <sup>8</sup>	FS11	6.70	6.06	4.34 <sup>10</sup>	10
<b>Norms-based screening<sup>9</sup></b>	FS11	830.35	795.07	466.52 <sup>10</sup>	4
<b>Total sustainable investments</b>		<b>975.79</b>	<b>933.53</b>	<b>576.73<sup>10</sup></b>	5
SI proportion of total invested assets (%)		34.59	34.72	21.09	

1 All figures are based on the level of knowledge as of January 2017. 2 FS stands for the Performance Indicators defined in the Global Reporting Initiative Financial Services Sector Supplement. 3 Applies 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, thematic investments or the systematic and explicit inclusion of environmental, social and governance (ESG) factors into traditional financial analysis. 4 UBS Asset Management Responsible Property Investment (RPI) strategy. 5 Invested assets, subject to RPI strategy in 2014 were restated. 6 Impact investments are targeted investments with a financial return and a clear social and/or environmental return objective. No data available for 2014. 7 Includes customized screening services (single or multiple exclusion criteria). 8 SI products from third-party providers applying either integration, impact investing and/or exclusionary approach. 9 Reporting scope expanded in 2015 to include all actively managed discretionary segregated mandates. Duplication with other SI categories were subtracted to avoid double counting. 10 Due to changes in reporting scopes in 2015, comparability with 2014 data is limited.

**Sustainable investing** Is an approach that seeks to incorporate environmental, social and/or governance considerations into investment decisions. SI strategies seek to achieve one or several of the following objectives: achieve a positive environmental or social impact, align investments with an investor's personal values, or improve portfolio risk and return characteristics.

**Core SI** Includes all SI products that involve a strict and diligent asset selection process including exclusions and/or different types of positive selection, such as best-in-class, thematic or ESG integration, and impact investing.

**Norms-based screening** Includes all assets that are subject to restrictions under UBS policy on the prohibition of investments in companies related to anti-personnel mines and cluster munitions (includes all actively managed discretionary segregated mandates and all actively managed retail and institutional funds).

## 2.5 Philanthropy

### 2.5.1 Global Philanthropy

As one of the first banks engaging in philanthropy, our commitment goes back many years. It is a commitment that is continually reaffirmed, reinforced and expanded.

Building on our award-winning track record and 12 years' experience, we have a global team of in-house experts in place, who are specialized in all areas of philanthropy and strategic charitable giving. We support clients as they develop their own philanthropic approach from offering objective, independent and tailored advice, to providing them with the opportunity to attend important events and accessing a global network of likeminded individuals with whom to collaborate and share their ideas and knowledge.

### 2.5.2 UBS Optimus Foundation

We are unique in the financial industry because we have a foundation with the philanthropic expertise and offering to help clients achieve their philanthropic goals.



UBS Optimus Foundation is an award-winning, expert grant-making foundation that helps our clients use their wealth to drive positive and sustainable social change for children. The foundation connects clients with inspiring entrepreneurs, new technologies, and proven models that assist children to survive and thrive. It selects and continuously monitors programs that improve children's health, education and protection, ones that have the potential to be transformative, scalable and sustainable. As UBS covers all of the foundation's administrative costs, it guarantees that 100% of all donations go to the support programs that deliver such benefits for children. In 2016, we helped improve the well-being of 1.6 million children globally. Effective philanthropy is about more than simply funding existing programs. It is also about long-term thinking. That is why, in certain instances, Optimus supports partners in building their capacities, enabling them to reach more children more efficiently, fund research to better understand the issues that prevent children from thriving, and undertakes advocacy efforts to promote wider adoption of the most promising programs.

- [Read more on philanthropy](#)
- [Read more on the UBS Optimus Foundations](#)
- [Brand Campaign – Will I be remembered?](#)

## **2.6 Suitability**

Clients expect to be provided with products and services which are suitable for them.

In nearly all countries this expectation has been turned into a legal or regulatory requirement for banks acting as financial advisers. Most jurisdictions also require the systematic assessment and documentation of the suitability of products (including 3rd party products) and services, including compliance with applicable eligibility criteria and sales restrictions. These standards are reflected in local policies and procedures as well as the respective local control framework. The European Union's Markets in Financial Instruments Directive (MiFID) is one example of the reflection and implementation by UBS of specific standards required by a regulator in the applicable local control framework. Other locations apply similar standards as required by the relevant local regulators.

