

UBS and Society

UBS is committed to creating long-term positive impact for our clients, employees, investors and society. In doing so, we aim to continually improve our efficiency and effectiveness in protecting the environment, respecting human rights and ensuring responsible behavior in all aspects of our operations.

We want to be the financial provider of choice for clients wishing to drive capital toward investments that support the achievement of the United Nations' (UN) Sustainable Development Goals (SDGs) and the transition to a low-carbon economy. Our cross-divisional organization UBS and Society focuses our firm on this direction.

UBS and Society covers our activities and capabilities related to sustainable investing, philanthropy, environmental and human rights policies governing client and supplier relationships, our environmental footprint and community investment.

We intend to make sustainable performance the standard across our firm and part of every client conversation. We work with a long-term focus on providing appropriate returns to all of our stakeholders in a responsible manner. To underline our commitment to UBS and Society, we provide transparent targets and report on progress made against them wherever possible. To this end, we assess our progress against the following aims.

We aim to be

A leader in sustainable investing (SI) for private and institutional clients

as demonstrated by size of SI assets under management (AuM) and goals, for which UBS:

- Has set ambitious internal targets to increase AuM for core SI products and mandates
- Has set a target of USD 5 billion of client assets invested into new impact investments by the end of 2021

A recognized innovator and thought leader in philanthropy

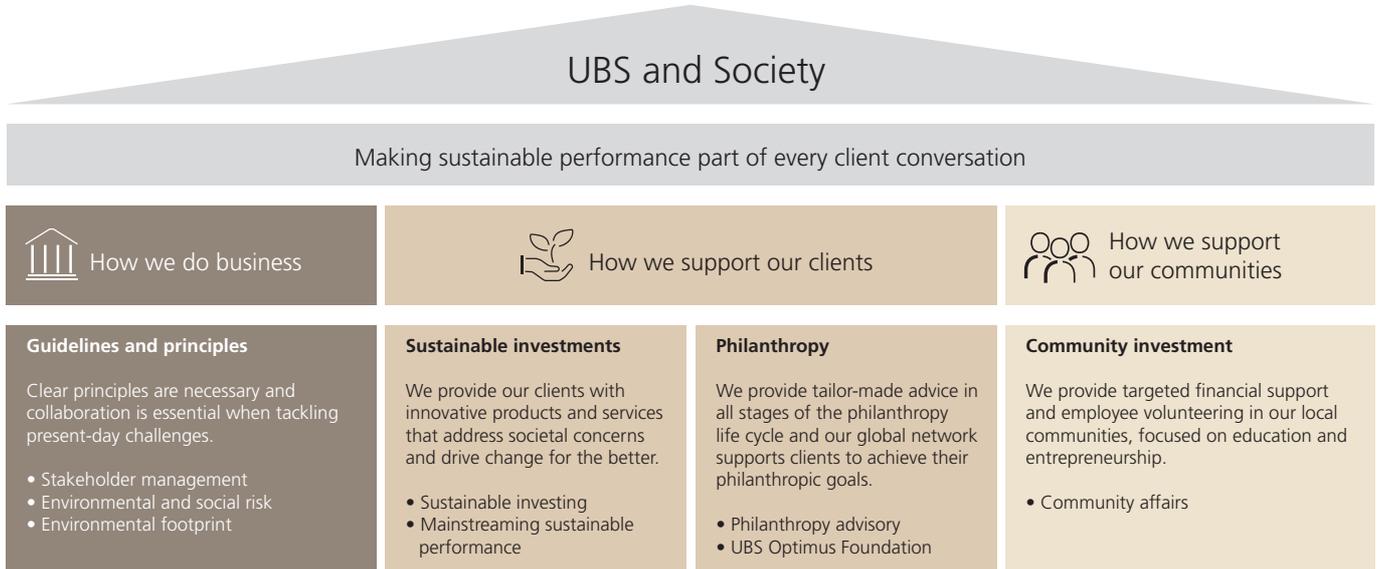
as shown by key stakeholder – employees, clients and society – engagement, and work to support positive social impact, for which UBS:

- Aims to achieve 40% of employees volunteering by the end of 2020, of which 40% of volunteer hours will be skills based
- Combines expertise with capital and networks to increase social impact, as the partner of choice for philanthropists
- Pioneers new ways to bring substantial funding to the SDGs

An industry leader in sustainability

by retaining favorable positions in key environmental, social and governance (ESG) ratings and driving optimization in areas that are important to ESG investors, wherein UBS:

- Supports the transition to a low-carbon economy as laid out in our climate change strategy



UBS and Society’s goals are implemented in three ways: how we do business, how we support clients and how we support communities.

- Refer to “Download center” at www.ubs.com/ubsandsociety for further documents pertinent to sustainability at UBS
- Refer to “Annual reporting” at www.ubs.com/investors for the UBS 2017 Global Reporting Initiative (GRI) Document containing key sustainability information

How we do business

Strong, well-understood principles and policies are the foundation for empowering our employees to operate in a manner that meets the expectations of our stakeholders. We also recognize that we have a role to play in leading debates on important societal topics and in collaborating with other firms and industry bodies to set high standards in and beyond our industry.

