

Corporate responsibility

In 2010, we took strides to enhance our performance in all areas of corporate responsibility. An important foundation for this progress was the revision of our Code of Business Conduct and Ethics. It underscores the critical importance of responsible corporate behavior, and defines how we are to behave when dealing with our stakeholders.

In 2010, we made major steps in delivering on our commitment to our key principles, including our values of truth, clarity, and performance; our strategic principles of reputation, integration, and performance; and our financial objectives. We continued to address our societal commitments and responsibilities by contributing to the fight against money laundering, corruption and terrorist financing (AML), executing our environmental management program, implementing our human rights statement and by undertaking community investment activities. Under the guidance of the UBS Corporate Responsibility Committee (CRC), a Board of Directors (BoD) committee, various initiatives were initiated pertaining to the implementation of our Code of Business Conduct and Ethics (the Code). The CRC, which directed revisions to the Code in 2009, monitored its subsequent introduction and implementation across the firm, including mandatory employee certification and web-based training processes.

→ Refer to www.ubs.com/responsibility for more information on the contents of this section

Governance, strategy, and commitments

Corporate responsibility governance

The CRC continually reviews stakeholders' expectations of our firm with regard to corporate responsibility. Having assessed the potential consequences for the Group, the Committee recommends the appropriate actions to take in order to meet those ex-

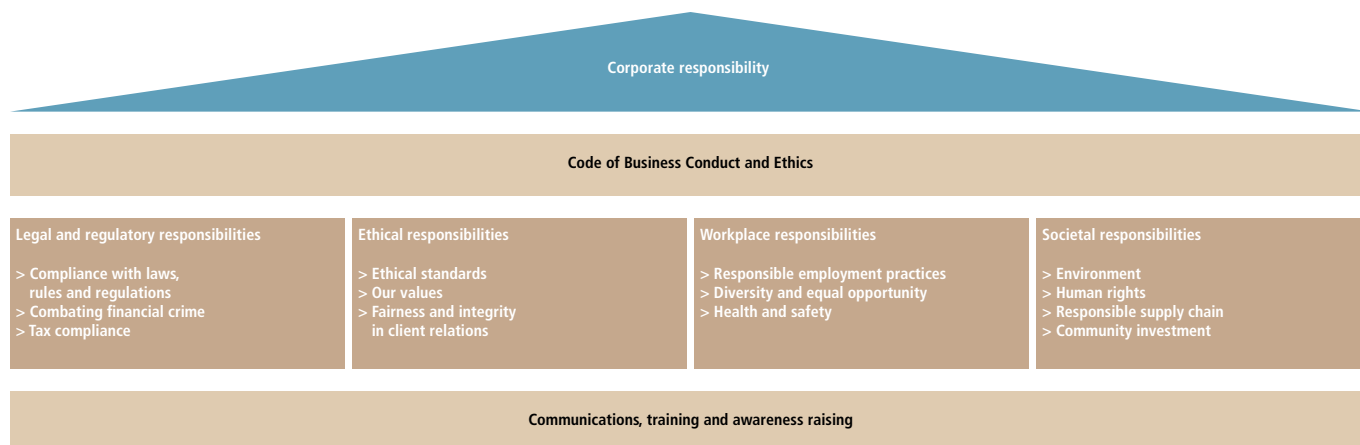
pectations. The CRC thus supports the BoD's efforts to ensure and advance our reputation for responsible corporate conduct. Headed by the Chairman of the BoD, the committee included three other BoD members. It is advised by a panel consisting of members of the Group Executive Board (GEB) and other senior managers. The members of the advisory panel participate in committee meetings and implement its recommendations.

As a key element of its mandate, the CRC reviews and oversees our corporate responsibility policies and guidelines, as well as the implementation of our corporate responsibility activities and commitments. The GEB is responsible for the development of our Group and business division strategies, as well as implementing approved new strategies. These include strategies pertaining to corporate responsibility, while various committees or boards are concerned with tasks and activities pertaining to particular aspects of corporate responsibility.

One example is the Environmental & Human Rights Committee, which is made up of, among others, both Group and divisional environmental representatives. They oversee the adoption of our environmental policy and provide guidance to our business divisions in supporting the "UBS Statement on Human Rights". In 2010, this committee reviewed a number of significant environmental and social issues, and oversaw the development of our position on certain controversial activities (see below).

→ Refer to www.ubs.com/environment for more information on our environmental and human rights governance

Corporate responsibility at UBS



Led by the Head of Global AML Compliance, our efforts to fight money laundering, corruption and terrorist financing are supported by a network of expert global business teams. We are streamlining our policies and processes to enhance consistency between business divisions, as well as to assess threats and risks within the business. We have developed extensive policies intended to prevent, detect and report money laundering, corruption and terrorist financing. These policies seek to protect the firm and our reputation from those who may be intending to use UBS to legitimize illicit assets.

