

# UBS and Society

**EDTF | We aim to be a leader in sustainability in the financial industry. This requires us to focus on the long term and to work to provide consistent returns to our stakeholders. It also requires us to promote the common good by being proactive, purposeful and accountable. Our key program in this regard is UBS and Society – a cross-divisional umbrella platform covering 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 2015, we made good progress in advancing the ambitious goals we pursue through UBS and Society.**

We want to maximize our performance to generate long-term, sustainable and measurable benefits for our clients, shareholders and communities. Moreover, we are constantly looking for more environmentally sound and socially responsible ways to do business. Our concept of stewardship encompasses more than just our clients’ assets, it means taking care of what we leave behind for future generations. This is not measured by financial performance alone, but also by performance relating to the environment, good governance, our social impact and other key components of sustainability and resilience. To this end, we aim to:

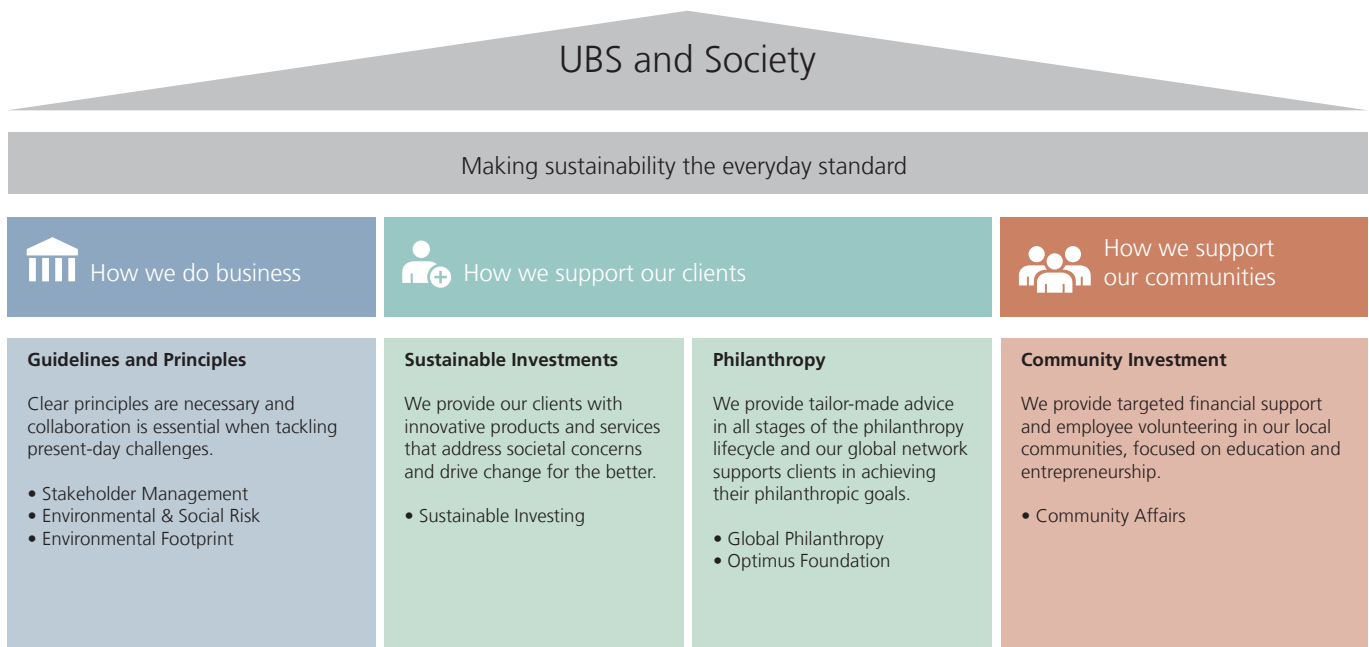
- make sustainability the everyday standard across the firm,
- channel a growing portion of investable client assets through innovative financial mechanisms to address societal challenges,

- make sustainable performance part of every client conversation,
- train employees on sustainability,
- create a credible sustainability approach,
- measure the impact of our community investment activities, and
- support the transition to a low-carbon economy through our comprehensive climate change strategy.

We are implementing the UBS and Society program through three pillars: how we do business, how we support our clients and how we support our communities. ▲

→ Refer to [www.ubs.com/ubsandsociety](http://www.ubs.com/ubsandsociety) for more information

## UBS and Society



## How we do business

Living up to our principles and standards contributes to the wider goal of developing societies sustainably. As a global firm, we recognize our responsibility to go beyond the norm, lead the debate on important societal topics, and contribute to the setting of standards and collaboration in and beyond our industry.