Governance

Our Board of Directors’ (BoD) Corporate Culture and Responsibility Committee (CCRC) approves UBS and Society’s overall strategy and monitors the current state and implementation of the Group’s programs and initiatives pertaining to corporate culture and corporate responsibility. It also regularly reviews stakeholder expectations and concerns about UBS’s societal performance and

corporate culture. The CCRC also monitors and reviews societal trends and other developments on a forward-looking basis and assesses their potential relevance to the Group.

The Group Chief Executive Officer (Group CEO) proposes the UBS and Society strategy and annual objectives to the CCRC, supervises their execution and informs the Group Executive Board (GEB) and CCRC, as appropriate. Reporting to the Group CEO, the Head UBS and Society is UBS’s senior-level representative for sustainability issues. The Group CEO and the Head UBS and Society are permanent guests of the CCRC.

Chaired by the Head UBS and Society, the UBS and Society Operating Committee is responsible for the execution of UBS and Society strategy across divisions and regions. Chaired by the Group Chief Risk Officer, the Global Environmental & Social Risk Committee defines an environmental and social risk (ESR) framework and independent controls that align UBS’s ESR appetite with that of UBS and Society. The business divisions are responsible for developing, providing resources for and executing the UBS and Society annual objectives in their division as they relate to client relationships, product development, investment management, distribution and risk management.

- Refer to “Board of Directors” in the “Corporate governance” section of this report for more information
- Refer to the Organization Regulations of UBS Group AG at www.ubs.com/governance for the charter of the CCRC

Key principles and policies

The principles and standards set out in our Code of Conduct and Ethics (Code) apply to all aspects of our business and the way we engage with our stakeholders. The Code supports a culture where ethical and responsible behavior is part of our everyday operations. All employees have to confirm annually that they have read the Code and other associated key documents and policies. In 2017, we continued our educational program about the Code, including a mandatory conduct and culture training module.

The CCRC oversees the annual review of the Code by the GEB and the BoD. Following the 2016 / 2017 review, the current Code was published in mid-2017.

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

The Code incorporates key components of UBS and Society, notably managing environmental and social risks, investing sustainably and contributing to the well-being of our local communities to promote our goal of generating long-term, sustainable and measurable benefits for our clients, shareholders and communities.

The scope, principles, responsibilities and structure of UBS and Society are set out in more detail within our UBS and Society constitutional document.

Stakeholder relations and employee engagement

The activities we describe in this section are designed to identify the key points at which UBS is able to exert a positive impact on society and the environment. Our regular engagement with a wide range of stakeholders and many significant external organizations and initiatives, supports us in this important process.

Every year, we conduct a materiality assessment, as defined by the guidelines of the Global Reporting Initiative (GRI), the most widely used sustainability reporting framework, to collate stakeholder views on key topics pertaining to our firm's financial, economic, social and environmental performance. In 2017, the assessment was supported by a major online survey, which was completed by nearly 1,600 stakeholders (with clients making up nearly half of this amount). The results are captured in a GRI-based materiality matrix that covers 26 topics, the top-rated being client protection, combating financial crime, conduct and culture, financial stability and resilience, and digital innovation and cyber security.

For the first time, we also included a question on the SDGs in the survey. The SDGs are a set of 17 non-legally binding goals, which aim to end poverty, protect the planet, and ensure prosperity for all by 2030, as part of a global sustainable development agenda. Stakeholders were asked which SDGs UBS should contribute most to, and the most frequent response was quality education, followed by climate action.

Awareness and expertise play an important role in implementing our goals. UBS promotes its employees' understanding of the goals and actions of UBS and Society through a wide range of training and awareness-raising activities and performance management. For example, in 2017, our program on sustainable investing was delivered to around 3,500 employees in our wealth management businesses. In addition, employee volunteering activities across all regions help raise awareness of UBS and Society and our sustainability goals.

→ **Refer to the "Our employees" section of this report for more information on our firm's culture and employees**

Advancing sustainability in the financial sector – UBS's key activities in 2017

Initiative	Focus topic	Role / activity of UBS	Key outcome of initiative in 2017
Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD)	Climate change	Member of TCFD and feedback provider Commitment to review and align UBS disclosure with TCFD recommendations	Recommendations to companies to disclose the impacts of climate change on their activities and strategy
Alliance of CEO Climate Leaders	Climate change	Joint statement by our CEO and the alliance members to urge G20 governments to act on the recommendations of the TCFD	Continued support for the TCFD recommendations
UN Environment Programme Finance Initiative (UNEP FI)	Climate change	Collaborates in developing approaches to help banks disclose their exposures to climate-related risks and opportunities, as envisioned by the TCFD	Scenario analysis and stress testing approach under development

Advancing sustainability in the financial sector – UBS's key activities in 2017 (continued)