→ Refer to the discussion on combating financial crime below for more information on our AML activities

The global diversity team supports senior management and HR business partners in developing diversity-related strategies and goals for each business division. The implementation of these strategies and goals is monitored by the GEB. The global diversity team also coordinates regional efforts and integration into the HR process. Regional diversity heads, along with senior business managers, consider and design diversity and business-aligned plans that are linked to regional and divisional business and talent strategies. They also provide regional support for divisional management in assessing the progress made on relevant diversity objectives. Additionally, regional diversity heads support our numerous employee networks, including the development and coordination of diversity-related events which support regional diversity initiatives.

→ Refer to the “Our employees” section of this report for more information on labor standards and diversity programs

Community affairs at UBS are founded on a global strategy defined by the GEB, and are based on a global community affairs guideline. Activities are governed by a central framework and regional guidelines and embedded in UBS’s regional structures. Every region has a dedicated community affairs team which coordinates charitable commitments by our firm and our employees. The Corporate Center ensures global coordination of these activities and also provides a central reporting structure to collate community investment data from across UBS as a whole.

→ Refer to the discussion on community investment below for more information on our charitable and related activities

External commitments and initiatives

In implementing environmental and social standards and conventions into our business practices, we benefit from participating in various external initiatives, including the UN Global Compact and its local network in Switzerland; the Wolfsberg Group; the UNEP Finance Initiative (UNEP FI); the UN Principles for Responsible Investment (UNPRI); and the VfU (Association for Environmental Management and Sustainability in Financial Institutes). In November 2010, we hosted the annual UNEP FI/VfU Roundtable, which took place in Switzerland for the first time. At the event, key sustainability topics such as climate change and human rights as well as related topics, ranging from environmental, social and governance (ESG) ratings to sustainability education at universities, were considered and discussed among representatives from financial institutions and various stakeholders.

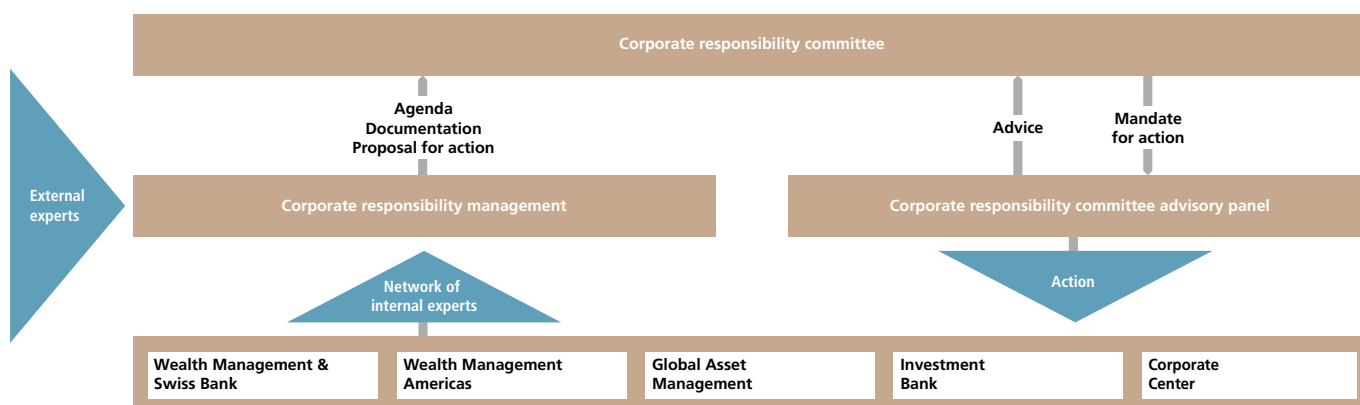
In June 2010, UBS participated in the triennial UN Global Compact Leaders Summit which, chaired by the UN Secretary-General, brought together 1,200 representatives from companies and civil society, government and the United Nations to explore the role of responsible business in achieving more sustainable and inclusive markets.

As part of expanding our external commitments, we concluded a three-year partnership with the Smith School of Enterprise and the Environment at Oxford University. The partnership supports our work towards achieving our own environmental commitments, as well as enhances our focus on the client-related aspects of climate change and other global environmental challenges we face. In particular, we will continue to fund and participate in the Smith School’s multi-year research project on low-carbon mobility.