### Governance

**EDTF** | We have firmly embedded the responsibility for setting the firm's values and standards at the highest level, to help drive our obligations to stakeholders and our corporate responsibility and sustainability agenda. All Board of Directors (BoD) committees monitor our business performance in the context of creating sustainable value. Our BoD's Corporate Culture and Responsibility Committee (CCRC) supports the BoD in its duties to safeguard and advance the Group's reputation for responsible and sustainable conduct and also reviews stakeholder concerns and expectations pertaining to the societal performance of UBS and to the development of its corporate culture. The CCRC reviews the strategic direction taken by UBS on corporate responsibility and sustainability, as well as the implementation of our commitments in these areas. The CCRC consists of four members. In 2015, Axel A. Weber, Chairman of the Board of Directors, chaired the CCRC. The Group Chief Executive Officer (Group CEO) and the Global Head of UBS and Society, are permanent guests of the committee, while the regional presidents attended two of the five CCRC meetings as guests. ▲

- Refer to the **Organization Regulations of UBS** at [www.ubs.com/governance](http://www.ubs.com/governance) for the charter of the CCRC
- Refer to the **2016 GRI objectives of UBS** at [www.ubs.com/sustainability](http://www.ubs.com/sustainability)

### Key principles & policies

**EDTF** | The Code of Conduct and Ethics (Code), the document that sets out the principles and standards for our firm, clearly emphasizes that these principles and standards apply to all aspects of our business and the way we engage with our stakeholders. The Code aims to foster an ethical culture where responsible behavior becomes second nature. In 2014, the CCRC initiated an in-depth review of our Code, which was conducted together with the Group Executive Board (GEB) and the BoD. The revised Code was published in March 2015. The CCRC reviews the policies and guidelines of UBS pertaining to corporate culture and corporate responsibility to confirm that these are relevant and up to date.

- Refer to the **UBS Code of Conduct and Ethics** at [www.ubs.com/code](http://www.ubs.com/code) for more information

The Code incorporates all components of our UBS and Society program. The scope, principles and responsibilities and structure of UBS and Society are set out in more detail in our UBS and Society policy, which governs UBS's interaction with society and the environment, and will supersede our environmental and human rights policy in 2016. The Global Head of UBS and Society leads the execution and further development of the UBS and Society program and is also UBS's senior representative for sustainability issues.

In 2015, we established the UBS and Society Operating Committee to oversee and coordinate the execution of the UBS and Society program at GEB level. The committee is chaired by the Wealth Management and Asia Pacific Presidents, who are also the GEB sponsors of the program. 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 the UBS and Society program. 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 business divisions are responsible for developing and executing the UBS and Society program and annual objectives related to client relationship, product development, investment management, distribution and risk management. Corporate Center is responsible for annual objectives related to in-house environmental and responsible supply chain management. Objectives related to Community Affairs are developed and executed at regional level, within the global framework of the UBS and Society program. ▲

- Refer to [www.ubs.com/code](http://www.ubs.com/code) for more information

### External commitments and stakeholder relations

**EDTF** | As a global firm, we embrace our responsibility to lead the debate on important societal topics as evidenced, for instance, by the UBS climate change study launched in January 2016. We also contribute to setting the standards and promoting international collaboration across industries. These contributions are part of our efforts to advance in areas that are already mandated by governments and regulators, as well as in areas that are still largely voluntary, but nonetheless significantly strengthen our sustainability and corporate responsibility agenda.

In 2015, in support of international efforts leading into the Paris Climate Change conference, UBS signed the World Economic Forum's open letter from CEOs to world leaders urging climate action, the European Financial Services Round Table's statement in support of a strong, ambitious response to climate change, and joined RE100, a global initiative which encourages multinational companies to make a commitment to using 100% renewable power, with a defined time frame for reaching that goal.

## Environmental and social risk assessments

	GRI <sup>1</sup>	For the year ended			% change from 31.12.14
		31.12.15	31.12.14	31.12.13	
<b>Cases referred for assessment<sup>2</sup></b>	FS2	<b>2,192</b>	1,812	1,716	21
<b>by region</b>					
Americas	FS2	<b>295</b>	354	367	(17)
Asia Pacific	FS2	<b>520</b>	317	296	64
Europe, Middle East and Africa	FS2	<b>257</b>	297	373	(13)
Switzerland	FS2	<b>1,120</b>	844	680	33
<b>by business division</b>					
Wealth Management	FS2	<b>396</b>	291	298	36
Wealth Management Americas	FS2	<b>20</b>	21	46	(5)
Personal and Corporate Banking	FS2	<b>980</b>	749	598	31
Asset Management	FS2	<b>0</b>	7	14	(100)
Investment Bank	FS2	<b>776</b>	654	657	19
Corporate Center <sup>3</sup>	FS2	<b>20</b>	90	103	(78)