Initiative	Focus topic	Role / activity of UBS	Key outcome of initiative in 2017
Swiss Energy and Climate Summit	Climate change	Premium partner	Key annual Swiss SME event on climate and energy topics
Natural Capital Finance Alliance	Natural capital	Project partner to pilot test drought scenarios in bank portfolios Member of technical advisory panel of the Advancing Environmental Management Project	Drought stress testing tool and report developed Database and multi-regional input-output analysis to assess natural capital dependencies
G20 Green Finance Study Group (GFSG)	Green finance	Presented stress testing approach at GFSG workshop in Beijing	Synthesis report, as well as background papers on various topics, presented and acknowledged at G20 leaders' summit in Hamburg
Swiss Sustainable Finance (SSF)	Sustainable finance	Member of SSF board	Major events and projects to promote sustainable finance in Switzerland
Association for Environmental Management and Sustainability in Financial Institutes (VfU)	Sustainable finance	Member of VfU board Host and co-organizer of annual VfU / UNEP FI flagship roundtable	Major events and projects to advance sustainable finance in Germany, Austria and Switzerland
Sustainability Accounting Standards Board (SASB)	Sustainable finance	UBS Asset Management represented on SASB Institutional Advisory Group and participated in various committees on metrics	First reports by group of US public companies issued in accordance with SASB
Thun Group of Banks	Human rights	Convener of Group	Paper on the implications of UN Guiding Principles 13b and 17 and stakeholder event to discuss the paper
International Capital Market Association (ICMA)	Green and social bonds	Member of ICMA and on ICMA board	Guidance for the governance of the Green Bond Principles and Social Bond Principles
Organisation for Economic Co-operation and Development (OECD)	Due diligence	Member of advisory group of OECD Responsible Business Conduct (RBC) project	Publication of the OECD RBC guidance for institutional investors
Policy Outlook (POLO) platform	Sustainability regulation	Co-convener of platform	Platform's second annual roundtable (convened by UBS)
WWF Banking on World Heritage Sites	UNESCO (natural) world heritage sites	Participant in WWF-organized workshops and speaker on launch event panel	Reporting paper (includes UBS best practice case study)
Roundtable on Sustainable Palm Oil (RSPO)	Natural capital / palm oil	Member of RSPO financial institutions task force and on RSPO complaints panel Panel speaker at RSPO EU Roundtable 2017 and the RSPO Roundtable (RT 15 in Indonesia)	Review of the updated RSPO Principles and Criteria
Banking Environment Initiative (BEI) Soft Commodities Compact	Soft commodities	Member of BEI Soft Commodities Compact implementation group	Bi-monthly meetings

Environmental and social risk assessments

	For the year ended			% change from 31.12.16
	31.12.17	31.12.16	31.12.15	
Cases referred for assessment¹	2,170	2,671	2,192	(19)
by region				
Americas	305	395	295	(23)
Asia Pacific	604	556	520	9
Europe, Middle East and Africa	253	341	257	(26)
Switzerland	1,008	1,379	1,120	(27)
by business division				
Wealth Management	485	429	396	13
Wealth Management Americas	22	20	20	10
Personal & Corporate Banking	795	1,226	980	(35)
Asset Management	7	2	0	250
Investment Bank	852	971	776	(12)
Corporate Center ²	9	23	20	(61)

¹ Transactions and client onboarding requests referred to the environmental and social risk function. ² Relates to procurement / sourcing of products and services.

Management of environmental and social risks

We apply an ESR framework to identify and manage potential adverse impacts on the environment and to human rights, as well as the associated environmental and social risks to which our clients' and our own assets are exposed. UBS's comprehensive ESR standards are aligned with the principles expressed in the UBS and Society constitutional document, govern client and supplier relationships, and are enforced firm-wide.

We have set ESR standards in product development, investments, financing and for supply chain management decisions. As part of our due diligence process we engage with clients and suppliers to better understand their processes and policies and to explore how any environmental and social risks may be mitigated. We avoid transactions, products, services, activities or suppliers if they are associated with material environmental and social risks that cannot be properly assessed or mitigated.

Our ESR standards include the description of controversial activities and other areas of concern we will not engage in, or we will only engage in under stringent criteria, as outlined below. In 2017, we introduced new guidelines for companies in the fishing industry and require them to demonstrate that they are not involved in illegal, unreported and unregulated fishing.

Our standard risk, compliance and operations processes involve procedures and tools for identifying, assessing and monitoring environmental and social risks. These include client onboarding, transaction due diligence, product development and investment decision processes, own operations, supply chain management and portfolio reviews.

These processes are geared toward identifying clients, transactions or suppliers potentially in breach of our standards, or otherwise subject to significant environmental and human rights controversies. We use advanced data analytics on companies associated with such risks, integrated into our web-based compliance tool, before we enter into a client or supplier relationship or transaction. This significantly enhances our ability to identify potential risk. In 2017, 2,170 referrals were assessed by our ESR unit, of which 80 were rejected or not further pursued, 395 were approved with qualifications and 18 were pending. Measures to optimize the control framework led to a 19% year-on-year decline in such referrals.

We will not do business if associated with severe environmental or social damage to or through the use of:	We will only do business under stringent criteria in the following areas:
<ul style="list-style-type: none"> – UNESCO world heritage sites – Wetlands, endangered species – High conservation value forests, illegal logging and use of fire – Child labor, forced labor, indigenous peoples' rights 	<ul style="list-style-type: none"> – Soft commodities: palm oil, soy, timber, fish and seafood – Power generation: coal-fired power plants, large dams, nuclear power – Extractives: hydraulic fracturing, oil sands, arctic drilling, coal mining, precious metals, diamonds

Climate change

In 2017, the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) published its recommendations to help investors better price climate-related risks and to support a smooth transition to a low-carbon economy. The recommendations are applicable to all sectors and cover an organization's governance, strategy and risk management, as well as metrics and targets related to climate change risks and opportunities. UBS, along with 230 other organizations worldwide, affirmed its commitment to support the voluntary recommendations. We plan to further align our disclosure within the five-year pathway outlined by the TCFD and collaborate within the industry to close gaps.