External ratings, assurance and awards

Our performance and efforts were reflected in key external ratings and rankings, which take into account sustainability issues. We were named an index component for the Dow Jones Sustainability Index (DJSI) World, and are a member of the FTSE4Good index series. We have been a continuous member of both indices

Our corporate responsibility governance process



since their inception. In 2010, we increased our total score for the DJSI World, mainly due to substantially improved performance in the economic dimension and an increased performance in the environmental dimension.

We also featured in the Carbon Disclosure Project's Carbon Performance Leadership Index (CPLI) for 2010. The CPLI comprises 48 companies within the FTSE Global Equity Index Series (Global 500) that have demonstrated commitment to strategy, governance, stakeholder communications, and, above all, emissions reduction in their disclosures to the Carbon Disclosure Project. The companies featured in the CPLI have the distinction of having the leading carbon performance scores among all Global 500 companies, indicating both high degrees of maturity in their climate change initiatives and achievement of their objectives. Our inclusion in the CPLI reflects the success of our climate change strategy, which was launched in 2006.

In 1999, we were the first bank to obtain ISO 14001 certification for our worldwide environmental management system. The management system covers the entire scope of our products, services and in-house operations, which may give rise to an environmental impact. It is audited annually and re-certified every three years by SGS, a leading inspection, verification, testing and certification company. These comprehensive audits verify that appropriate policies and processes are in place to manage environmental issues, and that they are executed in day-to-day practice. In 2010, SGS confirmed that a well-performing environmental management system, integrated in the organization and suitable for managing environmental risks and improving environmental performance on a continual basis, is in place.

We earned top-three places in each of the key rankings for brokerage firms in the 2010 Thomson Reuters Extel and UKSIF Socially Responsible Investing & Sustainability Survey: "Socially Responsible Investment (SRI) Research", "Long-Term Thematic Research", "Corporate Governance Research", "Renewable Energy Research", and "Integrated Research on Climate Change".

In January 2010, our UK operations were awarded the Carbon Trust Standard for "reducing CO₂ emissions year-on-year". In the US, our building at 1285 Avenue of the Americas in New York City was awarded Leadership in Energy and Environmental Design for Existing Buildings CI Gold certification for their fit-out of the 12th floor. In Chicago, we improved our standard at 1 North Wacker to Silver certification.

Finally, in late 2010, we ranked fourth globally and second in Switzerland in the annual CSR Online Awards. The global survey examines the websites of 91 DJSI member companies, to see how they are used as platforms for communicating corporate social responsibility. According to the survey results, our adoption of web-based reporting, where our corporate responsibility website serves as our sustainability report, allows us to present vast and detailed corporate social responsibility information to stakeholders who wish to gain a comprehensive understanding of our corporate responsibility efforts.

→ Refer to the "Our employees" section of this report for information on diversity awards

Stakeholder dialogue and capacity building

Dialogue with external parties is an important contributor in our understanding and approach to corporate responsibility. In 2010, communications with experts and stakeholders covered a series of topics ranging from broad (e.g. implementation of the Code) to more specific issues, including, for instance, discussions with non-governmental organizations on the topic of human rights.

Input on the corporate responsibility strategy and activities we pursue is also regularly sought from employees. An internal, cross-divisional network of experts plays a particularly important role, with its members providing critical input on stakeholder expectations and concerns. These contributions are provided to the CRC and add valuable features to the information gathered through other established monitoring channels.

Training and awareness-raising

Through education offerings and broader awareness-raising activities we ensure that our employees are aware of the importance of UBS's social commitments. General information is published on our intranet and on the corporate responsibility website. In 2010, training and awareness-raising activities focused on the Code (notably a mandatory web-based training), and ensured that all employees were made aware of the firm's corporate responsibility strategy and activities. Furthermore, some 10,000 employees participated in training on environmental issues, with over 8,600 receiving general education on our environmental policy and programs, and nearly 1,400 employees receiving specialist training targeted within their area of expertise and impact. Employee speaker sessions, exhibitions and lunchtime training sessions have been delivered in all regions alongside specific technical training for the environmental team. Employees are also required to undergo regular training in AML-related issues, which includes online training, awareness campaigns and seminars.

Responsible banking

We are focused on earning the trust of our stakeholders, aiming for sustainable earnings and creating long-term shareholder value. In ensuring that banking activities are undertaken in a responsible manner, and that products and services are suited to the needs and requirements of our clients, we aim to fulfill the heightened expectations of clients and stakeholders.

Combating financial crime

We believe it is of utmost importance to actively prevent potentially irresponsible or harmful actions. First and foremost, this means that our employees must uphold the law, adhere to relevant regulations, and behave in a responsible and principled manner.