To meet both client expectations and regulatory requirements, UBS has established comprehensive rules for the suitability of products and services. These rules ensure that the assets in the customer portfolio are aligned with the customer's defined risk profile, and the customer is advised in line with his/her needs (Client Suitability). In addition, the rules ensure that the product documentation contains appropriate and easily understood information on the product characteristics, the target audience and the settings in which the product is used, as well as a balanced representation of the opportunities and risks (Product Suitability).

### **Suitability Framework**

Wealth Management (WM) and Personal & Corporate (P&C) have established a Suitability Framework. This framework is supported by the UBS Client Experience with its structured advisory process, followed by the implementation of agreed solutions and by the proper documentation of the steps taken during this process. It is completed by requirements for monitoring and control activities which target - amongst others - at capturing tail-risks. The existing global WM and P&C Suitability Framework is currently being revised to reflect the evolving legal and regulatory landscape.

### **Client Suitability\***

Within the frame of its UBS Client Experience (Understand - Propose - Agree & Implement - Review), WM and P&C have established a structured advisory process, which is supported by a number of forms and tools at the disposal of the client advisors: In a first step, these forms and tools support the initial identification of a client's investor profile, including - amongst others - investment objectives and risk ability. In a second step, they serve the identification of an appropriate investment strategy for a specific client portfolio. Furthermore, a number of tools and platforms have been established, which allow for matching a client's investment strategy with appropriate investment proposals as well as to support client advisors in the review step.

### **Product Suitability\*\***

Advisory platforms and tools segment products along the lines of their risk characteristics and thereby help clients and client advisors properly assess the impact of investment products and services on a client's portfolio. Additional processes provide for checks, that product documentation made available to both client advisors and clients contains adequate and easy-to understand information on product characteristics, balanced presentation of

opportunities and risks, target audiences as well as scenarios for which a product could be used. Finally, specific legal documentation is required for certain products with specific risks (e.g. hedge funds).

### **Divisional Approach to Suitability**

Primary ownership of suitability risk and the responsibility for addressing suitability risk is owned by the business. Divisional policies in WM and P&C, WMA, IB, and Global AM (EMEA) make this clear. UBS has accordingly pursued a divisional approach to ensure compliance with rapidly changing regulatory regimes, as well as to address particular suitability obligations and remediation of identified gaps relating to the divisions.

### **Monitoring & Controls**

Monitoring and controls for suitability follow a three tiered approach: the first level controls are conducted by origination under its Origination Control Framework, which is largely a set of controls designed to prevent/detect operational risks that arise in Origination and to ensure that residual risk corresponds to risk appetite. The second level controls are performed by Compliance & Operational Risk Control as a Global Minimum Control Standards, which is part of the overall Compliance & Operational Risk Control Framework. These controls focus on both a "check the checker" approach, plus thematic, deep dive reviews. The third level controls sit with Group Internal Audit, as part of its annual Audit plan.

### **After-Sales Communications**

The UBS Client Experience also includes after-sales communication. These communications are, again, supported by a number of tools and platforms, including ready-to-use reporting and presentation material.

\*Client Suitability means the consistency between the assets in the client's portfolio and the risk profile of the client, and the appropriateness of the advice including risk information and disclosure.

\*\* Product Suitability means the opportunities and risks of individual products or services, which determines the categories of investors for which they are suitable.

# 3 How we support our Communities

## 3.1 Our approach

UBS takes its responsibility towards the communities in which we operate seriously. We therefore have a longstanding global Community Affairs strategy, executed through regional programs focused on making an impact in two key themes: education and entrepreneurship. Through these programs, we build sustainable partnerships with non-profit organizations and social enterprises to overcome disadvantage in our local communities. Examples include support for:

- Project Entrepreneur, an initiative to increase female-founded high-growth start-ups in the US
- Young Enterprise Switzerland, including hosting a very successful company competition for students
- Halogen Foundation’s Network For Teaching Entrepreneurship in Singapore dedicated to teaching disadvantaged youths leadership, entrepreneurial skills and financial literacy
- The Bridge Academy secondary school in London, supporting students from disadvantaged backgrounds to achieve best-ever exam results

We engage beyond just financial support – UBS employees are key to the success of our community program. We encourage employees to support our local communities by:

- facilitating employee volunteering
- offering employees up to two days a year to volunteer
- matching employees’ donations to charities

By providing diverse opportunities for our employees to volunteer their time and skills in support of our community partners, we align our community program with our core business.

Since 2014, we have enhanced our focus on measuring the impact of our community programs by using the London Benchmarking Group’s standard model for measuring and reporting on our community investment globally. This framework, together with global coordination of reporting, allows us to effectively evaluate and focus our programs.