Governance

Our climate change strategy is overseen by the CCRC as part of the UBS and Society governance. This oversight role of the CCRC has been embedded in the Organization Regulations of UBS Group AG since March 2018. Within the parameters set by the CCRC, climate-related opportunities are overseen by the UBS and Society Operating Committee and climate change risks by the Global ESR Committee. The CCRC regularly and critically reviews the assessments and steps taken by these management bodies toward executing the climate change strategy.

Strategy

We believe the transition to a low-carbon economy is vital and we are focused on supporting our clients in preparing for success in an increasingly carbon-constrained world. As a leading global financial services provider, we do this in four different ways:

- We seek to protect our assets from climate change risks by limiting our risk appetite for carbon-related assets and by estimating our firm's vulnerability to climate change risks using scenario-based stress testing approaches and other forward-looking portfolio analyses. So far, no material risk on our

balance sheet has been identified.

- We support our clients' efforts to assess, manage and protect themselves from climate-related risks by offering innovative products and services in investment, financing and research. We have developed several products that allow clients to identify the weighted carbon intensity of their investments and / or to align them with the Paris Agreement.
- We mobilize private and institutional capital toward investments that facilitate climate change mitigation and adaptation and we support the transition to a low-carbon economy as a corporate advisor and / or with our lending capacity.
- We continue to reduce our greenhouse gas (GHG) emissions and increase the firm's share in renewable energy.

Risk management

Protecting our own assets:

We have limited our risk appetite for carbon-related assets, for example, in the areas of coal mining and coal-fired power plants, as well as forestry and agriculture. In order to manage our own, and our clients', risk derived from both the physical and transition risks associated with climate change, we have performed both top-down balance sheet stress testing and targeted, bottom-up analysis of specific sector exposures. In doing so, we identified challenges ranging from the suitability of climate scenarios for banking risk modeling to data availability. To address these challenges, we have committed to work toward alignment and knowledge-sharing within the industry. Sixteen banks, including UBS, and the UN Environment Programme Finance Initiative (UNEP FI) have partnered to collaboratively develop analytical tools that will help banks disclose their exposures to climate-related risks and opportunities, as envisioned by the TCFD.

Protecting our clients' assets:

We offer innovative products and

services, including, for example, capabilities in Asset Management for equity portfolio managers to examine the carbon footprint of their portfolios, the launch of an innovative Climate-Aware rules-based fund and an engagement strategy around climate-related topics. We also offer our research capacity on climate change issues to our clients.

Mobilizing private and institutional capital:

We mobilize capital to support environmental and social issues, including the transition to a low-carbon economy. For example, Wealth Management aims to include a sustainable investing optionality in its mandate offerings for private clients and we have committed to join other major institutions in an initiative to create an investing and philanthropic platform focused on addressing funding gaps for the SDGs. Asset Management established a comprehensive approach to environmental and social factors and to corporate governance across investment disciplines. 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. We also strive to be the preferred strategic financial partner for transactions relating to Switzerland's Energy Strategy 2050.

Reducing our direct climate change impact:

We set quantitative targets and continue to reduce UBS's Group-wide GHG emissions and increase our share in renewable energy in line with our commitment to RE100, a global initiative that encourages multinational companies to make a commitment to using 100% renewable power by 2020. This will reduce the firm's GHG footprint by 75% by 2020 compared with 2004 levels.

Climate-related metrics 2017

Protecting our own assets	
Financial impact from climate-related risks and opportunities	No significant financial risk on our balance sheet identified in past stress tests. A group of 16 banks, including UBS, and UNEP FI have partnered to refine methodologies for risk and opportunities
Carbon-related assets	CHF 6.5 billion, or 2.8% of total net credit exposure ¹
Protecting our clients' assets and mobilizing private and institutional capital	
Products and services supporting a lower-carbon economy	CHF 72 billion, or 2.3% of UBS clients' total invested assets ² Total deal value in equity or debt capital market services related to climate change mitigation and adaptation: CHF 43.3 billion, and CHF 5.4 billion in financial advisory services Four strategic transactions in support of Switzerland's Energy Strategy 2050 Support of 82% of climate-related shareholder resolutions ³
Reducing our own climate change impact	
Greenhouse gas emissions	GHG footprint ⁴ : 148 kilotons CO ₂ e Target to reduce our GHG footprint by 75%, by 2020 (based on 2004 levels) Weighted carbon intensity of the Climate Aware equities strategy: 117.45 t CO ₂ e per million of USD revenue (44% lower than its benchmark, the FTSE Developed World Index)

¹ As of 31 December 2017. Total net credit exposure across Personal & Corporate Banking and the Investment Bank, includes traded and banking products, net of allowances, provisions and hedges. As recommended by the TCFD, carbon-related assets are defined as assets tied to the energy and utilities sectors Global Industry Classification Standard. Non-carbon-related assets, such as renewables, water utilities and nuclear power, are excluded. For grid utilities, the national grid mix is applied. ² Invested assets of products such as sustainably managed properties and infrastructure, and renewable energy companies. ³ Of the proposals we supported, all were voted against the recommendation provided by the issuer. ⁴ 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). A breakdown of our GHG emissions (scope 1, 2, 3) is available in our GRI Document at www.ubs.com/ubsandsociety.