In 2010, we continued to strengthen our efforts to both prevent and combat financial crime. By taking responsibility to preserve the integrity of the financial system, and our own operations, we are committed to assisting in the fight against money laundering, corruption and terrorist financing. We employ a rigorous risk-based approach to ensure our policies and procedures

correspond with those risks, and that relationships which are classified as higher risk are dealt with appropriately. We adhere to strict know-your-clients regulations, which do not, however, seek to undermine clients' legitimate right to privacy. Ongoing due diligence and monitoring is undertaken to assist in the identification of suspicious activities, including using advanced technology to assist in the identification of transaction patterns or unusual dealings which, if discovered, are promptly escalated to management or control functions. As part of our extensive and ongoing efforts to prevent money laundering, corruption and terrorist financing, enhancements to address more specific risks in relation to corruption and terrorist financing were implemented globally in 2010.

We are a founding member of the Wolfsberg Group, an association of 11 global banks established in 2000, which aims to develop financial services industry standards and related products for Know-Your-Customer, Anti-Money Laundering and Counter Terrorist Financing policies. The Group continues to update existing publications it has produced over the last nine years, and a revised version of the Trade Finance Principles will be published in 2011. Together with the other members of the Group, we continue to engage actively with the Financial Action Task Force (FATF), an inter-governmental body that develops and promotes national and international policies to combat money laundering and terrorist financing in the context of its consultation processes with the private sector. At the end of 2010, the FATF announced that it is reviewing the 40+9 FATF Recommendations, and the Wolfsberg Group will provide comments and feedback within the consultation process, which will extend into early 2011.

Managing environmental and social risks

Environmental and social risk is broadly defined as the potential reputational or financial damage resulting from transactions, products, services or investments that involve a party associated with environmentally or socially sensitive activities, or potential exposure to risks relating to environmental liabilities, human rights infringements, or changes in regulations.

We identify, manage and control these environmental and social risks in our business transactions. However, not all products and services we provide have the same risk potential. Therefore, we take a risk-based approach to environmental and social risk management, and regularly analyze our portfolio of products and services to assess their respective environmental and social risk potential. With our current business profile and operating environment, our potential for material risk is greater within the context of our lending, capital markets and mergers businesses, as well as our direct real estate and infrastructure investments. For these products and services, we have designed procedures and tools for the identification, assessment and management of environmental and social risks. These procedures and tools are integrated in the business divisions' standard risk management processes, such as due diligence on transactions or investments, and ensuring that material environmental and social risks are identified, assessed and escalated in a timely fashion.

In terms of approval processes, the business divisions are responsible for the identification and assessment of risk, and for determining whether the identified risks are acceptable (in 2010, the business divisions referred 194 transactions to their environmental risk functions for a detailed environmental assessment). In the event that any such identified risks are also determined to create potential firm-wide reputational risk, they are escalated to the Group environmental representative for approval. We believe that our commitment to our clients and to society requires us to search for solutions whenever possible. We seek to help clients to move towards more environmentally and socially responsible practices by engaging with them. This can benefit their business and decrease financial and reputational risk. However, where engagement is not possible or successful, we may decline the transaction altogether.

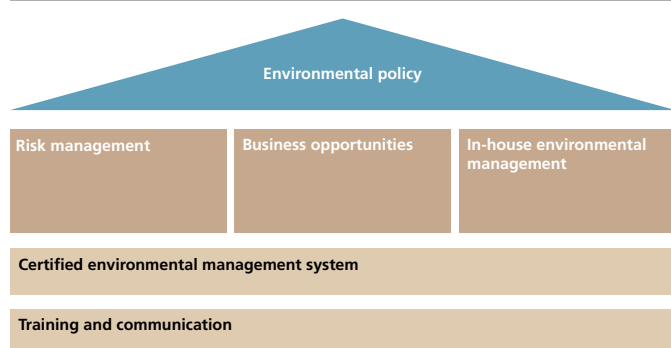
Some of our clients operate in sectors characterized by ongoing environmental and social challenges. To support the consistent identification and assessment of such risks, we developed internal industry sector guidelines in 2009. The guidelines currently cover six sectors: chemicals, forestry products and biofuels, infrastructure, metals and mining, oil and gas, and utilities. These guidelines have been adopted by each of our business divisions in transactional and client due diligence processes.