<sup>1</sup> 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. <sup>2</sup> Transactions and onboarding requests referred to and assessed by environmental and social risk function. <sup>3</sup> Relates to procurement/sourcing of products and services. ▲

Beyond our engagement in many significant external organizations and initiatives, we also regularly engage with our stakeholders through other formal and informal channels and on a wide range of topics. Our relationship with stakeholders is multifaceted and includes interactions with large groups, regular communications with representatives from a particular group, as well as personal interaction with clients and investors.

Each year we conduct the UBS Materiality Assessment (as defined by the Global Reporting Initiative (GRI)) to capture the views of our stakeholders on the topics they regard as relevant to our firm. The assessment is drawn from assorted formal and informal monitoring tools we employ, from our dialog with stakeholders and from relevant studies and reports. We also undertake targeted surveys of stakeholder groups, with the findings included in the Materiality Assessment, including a major survey of students globally in 2015. The results of the assessment are captured in a GRI-based materiality matrix. This matrix distills the views of the stakeholders with whom we interact and it covers 24 topics, the top three being "conduct and culture," "financial stability and resilience" and "client protection." ▲

→ Refer to [www.ubs.com/materiality](http://www.ubs.com/materiality) for the UBS 2015 GRI-based materiality matrix and for more information on our stakeholder relations and topics

### Management of environmental and social risks

EDTF | We use an environmental and social risk (ESR) framework to identify and manage potential adverse effects on the environment and human rights, as well as the associated environmental and social risks our clients' and our own assets are exposed to. Our comprehensive ESR standards are aligned with the UBS and Society program; they govern client and supplier relationships and are enforced firm-wide.

We apply the ESR policy framework to all our activities. 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. Our ESR standards include the stipulation of controversial activities and other areas of concern we will not engage in, or will only engage in under stringent criteria, as outlined below. We will not do business with a counterparty or an issuer who we judge is not addressing environmental or social issues in an appropriate and responsible manner.

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"> <li>– UNESCO world heritage sites, wetlands</li> <li>– Endangered species</li> <li>– High conservation value forests, illegal logging and use of fire</li> <li>– Child labor, forced labor, indigenous peoples' rights</li> </ul>	<ul style="list-style-type: none"> <li>– Soft commodities: palm oil, soy, timber</li> <li>– Power generation: coal-fired power plants, large dams, nuclear power</li> <li>– Extractives: hydraulic fracturing, oil sands, Arctic drilling, coal mining, precious metals, diamonds</li> </ul>

In 2015, in support of international efforts to enable a transition to a low-carbon world, we strengthened our ESR standards related to coal. We only support transactions of companies operating coal-fired power plants if they have a strategy to reduce coal exposure or adhere to the strict greenhouse gas emission standards recommended by leading international agencies. Moreover, we do not support certain coal-mining companies and significantly limit lending and capital raising provided to the coal-mining sector.

Our standard risk, compliance and operations processes involve procedures and tools for identifying, assessing and monitoring environmental and social risks. This includes 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. Advanced data analytics on companies associated with such risks is integrated into the web-based compliance tool we use before we enter into a client or supplier relationship, or a transaction. The systematic nature of this tool significantly enhances our ability to identify potential risk. In 2015, 2,192 referrals were assessed by our environmental and social risk unit, of which 73 were rejected or not pursued, and 371 were approved with qualifications.

At portfolio level, we regularly review sensitive sectors and activities prone to bearing environmental and social risks. We assess client exposure and revenue in such sectors and attempt to benchmark the portfolio quality against regional and or sector averages. Such portfolio reviews give us an accurate aggregated

exposure profile and an enhanced insight into our transaction and client onboarding processes. The outcomes of these reviews allow us to explore ways to improve the future portfolio profile along a range of risk parameters. As an example, in 2015, we reviewed potential climate change impacts on our energy and real estate loan portfolios using stress testing and portfolio analysis methodologies. ▲

→ Refer to [www.ubs.com/esr](http://www.ubs.com/esr) for the complete definition of our standards and specific assessment criteria

### Our own operations and supply chain

Since 1999, we have managed our environmental program through an Environmental Management System in accordance with ISO 14001. In addition, our greenhouse gas (GHG) emissions data is externally verified by SGS on the basis of ISO 14064 standards. We set quantitative targets to reduce UBS's Group-wide CO<sub>2</sub> emissions and the environmental impact of our operations. In support of our commitment to RE100, we have committed to sourcing 100% of the firm's electricity from renewable sources by 2020. This will reduce its GHG footprint by 75% by 2020 compared with 2004 levels.