Legend: CO₂e = equivalent CO₂ emissions

In-house environmental management

We manage our environmental program through an environmental management system, in accordance with the ISO 14001 standard, while our environmental indicators (energy, travel and paper) and GHG emissions data is externally verified on the basis of ISO 14064 standards. In addition, in 2017 we received our first ISO 50001 certification (energy management) for European locations.

Our environmental program encompasses investments in sustainable real estate and efficient information technology, energy and water efficiency, paper and waste reduction and recycling, the use of environmentally friendly products, such as renewable energy or recycled paper, and business travel and employee commuting reduction.

In 2017, we further reduced UBS's GHG emissions by 11%, or 10% per full-time employee, year on year. We recorded a total reduction of 59% from baseline year 2004. We reduced our energy consumption 5% compared with 2016 and 19% compared with 2012. Of UBS's worldwide electricity consumption, 56% was sourced from renewable energy.

Responsible supply chain management

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. Our responsible supply chain management (RSCM) principles embed UBS's ethics and values in our interactions with our suppliers, contractors and service partners. We apply an RSCM framework to identify, assess and monitor supplier practices with regard to human and labor rights, the environment, health and safety, and anti-corruption principles. In 2017, remediation measures were requested for 23% of suppliers of newly sourced goods and services with potentially high impact to improve their adherence to UBS's RSCM standards.

Sustainability ratings and recognitions¹

Ratings and recognitions	Scope	UBS result
Dow Jones Sustainability Indices (DJSI)	Environmental, social and governance (ESG) performance	Industry group leader Index member of DJSI World and DJSI Europe
CDP	Climate change	Climate A List
Sustainalytics	ESG performance	Leader score within our industry 97th percentile ranking
MSCI	ESG performance	A rating Top three among primary peer group ²
Oekom	ESG performance	Corporate responsibility prime status
FTSE4Good Index	ESG performance	Index member
Euromoney Private Banking Global Award 2017	Philanthropic advice	Winner
Euromoney Private Banking Global Award 2017	SRI / Social impact investing	Winner
The Banker Investment Banking Awards 2017	Corporate social responsibility (CSR)	Winner – Most innovative investment bank for CSR
The Banker Global Private Banking Awards 2017	Philanthropy services globally	Winner – Best private bank for philanthropy services globally
GRESB Real Estate, Debt and Infrastructure assessments	Sustainability performance of real asset portfolios worldwide	Submitted 22 funds across all three GRESB assessments Ten funds (with total AuM of over CHF 33.1 billion) awarded five-star ratings, with seven funds ranking first in their respective peer groups
Principles for Responsible Investing Assessment Report 2017	Property and infrastructure	Received A+ grades
Pensions and Investments World Pension Summit 2017	Innovation and investment awards	UK National Employment Savings Trust (NEST) awarded for UBS Climate Aware
European Fund Launch of the Year award		Received for UBS Climate Aware
Bloomberg New Energy Finance	Renewable energy and cleantech financing	Ranked third in league table on public markets
Lord Mayor's Dragon Awards (UK)	Community investment	Winner – Accelerator Award 2017 for social entrepreneurship program
Corporate Engagement Awards (UK)	Community investment	Gold winner – Best community involvement during a CSR program
National CSR Awards (UK)	Community investment	Runner-up in the Best Partnership in the Community category
Commonwealth CSR Award (Taiwan)	Community investment	Winner

¹ All information provided is as of 31 December 2017. ² As defined in the UBS Compensation Report 2017.

Ratings and recognitions

In 2017, UBS continued to gain industry recognition for its commitment to improving performance under ESG criteria and for its efforts in offering clients world-class expertise and sustainable products. In 2017, our firm also maintained its leadership position in the Diversified Financial Services and Capital Markets industry group of the DJSI, the most widely recognized sustainability rating, for the third year running. The DJSI evaluates companies' sustainability practices and recognizes the best performers. The RobecoSAM Industry Group Leader Report notes that UBS continues to lead in its industry on sustainability efforts, which are directed through UBS and Society. It highlights the large choice of sustainable investment solutions UBS offers to its clients, such as impact funds, long-term theme funds, renewable energy and cleantech financing, green bonds, eco-mortgages and energy check-ups for small and medium-sized enterprises (SMEs).

Other major achievements include MSCI ESG Research upgrading UBS to an A rating, Sustainalytics ranking UBS as an industry leader and CDP awarding UBS a position on the Climate A List.

How we support our clients

We strive to systematically incorporate the economic impacts of ESG issues into the products and services we provide to clients. We support corporate and institutional clients who want to generate positive environment and social impact using our corporate advisory expertise or by directing capital through our lending or investment capacity. We assist private and institutional clients in their desire to invest in accordance with their own social and environmental objectives and we are proactive in discussing these issues with them. As a preferred partner for global philanthropists, we work toward achieving the UN's ambitious SDGs. Our experts and in-house foundation offer clients unique access to social and financial innovation and philanthropic advice, as well as tailored program design, co-funding and co-development opportunities.

Sustainable investments

As of 31 December 2017, sustainable investments increased to over CHF 1.1 trillion, representing nearly 35% of our total invested assets, compared with CHF 976 billion as of the end of 2016. Major increases in relative terms were observed for our investments in the integration and third-party categories, which increased 95% and 43%, respectively, compared with 2016. More details can be found in the "Sustainable investments" table further below.