In 2010, we decided to further strengthen our environmental and social risk management (including human rights) by identifying controversial activities where we will not do business, or only do business under stringent pre-established guidelines. Therefore we will not knowingly provide financial services to corporate clients, nor will we purchase goods or services from suppliers, where the use of proceeds, primary business activity, or acquisition target involves the following environmental and social risks:

Extractive industries, heavy infrastructure, forestry and plantations operations that risk severe environmental damage to or through:

- Endangered species of wild flora and fauna listed in Appendix 1 of the Convention on International Trade in Endangered Species;

Our environmental policy



- High conservation value forests as defined by the six categories of the Forestry Stewardship Council (FSC);
- Illegal use of fire: uncontrolled and/or illegal use of fire for land clearance;
- Illegal logging including purchase of illegal harvested timber (logs or roundwood);
- Palm oil production unless a member in good standing of the Roundtable on Sustainable Palm Oil and actively seeking to enhance certification of its production;
- Wetlands: on the RAMSAR list; and
- World heritage sites as classified by UNESCO.

All commercial activities that engage in, or threaten:

- Child labor: according to ILO-conventions 138 (minimum age) and 182 (worst forms);
- Forced labor: according to ILO-convention 29;
- Indigenous peoples' rights in accordance with IFC Performance Standard 7; and
- Diamond mining and trading of rough diamonds unless Kimberly Process certified.

We also require enhanced due diligence and approval processes in certain other areas, such as coal mining practices that use mountain top removal (MTR) in the US Appalachian Mountains as an extraction method. As part of this review, we assess to what extent companies rely on MTR mining for their revenue generation, and we need to be satisfied that the client is committed to reducing its exposure to this form of mining over time.

Finally, Global Asset Management decided not to invest in companies involved in the production of weapons banned under the 2010 Convention on Cluster Munitions and the 2008 Convention on Anti-Personnel Mines. The policy applies and has been implemented for its actively managed Switzerland and Luxembourg domiciled retail and institutional funds.

Products and services

Equally important to managing environmental and social issues is providing financial products and services, which help clients manage their environmentally and socially-related business opportunities and risks. We seek to help investors benefit from related market opportunities, and by integrating environmental and social considerations, where relevant, in research and investment analysis. This offering currently stretches across our businesses in wealth management, investment banking, asset management, retail, and commercial banking. It includes SRI funds, research and advisory services provided to private and institutional clients, access to the world's capital markets for renewable energy firms and, in Switzerland, "eco" mortgages.

Taking ESG issues into account in investment processes is of increasing interest to clients and consultants across all of our investment areas. Since 2009, Global Asset Management has demonstrated commitment to ESG as a signatory to the UN Principles for Responsible Investment (UNPRI). The Principles provide a voluntary framework by which all investors can incorporate ESG is-

suues into their decision-making and ownership practices to better align their objectives with those of society at large.

As part of a holistic service offering, our Wealth Management & Swiss Bank and Wealth Management Americas business divisions have established combined teams for philanthropy and values-based investing/SRI. The teams provide thought leadership, advice, products and solutions to assist our clients and prospects in delivering positive change through their philanthropy and investments.

Building on our existing SRI practice, we experienced increased client demand and have expanded our SRI offering by providing investment management and screening services. These services include sustainability-focused alternatives to conventional products, mission-related investing for donor-advised funds and private foundations, values-based portfolio management, such as mandate solutions for private clients with a strong focus on sustainability across all asset classes, portfolio review and proposals for the integration of sustainability into stock or bond selection.

Finally, our senior scientific advisor, Sir David King, continued to advise on all scientific matters with particular emphasis on global climate change and the challenges it poses to sustainable economic growth. Our clients benefit from Sir David's expertise, and can get further insight into a variety of timely scientific topics through a quarterly series of science-focused bulletins. In 2010, these bulletins included briefs on climate change and air travel.

Investment products and advisory

In 2010, we continued to offer SRI funds and segregated mandates in response to sustained demand from a number of markets globally. The offering is diverse and includes products managed according to ESG criteria and theme-based approaches, which are focused on innovative companies providing solutions to the challenges of climate change, water scarcity and demographic change. We offer a range of products focusing on each individual theme and the flagship UBS (Lux) Equity Fund Global Innovators, which spans all three themes.

Additionally, we offer customized client portfolios in the form of segregated mandates/institutional accounts based on "negative" screening, which exclude certain controversial stocks or sectors based on their negative social or environmental impact, as perceived by the client. Our global platform and investment research capabilities enable us to offer such tailor-made solutions. In addition to fund management services, we provide stock-broking and account management services to alternative energy and SRI fund managers.

Finally, this offering includes SRI-managed accounts in the US, where ESG criteria are embedded into the fundamental investment process, or where clients have the ability to identify and exclude securities from ownership based on issue-oriented screens. This allows private clients to customize mandates to their particular social policy criteria. In addition, our open architecture approach also allows clients to invest in SRI bond, equity and microfinance products from leading third-party providers.