Environmental programs include 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), business travel and employee commuting. 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.

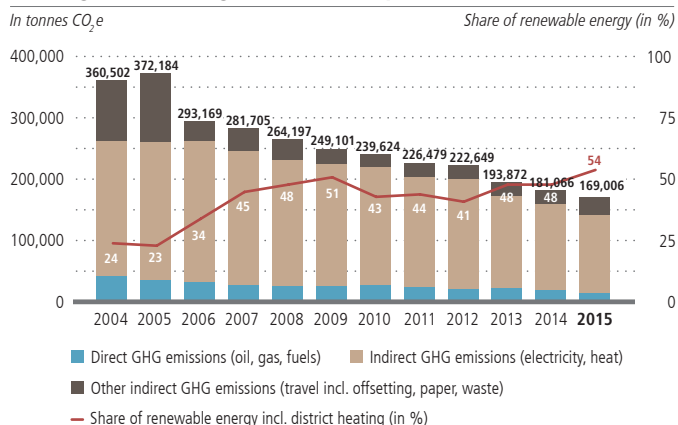
## Environmental targets and performance in our operations<sup>1</sup>

	GRI <sup>2</sup>	2015	Target 2016	Baseline	% change from baseline	Progress/Achievement <sup>8</sup>	2014	2013
Total net greenhouse gas emissions (GHG footprint) in t CO <sub>2</sub> e <sup>3</sup>	EN15-17	169,006	-50%	360,501 <sup>4</sup>	-53.1	●	181,066 <sup>9</sup>	193,872 <sup>9</sup>
Energy consumption in GWh	EN3	668	-10%	774 <sup>5</sup>	-13.7	●	707 <sup>9</sup>	758 <sup>9</sup>
Share of renewable electricity	EN3	54.0%	100% <sup>6</sup>	43.6% <sup>4</sup>	23.9	●	52.0% <sup>9</sup>	51.6% <sup>9</sup>
GHG offsetting (business air travel) in t CO <sub>2</sub> e	EN18	73,592	100%	0 <sup>4</sup>	100	●	75,305	72,612
Paper consumption in kg per FTE <sup>7</sup>	EN1	119	-5%	122 <sup>5</sup>	-2.3	●	121	121
Share of recycled and FSC paper	EN2	83.6%	60%	55.8% <sup>5</sup>	49.7	●	61.8%	57.6%
Waste in kg per FTE <sup>7</sup>	EN23	203	-5%	232 <sup>5</sup>	-12.3	●	213	214
Waste recycling ratio	EN23	52.8%	60%	53.9% <sup>5</sup>	-2.0	●	54.6% <sup>9</sup>	55.3%
Water consumption in m <sup>3</sup>	EN8	0.96	-5%	1.22 <sup>5</sup>	-21.9	●	1.08	1.09

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 = tonne

<sup>1</sup> Detailed environmental indicators are available on the internet [www.ubs.com/environment](http://www.ubs.com/environment). Reporting period 2015 (1 July 2014 – 30 June 2015). <sup>2</sup> Related to Global Reporting Initiative (see also [www.global-reporting.org](http://www.global-reporting.org)). EN stands for the environmental performance indicators as defined in the GRI. <sup>3</sup> 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). <sup>4</sup> Baseline year 2004. <sup>5</sup> Baseline year 2012. <sup>6</sup> Target year 2020. <sup>7</sup> FTEs are calculated on an average basis including FTEs which were employed through third parties on short-term contracts. <sup>8</sup> Green: on track / amber: behind schedule. <sup>9</sup> 2013 and 2014 data was restated due to updated consumption data of an additional co-location (colo) datacenter and minor changes in methodology.

## UBS's greenhouse gas (GHG) footprint<sup>1</sup>



<sup>1</sup> 2012, 2013 and 2014 data was restated due to updated consumption data of an additional co-location (colo) datacenter and minor changes in methodology.

In 2015, we further reduced UBS's GHG emissions by 6.7%, or 6.6% per full-time employee, year on year, which means a total reduction of 53% from baseline year 2004. We have thus surpassed our original target of a 50% reduction of GHG emissions by 2016. We achieved this 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.

In 2015, we reduced our energy consumption by more than 13% compared with 2012, thus outperforming our target of a 10% reduction by 2016. We are reducing our use of carbon-intensive energy by replacing fossil-fueled heating infrastructure, where feasible. In 2015, we purchased 54% of UBS's worldwide electricity consumption from renewable sources.