Key sustainable investing products and services in 2017 (select)¹

Product / service	Business division	Key features
The Rise Fund	Wealth Management (WM), Wealth Management Americas (WMA)	<ul style="list-style-type: none"> – USD 325 million raised – Invests in seven sectors – education, financial services, health care, infrastructure, energy, food and agriculture, and IT – with a dual mandate: generating competitive financial returns and measurable positive societal outcomes
Rethink Impact Fund	WMA	<ul style="list-style-type: none"> – USD 75 million raised – Direct-access social impact private equity fund that invests in early- to growth-stage, high-impact companies, primarily in the United States. The fund focuses on four themes: health care, economic opportunity, environmental sustainability, and education
OrbiMed Asia Partners III	WM	<ul style="list-style-type: none"> – USD 85 million raised – Growth investments in health care companies in China and India, focusing on biopharmaceuticals, medical technology and health care services
UBS Long Term Themes Equity Fund UBS Long Term Themes Portfolio SMA	WM, Asset Management (AM)	<ul style="list-style-type: none"> – USD 1.5 billion held in Long Term Themes Fund and mandates – Invests in companies that are solution providers for challenges such as water scarcity, emerging market infrastructure and health care, waste management and recycling
Climate Aware	AM	<ul style="list-style-type: none"> – Innovative rules-based equities strategy to address carbon risk in portfolios
UBS Clean Energy Infrastructure Switzerland 2	AM	<ul style="list-style-type: none"> – Launched in September 2017, with capital commitments of CHF 200 million as of the end of 2017 – Solution for institutional investors seeking an exposure to the renewable energy and energy infrastructure space with focus in Switzerland
Global Impact Fund	AM	<ul style="list-style-type: none"> – Exposure to global equity markets in stocks with material exposure to impact categories like climate change or health that are also sustainable stocks, i.e., those selected based on strong ESG analysis and traditional valuation discipline
US Sustainable Equity Fund	AM	<ul style="list-style-type: none"> – Combines price-to-intrinsic value investment philosophy with careful consideration of companies' sustainability profiles
SI-focused UBS Manage solutions	WM	<ul style="list-style-type: none"> – Several investment mandate solutions investing in instruments with a high sustainability rating (to the extent possible) – Launched for market France
ESG Portfolio Analyzer	WMA	<ul style="list-style-type: none"> – Provides transparency and analysis of ESG topics in client portfolios
UBS Sustainability Analytics	WM, Personal & Corporate Banking (P&C)	<ul style="list-style-type: none"> – Enables clients to achieve full transparency by screening their portfolio for potentially harmful industry exposure and, if appropriate, to make exclusions to protect it against reputational risks
Philanthropy Advisory	WM, WMA	<ul style="list-style-type: none"> – A total of approximately 370 ultra high net worth individuals or philanthropists attended UBS Philanthropy Forums in the Americas, Asia and Switzerland – Advisory services for over 400 clients
UBS Optimus Foundation	CC	<ul style="list-style-type: none"> – CHF 59.5 million raised in donations / CHF 58.5 million grants to partners approved – Pioneering Educate Girls Development Impact Bond (DIB): on track to meet its enrollment and education targets – World's first large-scale DIB launched (Maternal and Newborn DIB)
Social Investment Toolkit	WM	<ul style="list-style-type: none"> – Guide for social entrepreneurs with eight modules ranging from impact story to creating an investor pitch (developed with Ashoka)

Key sustainable investing products and services in 2017 (select)¹ (continued)

Product / service	Business division	Key features
Program-related investment	WM, CC (UBS Optimus Foundation, Community Affairs)	<ul style="list-style-type: none"> Investments in the form of a loan, enabling donors to regain the initial investment plus a rate of return and allowing philanthropic capital to be recycled Loans for the UBS UK Donor-Advised Foundation and UBS Optimus Foundation UK successfully completed with two charities. Product offering being made available to clients
UBS Unique ETF	WM	<ul style="list-style-type: none"> Invests in companies based on 19 equality standards, including gender balance, equal compensation and work-life-balance, policies, transparency and accountability Donation of 5% of management fee to a portfolio of SDG5-related projects managed by the UBS Optimus Foundation
Voting (on behalf of clients)	AM	<ul style="list-style-type: none"> Provided instructions (based on AM's corporate governance principles) to vote on 100,069 separate resolutions at 9,877 company meetings
Green and sustainable bonds	Investment Bank (IB)	<ul style="list-style-type: none"> Seven green and sustainable bond transactions supported
LGBT Career Equality and Military Veterans indices	IB, WMA	<ul style="list-style-type: none"> Companies selected include leaders in giving opportunities and support to veterans and have top scores in the Human Rights Campaign Corporate Equality Index
Global Sustainability Leaders index	IB, WMA	<ul style="list-style-type: none"> Companies selected include leaders with regard to the UN Global Compact principles
Renewable energy and cleantech financing	IB	<ul style="list-style-type: none"> Participation in significant renewables and cleantech deals globally, for both established utilities clients and innovative growth stage companies
Energy check-up for SMEs ²	P&C	<ul style="list-style-type: none"> UBS SME efficiency bonus for energy reduction plan with overall energy savings of 78,590 MWh/a, equivalent to the annual energy consumption of approximately 4,000 single-family homes
Preferred strategic partner for advisory and financing transactions related to Switzerland's Energy Strategy 2050	P&C	<ul style="list-style-type: none"> Supports energy utilities in raising capital on international capital markets to progress their quest for renewable energy Four strategic transactions executed for Switzerland's Energy Strategy 2050

¹ All information provided is as of 31 December 2017. ² Information provided is as of 31 December 2016.