In past years, we experienced increasing client demand for SRI and expanded our SRI product offering. As per 31 December 2010, SRI invested assets were CHF 25.7 billion, representing 1.2% of our total invested assets.

Engagement and voting rights

The Global Asset Management SRI team in Switzerland engages in dialogue with companies represented in the SRI funds they manage. The analysts and portfolio managers provide positive and negative feedback on relevant ESG issues that may impact investment performance, as part of regular communication with corporate management teams. When controversial information on the company's environmental and social performance is received, the SRI analysts contact the company and provide management with a chance to demonstrate what measures have been taken to solve the issues. If the company can demonstrate how it is dealing with the problem, and what progress has already been achieved, an investment is possible. These engagement activities are, in addition to the positive screening processes, applied to the SRI funds.

We believe that voting rights have economic value and should be treated accordingly. Global Asset Management, wherever possible, seeks to influence the corporate responsibility and corporate governance practices of the companies it invests in. Where we have been given the discretion to vote on behalf of our clients, we will exercise our delegated fiduciary responsibility by voting in a manner we believe will most favorably impact the value of their investments. Good corporate governance should, in the long term, lead towards both better corporate performance and improved shareholder value. As such, we expect board members of companies in which we have invested to act in the service of their shareholders, view themselves as stewards of the company, exercise appropriate judgment and practice diligent oversight of the management of the company.

In 2010, Global Asset Management in Switzerland launched UBS Voice, a free service enabling holders of Swiss institutional funds to express voting preferences ahead of the shareholders' assembly of major Swiss corporations, to be used as additional input in the voting decision of the funds management company.

Research

Our SRI research teams focus on a range of ESG issues, with a view to understanding what impact developing secular trends such as demographics, resource constraints, and other potential environmental and social constraints might have upon the sectors and companies covered by our analysts.

Our SRI research teams were established in each of our business divisions to serve their respective clients. In the Investment Bank, the equity research team launched major UBS publications on water in 2006, climate change in 2007, and corporate governance in 2008. In 2010, the team launched the ESG Analyzer, a publication that helps clients take ESG issues into consideration at every stage of the investment process. In the asset management business, an internal SRI research team manages portfolios around themes such as climate change/energy efficiency, water and demographics. The SRI research team in our wealth management business conducts SRI research and provides advice to private clients on SRI investment solutions.

Client interest in some aspects of SRI – for instance climate change, demographics and water – has grown, and so has research coverage. The SRI teams regularly collaborate with analysts in other teams to write about emerging SRI themes, and relevant research content is regularly published by a growing number of specialists within the mainstream research effort.

Financing and advisory services

In 2010, we announced the formation of the Renewable Energy and Cleantech Group (RECG) within the investment banking department and the environmental markets group (EMG) within global capital markets to further focus our efforts and build upon our successes in this important sector. RECG provides capital raising and strategic advisory services to renewable energy and cleantech companies around the world, including those in the solar, wind and biofuels sectors. EMG will work with cleantech, utility, and industrial clients on the application of environmental policy analytics to financial decision making.

Since 2006, we have led over 35 financing transactions, raising more than USD 20 billion, and advised on over a dozen strategic

Socially responsible investments invested assets¹

CHF billion, except where indicated	GRI ²	For the year ended			% change from
		31.12.10	31.12.09	31.12.08	31.12.09
UBS		2,152	2,233	2,174	(4)
UBS SRI products and mandates					
positive criteria	FS11	2.00	2.72	2.12	(36)
exclusion criteria	FS11	21.27	22.44	14.05	(6)
Third-party³	FS11	2.40	1.69	1.85	30
Total SRI invested assets	FS11	25.67⁴	26.85	18.03	(5)
Proportion of total invested assets (%) ⁵					
		1.19	1.20	0.83	

¹ The terms Socially Responsible Investing and Values-Based Investing are used interchangeably. All figures are based on the level of knowledge as of January 2011. ² Global Reporting Initiative (see also www.globalreporting.org). FS stands for the Performance Indicators defined in the GRI Financial Services Sector Supplement. ³ SRI products from third-party providers apply either positive or exclusion criteria or a combination thereof. ⁴ 2.4% of reported assets have newly been included in 2010 due to adjustments in the reporting boundaries. ⁵ Total SRI/UBS's invested assets.

Socially responsible investments: are products that consider environmental, social or ethical criteria alongside financial returns. SRI can take various forms, including positive screening, exclusion or engagement.

Positive criteria: apply 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 or thematic investments.