We are committed to further reducing UBS's environmental footprint and are on track to reach most of our 2016 targets compared with 2012 as the baseline.

The 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 2015, remediation measures were requested for 44% of suppliers of newly-sourced goods or services with potentially high impacts to improve their adherence to UBS's RSCM standards.

→ Refer to [www.ubs.com/environment](http://www.ubs.com/environment) for more information on our environmental management

→ Refer to [www.ubs.com/rscm](http://www.ubs.com/rscm) for more information on our RSCM

## Training and raising awareness

**EDTF** | Awareness and expertise play an important role in implementing our goals. We promote our employees' understanding of the goals and actions of UBS and Society through a wide range of training and awareness-raising activities, as well as performance management. Through these 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 UBS and Society intranet and Internet sites. In 2015, we continued training and raising employee awareness by embracing the Code. 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 strategy and activities through other training and awareness-raising activities. We developed a new mandatory conduct and culture training module, which includes a comprehensive section on UBS and Society. The training was rolled out to all employees in December 2015. ▲

## Ratings and recognitions

**EDTF** | Our performance and success in the area of sustainability is reflected in important external ratings, rankings and recognitions. We received "Industry Leader, Gold Class distinction" for our excellent sustainability performance in 2015, as determined by our score in RobecoSAM's annual Corporate Sustainability Assessment. RobecoSAM, together with S&P Dow Jones Indices, also publishes the Dow Jones Sustainability Indices (DJSI), the most widely recognized sustainability rating.

As our key achievement in 2015, our firm took over the leadership position in the Diversified Financials industry group of the DJSI. The DJSI evaluates companies' sustainability 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 our UBS and Society program.

With 100 disclosure points, we also achieved a top result in the CDP organization's assessment for our efforts in reducing carbon emissions and mitigating the business risks of climate change.

Asset Management's efforts in integrating environmental, social and governance issues into its investment practices have been recognized with strong results in the Principles for Responsible Investment's annual reporting and assessment process. Asset Management was awarded at least an A in half of the categories on which it was assessed, most notably achieving an A+ for the main category, Overarching Approach. The Overarching Approach measures an organization's overall approach to responsible investment, including governance, responsible investment policy, objectives and targets, the resources allocated to responsible investment and the approach to collaboration on responsible investment and public policy-related issues.

Asset Management also improved on its strong 2014 ranking in the Global Real Estate Sustainability Benchmark (GRESB) report. In the 2015 GRESB report, the majority of Asset Management's participating real estate funds, managed by Global Real Estate, ranked in the first quartile of their respective peer groups and nine funds were awarded Green Star (top ranking) status.

The UBS Optimus Foundation and its partner Last Mile Health were among a select group of organizations honored at the prestigious Clinton Global Citizen Awards 2015 for their work in tackling the recent Ebola outbreak in West Africa. ▲

### How we support our clients

Our clients increasingly care about societal issues and want financial advice as well as the right products in order to use their resources to address them. Many of our clients look to us for support in this regard. As a global firm and the world's largest wealth manager, we are well placed to provide it. We have, in fact, made it our goal to include sustainable performance in every client conversation.

### Sustainable investments

As of 31 December 2015, sustainable investments increased to CHF 934 billion from CHF 577 billion at the end of 2014, representing 35% of our total invested assets compared with 21% in 2014. While this increase is primarily attributable to reporting pro-

cess enhancements for norms-based screening investments (controversial weapons exclusions) and Asset Management's responsible property investment strategy, invested assets also generally increased in our other sustainable investment classes, including integration, exclusionary screening, impact investing, and third-party. Major increases in absolute terms were observed among our institutional clients, in particular for screened mandates.

We are committed to testing novel financial solutions across our firm. One recent, innovative development in the area of sustainable investing includes the emergence and growth of green bonds. In 2015, Wealth Management Americas contributed to this important development by acting as distributor for the World Bank's first market-linked green bonds for investors in the US.

Moreover, as of 31 December 2015, we held green bonds in the amount of CHF 320 million in our high-quality liquid assets portfolio under the management of Corporate Center – Group Asset and Liability Management.

Other examples also demonstrate that we have the financial expertise, networks and access to capital to build or support niche financial products as proofs of concept that can be replicated and scaled up. Key 2015 examples for this approach include a Wealth Management-sponsored social investment fund in the UK that enables sophisticated investors to invest in a tax efficient way in social enterprises that are helping to tackle poverty, and the launch of a UBS investment mandate for Swiss charitable foundations.