Wealth Management aims to systematically include an SI optionality in its mandate offerings and to provide clients with impact investing products and sustainable mutual fund solutions. Enhanced UBS Manage Sustainable Investing™ offerings with 100% (excluding liquidity) sustainable and impact investments went live in early January 2018. These offerings are based on our global Chief Investment Office's (CIO) UBS House View. In 2017, it further expanded its SI optionality to core affluent and high net worth clients by launching a dedicated offering for French clients. Wealth Management also arranges platforms, roundtables and networking events for our clients to exchange ideas and gather know-how.

Wealth Management Americas expects to see considerable growth in SI assets. A key focus for Wealth Management Americas is the expansion of its solutions platform. In 2017, two impact investment deals were successfully closed (Rethink

Impact and TPG's The Rise Fund), thereby establishing UBS as a key player in this area. Within listed markets, Asset Management's long-term themes strategy was launched, and a number of new third-party solutions were added to strengthen the platform. A variety of educational initiatives were rolled out, as raising awareness among financial advisors remains a critical focus to support the growth of the SI business.

Our global 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 2017, some notable examples of this were the World Economic Forum 2017 white paper on mobilizing private wealth for public good, the development of the first 100% sustainable investing cross-asset portfolio, gender lens wealth, business with impact or the social innovator toolkit, a guide for social entrepreneurs.

Asset Management is committed to integrating sustainability into its entire investment approach. We are convinced that sustainable and impact investing can add value to portfolios within the same risk / return profile. Investment strategies customized to address particular sustainability objectives, such as reducing carbon risk or tilting a portfolio toward specific environmental, social or governance factors, in combination with traditional financial and risk / return expectations are increasingly popular. Over the last decade, Asset Management has developed capabilities to provide customized solutions to meet the specific goals and needs of individual investors. It offers a wide range of SI strategies across various asset classes, integrating sustainability and impact into its entire mainstream offerings, including in active equities, fixed income, hedge funds, infrastructure and private equity, real estate and passive 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. In 2017, the total deal value in equity or debt capital market services relating to these areas was CHF 43.3 billion, and CHF 5.4 billion in financial advisory services.

Personal & Corporate Banking clients have access to appropriate and relevant products from Asset Management and Wealth Management that follow our Group-wide approach to SI. We also support Swiss SMEs in their energy-saving efforts and transition to a low-carbon economy. SMEs benefit from initiatives such as energy check-ups or leasing bonuses (financial contributions toward enhancing environmental performance) for utility vehicles and production machines.

Having the financial expertise, networks and access to the capital required to build or support innovative financial products, we remain committed to introducing and funding innovative financial solutions. Examples include: The Rise Fund, a major private equity impact investment vehicle, and the substantial funds raised for Orbimed.

As of 31 December 2017, we also held green bonds in the amount of CHF 565 million in our high-quality liquid assets portfolios under the management of Corporate Center – Group Asset and Liability Management.

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

Sustainable investments¹

CHF billion, except where indicated	GRI ²	For the year ended			% change from
		31.12.17	31.12.16	31.12.15	31.12.16
Core SI products and mandates	FS11	176.4	145.4	138.5	21
Integration ³	FS11	10.8	5.5	3.4	95
Integration / RPI ⁴	FS11	61.6	54.6	49.1	13
Impact investing ⁵	FS11	3.2	2.5	0.8	28
Exclusionary screening ⁶	FS11	91.2	76.1	79.2	20
Third-party ⁷	FS11	9.6	6.7	6.1	43
Norms-based screening⁸	FS11	927.5	830.4	795.1	12
Total sustainable investments	FS11	1,103.9	975.8	933.5	13
UBS total invested assets		3,179	2,821	2,689	13
SI proportion of total invested assets (%)	FS11	34.7	34.6	34.7	

¹ All figures are based on the level of knowledge as of January 2018. 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 Impact investments are targeted investments with a financial return and a clear social and / or environmental return objective. ⁶ Includes customized screening services (single or multiple exclusion criteria). ⁷ SI products from third-party providers applying either integration, impact investing and / or exclusionary approach. ⁸ Reporting scope expanded in 2015 to include all actively managed discretionary segregated mandates. Duplication with other SI categories was subtracted to avoid double counting.

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).

Philanthropy

Building on our award-winning track record and 13 years of experience, we have a global team of in-house experts in place who specialize 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 dedicated events and access a global network of like-minded individuals with whom to collaborate and share their ideas and knowledge.

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

UBS Optimus Foundation

The UBS Optimus Foundation is an award-winning 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 help improve the lives of children in a variety of ways. It selects and continuously monitors programs that improve children's health, education and protection and 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. In 2017, the Foundation's work helped improve the well-being of 2.1 million children globally.

Effective philanthropy is about more than simply funding existing programs. It is also about long-term thinking. That is why the Foundation also supports partners in building their capacities, enabling them to reach more children more effectively and efficiently, funds research to better understand the issues that prevent children from thriving, and undertakes advocacy efforts with partners to promote wider adoption and scaling of the most promising programs.