Exclusion criteria: one or several sectors are excluded based on environmental, social or ethical criteria, for example, companies involved in weapons, tobacco, gambling, or companies with high negative environmental impacts. This also includes faith-based investing consistent with principles and values of a particular religion.

transactions for renewable energy and cleantech companies. During 2010, we led the USD 644 million initial public offering of China Datang Renewable Power Company, China's second largest wind power generation company; advised Hanwha Chemical Corporation on their USD 370 million acquisition of a 49.9% stake in Solarfun, one of the world's leading manufacturers of solar modules; and led equity financings totaling USD 355 million for GT Solar, a major provider of manufacturing equipment to the solar sector.

Carbon trading

In cap and trade emissions markets, such as the EU Emissions Trading Scheme (EU ETS), companies have annual caps on the amount of emissions their facilities are allowed to produce. Companies that are able to reduce their emissions below their cap have the ability to sell their unused quota to other entities, thereby creating an emissions market. Through the use of financial instruments, we are able to help clients manage their exposure to the emissions markets. UBS Exchange Traded Derivatives is an active member of the major emission exchanges in Europe and North America, and offers execution and full service clearing for contracts on EU ETS allowances, UN Certified Emissions Reductions, Regional Greenhouse Gas Initiative allowances, and permits for nitrogen oxide and sulfur dioxide.

Corporate responsibility in operations

We continue to build on a long heritage of managing our internal environmental impact, which, since the 1970s, has focused on increasing energy efficiency, reducing consumption of paper and other resources, actively managing waste volumes and encouraging our employees to replace air travel with more sustainable options. Now delivering the program through a network of global, regional and local environmental specialists, we manage an environmental management system accredited to ISO 14001 and have greenhouse gas emissions data externally verified to ISO 14064.

Environmental and CO₂ footprints

We directly impact the environment in a number of ways: our businesses consume electricity and fossil fuels; employees travel for business purposes, use paper and generate waste in the course of their work; and offices require heating and cooling systems. Improving the use of these resources can reduce costs and enhance environmental performance; therefore, we have a series of measures to efficiently manage our environmental impact.

CO₂ strategy and emission reduction

In February 2006, the GEB decided to set a Group-wide CO₂ emission reduction target of 40% below 2004 levels by 2012. We seek to achieve this target by:

- adopting in-house energy efficiency measures that reduce energy consumption in the buildings we operate;
- increasing the proportion of renewable energy used limiting emissions at source; and

- offsetting CO₂ emissions that cannot be reduced by other means (i.e. business air travel).

As a result, we further reduced our 2010 CO₂ emissions, with an overall global reduction now reaching 33.5% below 2004 levels, another step toward achieving our 2012 target.

Energy consumption and efficiency

Energy consumption represents an important environmental impact area, and is the biggest contributor to our overall greenhouse gas emissions. In line with our wider business strategy, improvements in energy efficiency have helped to reduce both emissions and costs. Energy consumption is down year-on-year through a combination of building portfolio management, more dynamic building controls, data center efficiency and improved employee housekeeping. Our IT-driven initiatives contributed significantly to these energy savings, most notably through a server consolidation program, and the early phase of our Desktop Transformation Program that is deploying the latest in business PC hardware and software.

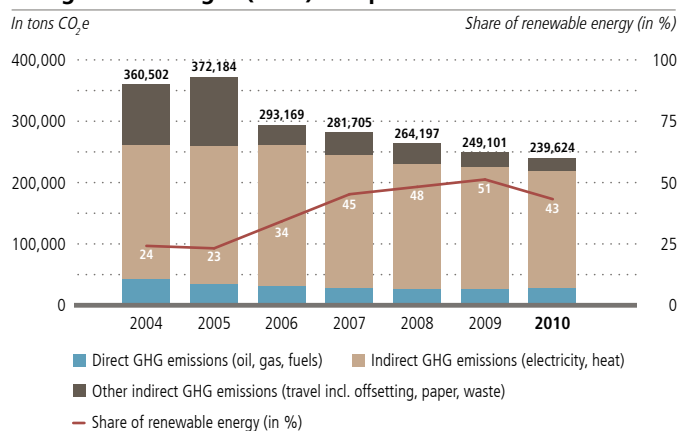
Renewable energy

In addition to our energy efficiency programs, we are reducing our use of carbon-intensive energy by including a high proportion of renewable energy. The percentage of renewable energy and district heating purchases was 43% in 2010.