## 3.2 Achievements 2016



**30%** of the UBS workforce **volunteering** (18,386 employees)



**91%** of UBS grant funding made in the **strategic** themes of Education and Entrepreneurship



**117,389** beneficiaries positively **impacted** globally, from 193 community partners

In 2016, we strengthened our global program and strategic focus on education and entrepreneurship through the development of existing and new partnerships in our local communities. In 2016, UBS made direct cash contributions totaling CHF 30 million. 91% of UBS’s Community Affairs grants were made in the areas of education and entrepreneurship. Additionally, UBS contributed a total of CHF 23m to its affiliated foundations in Switzerland, to the UBS Optimus Foundation and to the UBS Anniversary Education Initiative.

In 2016, 18,386 employees spent 155,325 hours volunteering. This represents 30% of our workforce engaged, an increase of 11% compared to 2015.

We also launched UBS Social Innovators, a UBS and Society initiative to help build further alignment with our business. A search to identify and support high-potential social enterprises that are delivering innovative solutions to society's most pressing challenges, culminated in the selection of 12 regional finalists and three UBS Social Innovators from over 1,200 expressions of interest from 96 countries. The program aligns to existing regional Community Affairs programs to support social enterprise skills through partnerships such as that with seif in Switzerland and the Foundation for Young Australians' Young Social Pioneer Program in Australia.

### 3.3 Measuring Impact

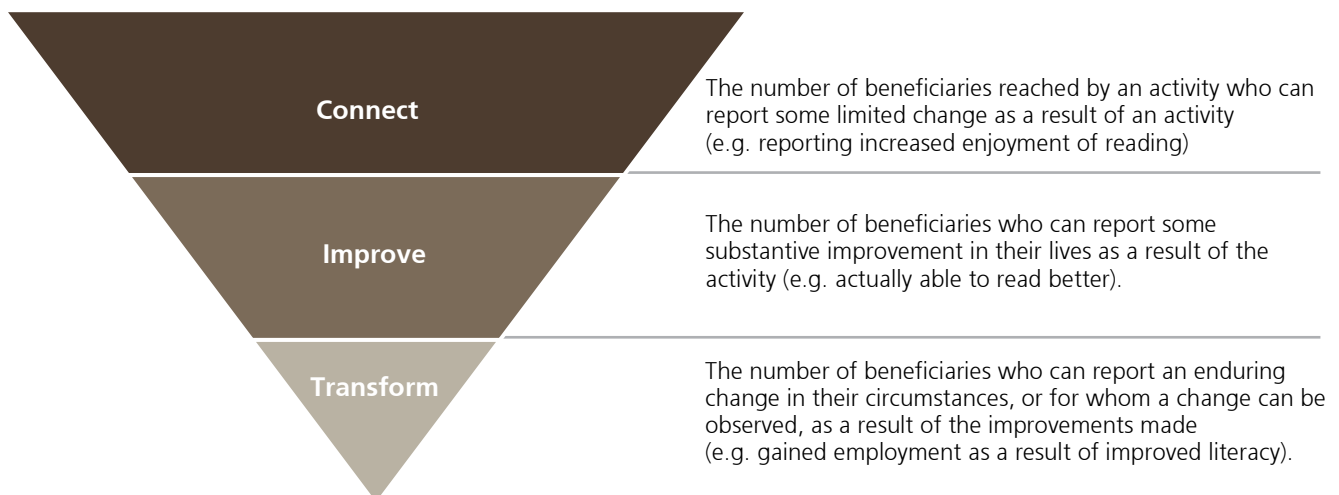
In 2016, UBS supported 117,389 people across our education and entrepreneurship programs. We work with young people globally to help increase their educational attainment, and to acquire workplace skills. We also work with entrepreneurs to help them build and scale businesses which have social impact at the heart of their business model.

In 2016 we also built on the 2015 pilot global framework to measure, not just the number of beneficiaries, but also *how* our support has benefitted them (i.e. the 'depth of impact' - see figure below). As a result, we now know that UBS's support has substantively improved or transformed the lives of 21,479 individuals. This represents 41% of the number of beneficiaries where the depth of impact was reported.

UBS supported 29 intermediary organizations which are building the capacity of charities, social enterprises and social sector organizations. These organizations reported that UBS's support helped them to reach 478 third party organizations in 2016. Many of these intermediaries have also started to evaluate how their work is benefitting the organizations they are working with.

We will continue to build our understanding of this and work with our partners to ensure a greater number are able to report on the nature of their impact measure in future years.

#### *LBG Depth of Impact Scale*



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