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

How we support our communities

At UBS, we recognize that our long-term success depends on the health and prosperity of the communities of which we are a part. Our approach is to build sustainable and successful partnerships with non-profit organizations and social enterprises to help our contributions have a lasting impact. Our Community Affairs programs seek to overcome disadvantage through long-term investment in education and entrepreneurship in the communities within which we operate.

We provide focused financial and human support, including through the use of skills-based employee volunteering programs and client participation where appropriate. Our employees are at the heart of the program delivery and act as role models for young people and as mentors for social entrepreneurs. UBS provides employees with up to two days of paid leave for volunteering annually.

We play a role in the stewardship of a healthy social and financial future for our communities, working in partnership with clients, as well as the public and philanthropic sectors. Examples include:

- Promoting and strengthening the vocational education system and providing access also to disadvantaged youth. Within SwissSkills, a new public-private partnership, UBS volunteers delivered meaningful advice at job fairs across Switzerland.
- UBS Japan's Rural Investment in the Community & Environment (RICE) project, with over 7,000 primary school children having received environmental education and undertaken biodiversity research.
- Partnering with the Bridge Academy secondary school in London, a national exemplar of business partnership in education driving social mobility through excellent and inclusive education, rooted in the local community.
- Project Entrepreneur, an initiative to increase the number of female-founded high-growth companies in the US, with over 1,500 women entrepreneurs trained, and currently expanding to include more accelerator participants and additional resources and startup services for venture competition applicants and alumni.

Since 2014, our impact reporting has incorporated the London Benchmarking Group's standard model. UBS operates according to a global framework to deliver community and business impacts, through a regionally devolved model, allowing for effective evaluation, while aligning programs to address local community issues and meet local business priorities. We are continuing to enhance and develop this framework, which, together with global coordination of reporting, allows us to effectively evaluate and focus our programs. In 2017, UBS made direct cash contributions totaling CHF 39 million, including support through its affiliated foundations in Switzerland and the UBS Anniversary Education Initiative. Over 89% of UBS's Community Affairs grants were made in the areas of education and entrepreneurship. 31% of our employees volunteered in our communities compared with 30% in 2016. Additionally, UBS contributed a total of CHF 5.5 million to the UBS Optimus Foundation.

Our Community Affairs program benefited 126,279 young people and entrepreneurs across all of the regions in which we operate.

UBS Global Visionaries

In 2017, we merged the best of our Social Innovators program into the UBS Global Visionaries program to strengthen our support for social entrepreneurs. The program aims to support social entrepreneurs who are shaping our future and connect them to our employees, partners and clients to jointly change the society we live in.

UBS and Society key performance indicators in 2017



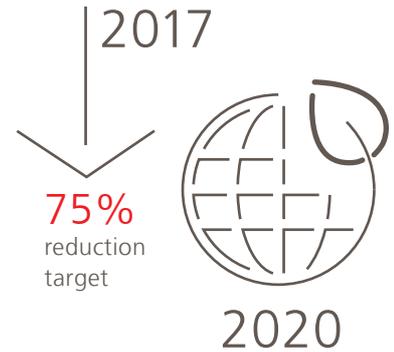
How we do business



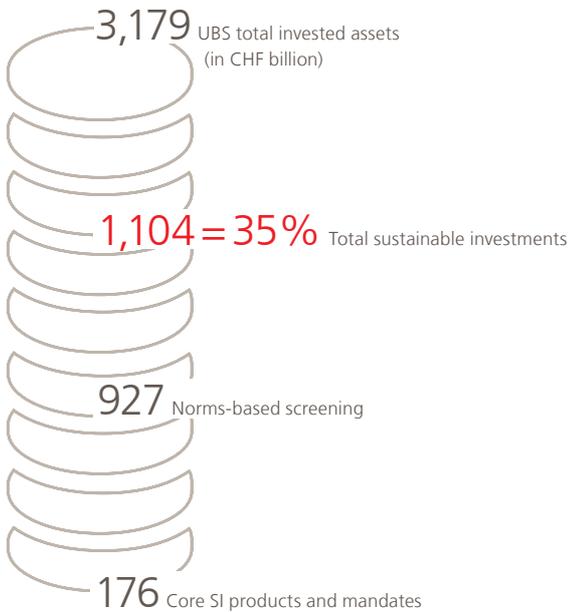
Remediation measures requested for **23%** of suppliers of newly sourced goods and services with potentially high impacts



59%
reduction of UBS GHG emissions

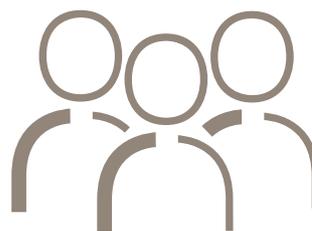


How we support our clients



How we support our communities

CHF 44.5 million direct cash contributions, including support through its affiliated foundations in Switzerland and the UBS Anniversary Education Initiative, and funds to the UBS Optimus Foundation.



126,279 beneficiaries reached globally, from 134 community partners

20,140 employees volunteered

168,226 hours on community projects

UBS Optimus Foundation



CHF **59.5** million raised in donations

CHF **58.5** million grants to partners approved

2.1 million children reached