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

CHF billion, except where indicated	GRI <sup>2</sup>	For the year ended			% change from 31.12.14
		31.12.15	31.12.14	31.12.13	
<b>UBS total invested assets</b>		<b>2,689</b>	2,734	2,390	(2)
<b>Core SI products and mandates</b>					
Integration <sup>3</sup>	FS11	<b>3.37</b>	2.62	2.18	28
Integration / RPI <sup>4</sup>	FS11	<b>49.06</b>	34.66 <sup>5</sup>	30.70 <sup>5</sup>	42 <sup>10</sup>
Impact investing <sup>6</sup>	FS11	<b>0.76</b>			
Exclusionary screening <sup>7</sup>	FS11	<b>79.20</b>	68.60	56.09	15
Third-party <sup>8</sup>	FS11	<b>6.06</b>	4.34	3.70	40 <sup>10</sup>
<b>Norms-based screening<sup>9</sup></b>	FS11	<b>795.07</b>	466.52	444.62	70 <sup>10</sup>
<b>Total Sustainable investments</b>	FS11	<b>933.53</b>	576.73	537.30	62 <sup>10</sup>
SI proportion of total invested assets (%)	FS11	<b>34.72</b>	21.09	22.48	

<sup>1</sup> All figures are based on the level of knowledge as of January 2016. <sup>2</sup> FS stands for the Performance Indicators defined in the Global Reporting Initiative Financial Services Sector Supplement. <sup>3</sup> 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. <sup>4</sup> UBS Asset Management Responsible Property Investment (RPI) strategy. <sup>5</sup> Invested assets, subject to RPI strategy in 2013 and 2014 were restated. <sup>6</sup> Impact investments are targeted investments with a financial return and a clear social and/or environmental return objective. No data available for 2013 and 2014. <sup>7</sup> Includes customized screening services (single or multiple exclusion criteria). <sup>8</sup> SI products from third-party providers applying either integration and/or exclusionary screening. <sup>9</sup> Reporting scope expanded in 2015 to include all actively managed discretionary segregated mandates. Duplication with other SI categories were subtracted to avoid double counting. <sup>10</sup> Due to changes in reporting scopes, data comparability 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).

### Investment advisory and products

We define sustainable investing (SI) as a set of investment strategies (exclusion; integration; impact investing) that incorporate material environmental, social and governance (ESG) considerations into investment decisions. SI strategies usually seek to reach one or several of the following objectives: i) align investments with personal values; ii) reduce portfolio risk/return characteristics; and iii) achieve a positive environmental or social impact alongside financial returns.

Our wealth management businesses and Asset Management offer SI products and services for wealth management and institutional clients. Our teams provide thought leadership, advice and sustainable portfolio management, such as mandate solutions and separately managed accounts. We also offer impact investing products and arrange platforms, roundtables and networking events for our clients to exchange ideas and gather know-how. UBS Portfolio Screening Services are mainly offered to ultra high net worth clients to align their portfolios with their values by assessing portfolios along specific sustainability criteria.

In 2015, we launched an investment mandate solution with SI focus for our Swiss core affluent and high net worth clients. UBS Investment Management Mandate Switzerland with SI focus has been constructed primarily investing in instruments with a high sustainability rating. The investment strategy it follows is in line with the UBS House View and is thereby focused on financial performance, as well as considering environmental, social and governance factors. In parallel to our SI offering enhancement in Wealth Management, we also conducted extensive training on the topic of "SI for Wealth Management clients" to further bolster the expertise of our client advisors and product experts.

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 not only create value 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 also manage seven exchange-traded funds (ETFs) that track MSCI's Socially Responsible Equity Indices (MSCI SRI) and that are listed on the Deutsche Börse (Xetra), SIX Swiss Exchange, London Stock Exchange and Borsa Italiana. In 2015, we launched the world's first ESG Fixed Income

ETF, the Barclays MSCI US Liquid Corporates Sustainable UCITS ETF, which tracks an index jointly developed by Barclays and MSCI.

In 2015, Asset Management won a very competitive and cutting-edge mandate with a large Dutch Pension Fund to craft a global impact equities portfolio with measurable social impact. As this has not been done before, Asset Management is partnering with leading-edge academics on a multi-year research and development effort to develop scientifically based and easy-to-understand social impact metrics that describe how the portfolio is contributing to solving important social themes, while minimizing the negative impact on the environment and society. The themes include climate change, water, health and food security. Once developed and vetted, these social impact metrics will help influence our investment strategies.

→ Refer to [www.ubs.com/sustainableinvesting](http://www.ubs.com/sustainableinvesting) for more information

### Corporate and personal banking clients financing and advisory

We provide 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 clients that contribute to climate change mitigation and adaptation, the Investment Bank provided equity or debt capital market services in 2015 (total deal value CHF 10 billion) or acted as financial advisor (total deal value CHF 35 billion).

We invest in Swiss corporations by supporting 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 SMEs" at reduced costs and are granted UBS cash premiums for committing to an energy reduction plan within the scheme. Until the end of 2014, the Swiss Energy Agency recorded double the target for UBS SMEs in their overall energy savings which is equivalent to the energy consumption of approximately 400 single-family homes. UBS clients saved more than 1,800 t/CO<sub>2</sub> per annum by the end of 2014. In addition, the UBS environmental bonus, launched in 2015, supports corporate clients when upgrading to more environmentally friendly commercial vehicles. Swiss private clients continue to benefit from the UBS "eco" mortgage when building energy-efficient homes. Our commitment as a financial partner in the energy transition in Switzerland continues by our sponsorship of the Swiss Energy and Climate Summit.

## Research

In response to increasing client demand for integrating sustainability issues into fundamental investment analysis and advisory processes, we research the impact of 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 help us determine what is material by raising questions about the effects of ESG issues on the competitive landscape in the global sectors we cover, as well as about how companies are affected in relative terms.

In 2015, our Chief Investment Office Wealth Management (CIO) published a series of reports on SI commencing in March, with an overarching publication on the topic "Adding value(s) to investing." This publication set out the why, what and how of SI, highlighting reasons and motivations to become involved in it, presenting three SI strategies, and advising on how to implement them in portfolios. Following on from this, CIO also published a report focused on integration and exclusion which also set out to dispel a common myth that SI must lead to financial underperformance. In September 2015, CIO responded directly to a major global development pertaining to sustainability, the adoption by the UN General Assembly of the Sustainable Development Goals (SDG). CIO published a report spotlighting a number of actionable, sustainability-themed investment ideas well-suited to pursuing the SDG. Sustainability-themed investment ideas were also comprehensively covered in the CIO publication "Years Ahead". For example, CIO outlined areas such as "emerging market healthcare" and "clean air and carbon reduction."

CIO regularly translates key societal and environmental concerns into investment themes as part of its Longer Term Investments series and Wealth Management's global Research-based Advice (RbA). One important example in 2015 was oncology, with the investment theme identifying companies that develop new treatments for cancer. Wealth Management also raised USD 340 million for the initial close of a UBS oncology impact investing collaboration with MPM Capital. More broadly, in 2015, RbA featured Performance Plus, which signifies our conviction that success cannot be measured by financial performance alone, but also by performance relating to the environment, good governance, our social impact and other key components of sustainability and resilience.

For our sustainability-specific strategies in Asset Management, we have developed a leading-edge database of fundamental sustainability data at the company 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 database gives us a significant proprietary edge in the incorporation of fundamental, material sustainability data in the investment process. This Sustainability key performance indicator database is instrumental in ensuring that both valuation and sustainability factors are taken into account simultaneously and that both receive equal weighting in the decision-making process.

## 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 2015, we voted on 87,348 individual resolutions at 8,654 shareholder meetings, for clients that provided us with voting discretion according to Asset Management's corporate governance principles.

## Philanthropy

As one of the first banks offering philanthropy services to clients, our commitment goes back many years. It is a commitment that is continually reaffirmed, reinforced and expanded. We have decided to strengthen and grow our capacity and capabilities in the field of philanthropy to better support our clients in achieving their philanthropic aspirations through innovative solutions. Building on our track record and experience, we have established a global team of in-house experts offering a one-stop professional approach to all aspects of philanthropy, strategic charitable giving and values-based investing. We support clients as they develop their own philanthropic approach by offering them access to a wide range of sustainable philanthropic engagement options across regions and sectors.

The 2015 UBS Global Philanthropy Forum drew a record 150 clients and prospects to St. Moritz, Switzerland, for two days of interactive discussion and exchange around the theme "Daring to innovate." Many of the Forum discussions centered on the phase of "convulsive change" that the world is currently undergoing.

Wealth Management Americas Philanthropic Services convened a one-day client discussion on innovation in the field of autism. The event brought together 30 accomplished experts and families impacted by autism who have the means to make a difference. Following the event, our clients invested in each other's initiatives in response to autism and signed a collective Unity Statement to unify multiple organizations and leaders around this cause.

→ Refer to [www.ubs.com/sustainableinvesting](http://www.ubs.com/sustainableinvesting) for more information



### Optimus Foundation

2015 was an outstanding year for the UBS Optimus Foundation (Optimus). Despite the challenging economic environment, donations rose to an all-time high of CHF 57 million, including a UBS contribution of CHF 11 million, which multiplied donations from clients and employees. This allowed us to approve more than CHF 60 million in grants to our partners who are working to improve the lives and futures of children around the globe.

UBS is unique in the financial industry because it has a foundation with the philanthropic expertise and offering to help clients achieve their philanthropic goals. As part of UBS, Optimus is also business-minded in its approach to philanthropy and assesses projects with the same rigor that UBS applies to traditional financial investments. Even the best concepts need the right guidance, and Optimus never assumes a project will work just because it seems like the obvious solution. The foundation challenges assumptions rigorously to ensure they live up to its strict standards. Optimus looks for projects where it can add value and that can be scaled to make a fundamental difference to the maximum number of children's lives.

Clients see the benefits of our brand of entrepreneurial philanthropy. With its start-up mentality, Optimus is able to act fast and adapt swiftly, while relying on the global coverage and backing from UBS's expertise and resources. It means that the foundation challenges conventional wisdom and learns from failure. This enables the foundation to identify scalable, transformative projects with proven track records that have the greatest potential to produce sustainable results. In short, Optimus brings more of the money to where it can do the most good. The foundation monitors projects and measures their results, so it can demonstrate to clients exactly where their donations go and what they achieve. As UBS covers all of the foundation's administrative costs, 100% of clients' donations go to the philanthropic projects it supports.

→ Refer to [www.ubs.com/optimus](http://www.ubs.com/optimus) for more information

### How we support our communities

UBS has a responsibility towards our local communities. We know that our long-term success depends on the health and prosperity of the communities in which we operate. Our longstanding global program of community investment focuses on addressing real need by developing skills through our support for education and entrepreneurship. We achieve impact through a combination of strategic funding and employee volunteering.

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 – UBS employees are key to the success of our community program. By providing diverse opportunities for our employees to volunteer their time and skills in support of our community partners, we seek to align our community program with our core business. We encourage employees to support our local communities by:

- Facilitating employee volunteering with local charitable partners
- Offering employees up to two days a year to volunteer
- Matching fundraising endeavors and employee donations to charities

### Community investment 2015

In 2014 and 2015, we enhanced our focus on measuring the impact of our program by using the London Benchmarking Group's standard model for measuring and reporting on our community investment globally. This allows us to effectively evaluate and focus our program.

In 2015, we strengthened our global program and strategic focus on education and entrepreneurship through the enhancement of existing and new partnerships in our local communities. In 2015, UBS made direct cash contributions totaling CHF 27.4 million. 91% of UBS's strategic donations were made in the areas of education and entrepreneurship. 27% of our employees volunteered, a 26% increase compared with 2014.

Additionally, UBS contributed a total of CHF 37.5 million to its affiliated foundations in Switzerland, to the UBS Optimus Foundation and to the UBS Anniversary Education Initiative.

### Community investment 2015 highlights

Our global program benefited over 100,000 young people and entrepreneurs across all of the regions in which we operate. Examples of our investments include:

- Americas: UBS Americas launched two major initiatives in 2015: Project Entrepreneur, a three-year partnership with Rent the Runway Foundation to grow the pipeline of female founders who are building economically impactful companies; and The TalentED Project, a three-year partnership with Tennessee College Access and Success Network and Discovery Education to help increase the number of low-income, first-generation students going to and graduating from competitive four-year colleges.
- EMEA: We helped launch the Stepping Stones Fund with the City of London Corporation's charity, City Bridge Trust to provide targeted support to social enterprises seeking to increase their impact through social investment. UBS employee volunteers helped coach, assess and then select the grant winners.

The first round of funding saw 17 organizations share just over GBP 700,000 to improve their social outcomes with the aim of reaching thousands of beneficiaries.

- Switzerland: In Switzerland, UBS continues to support our longstanding charity partner Young Enterprise Switzerland's Company program. More than 4,000 young students founded and ran real-life companies for a year. UBS supports the national final with volunteers and financial means. UBS has also strongly increased engagement for social entrepreneurs in the country by providing mentoring and supporting respective platforms.
- Asia Pacific: UBS partnered with Yayasan Emmanuel in Indonesia to support international school teachers to raise the capacity of local elementary school teaching up to international standards. The program engages teachers in a process of experiential learning and reflection, ultimately benefiting school pupils by improving teacher quality.

→ Refer to [www.ubs.com/community](http://www.ubs.com/community) for more information

### Community Investment 2015 overview

CHF 27.4 million invested in our local communities	16,356 employees volunteered 137,732 hours on community projects	CHF 7.4 million spent matching employee donations	326 community partners supported worldwide	101,604 direct beneficiaries as a result of our community investment
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