Business travel and offsetting CO₂ emissions

Having experienced a significant reduction (approximately 40%) in business-related travel in 2009 due to difficult market conditions and focus on reducing costs, it is encouraging to see that, despite an improving business landscape, employee air travel in 2010 has remained low and not returned to 2008 levels. We continue to actively promote audio and video conferencing, investing in the latest 'telepresence' technology to further improve quality and user experience. Recognizing the benefits of face-to-face meetings in a sector where building lasting client relationships is essential, we

Our greenhouse gas (GHG) footprint



Environmental indicators per full-time employee

	Unit	2010	Trend	2009	2008
Direct and intermediate energy	kWh/FTE	12,633	↗	11,986	11,792
Business travel	Pkm/FTE	8,743	↑	7,016	10,281
Paper consumption	kg/FTE	119	↘	130	167
Waste	kg/FTE	251	↘	265	298
Water consumption	m ³ /FTE	33.3	→	31.9	28.1
CO ₂ footprint	t/FTE	3.66	↑	3.12	3.07

Legend: FTE = full-time employee; kWh = kilowatt hour; Pkm = person kilometer; kg = kilogram; m³ = cubic meter; t = ton

continue to encourage employees to blend travel and technology to optimize work-life balance and environmental impact.

For travel within Europe, we see a continued shift towards high speed rail travel in preference to air. The marketing and events team have adopted the environmental guidelines for client conferences and now consider the impact of delegate travel, hotels, venue features and catering as part of their logistics and planning.

Once again in 2010, we have offset CO₂ emissions resulting from business travel. Working with reputable intermediaries and a panel of internal specialists, we select projects which meet our carbon volume requirements while providing positive community benefits. Schemes selected include a gold standard wind power project in Turkey and a hydro power project in Brazil.

Paper and waste

We are making a conscious effort to continuously reduce our paper consumption and waste generation. Double sided printing and copying is now default in many of our offices and, combined with an ongoing shift towards the distribution of electronic documents, has resulted in a reduction in paper used per employee of 37% since 2006. The share of office paper from Forest Stewardship Council or recycled sources has increased to 43%, with a new target for this to exceed 50% by the end of 2012. The waste recycling ratio remained flat at 54%. The implementation of binless offices in many larger locations will contribute to achieving our ambitious 2012 target of 70%.

Supply chain management

In 2010, we spent over CHF 7.3 billion purchasing products and services ranging from office maintenance across IT infrastructure to components such as stationery. Responsible supply chain management (RSCM) principles continue to embed UBS ethics and values with our suppliers, contractors, service partners and project teams. As part of this commitment we are continuing to improve our ability to identify, assess and monitor supplier practices in the areas of human and labor rights, the environment and corruption. In 2010, 265 suppliers were screened according to social and environmental criteria, 114 procurement and sourcing officers were trained, and responsible supply chain requirements were included in the arrangement with relevant suppliers who were awarded contracts. Also in 2010, we integrated RSCM principles into our global supply chain policy and into the centralized Supply & Demand Management organization.

Community investment

We are continuing the well-established tradition of supporting the advancement and empowerment of organizations and individuals within the communities we do business in. From an early focus on direct cash donations, we have progressed to a position where our community investment program encompasses employee volunteering, matched-giving schemes, in-kind donations, disaster relief efforts and/or partnerships with community groups, educational institutions and cultural organizations in all of our business regions.

Community affairs

In 2010, direct cash donations by UBS and our affiliated foundations to carefully selected non-profit partner organizations and charities totaled CHF 27.6 million. These donations were assigned, primarily, to our continuing Community Affairs key themes, "Empowerment through Education" and "Building Stronger Communities", with some contributions to other activities, in particular disaster relief. In response to the devastating earthquake in Haiti, UBS and its employees donated over CHF 3 million to a number of organizations providing disaster relief. The funds have been used to rebuild schools and hospitals, as well as provide basic needs to many Haitians. These donations combined with other significant activities, notably the volunteering activities of employees, have continued to provide substantial benefit to projects and people around the world (as highlighted in the examples below).

Across all business regions, our employees continue to play a very active role in our community investment efforts, in particular, through their volunteering activities. In 2010, over 11,300 employees spent nearly 81,000 hours volunteering. We support their commitment by offering up to two working days a year for volunteering efforts, and also match employee donations to selected charities.

In Switzerland, our community investment efforts are also advanced by the UBS Culture Foundation, the UBS Foundation for Social Issues and Education, and the association A Helping Hand from UBS Employees. In 2010, these organizations have again made valuable contributions to important social causes, including fostering humanities and the creative arts, supporting communities in need, and helping disabled and disadvantaged people.

Environmental indicators¹

	GRI ³	2010 ²			2009 ²	2008 ²
		Absolute normalized ⁴	Data quality ⁵	Trend ⁶	Absolute normalized ⁴	Absolute normalized ⁴
Total direct and intermediate energy consumption⁷		859 GWh	***	↓	957 GWh	1,016 GWh
Total direct energy consumption⁸	EN3	137 GWh	**	→	132 GWh	127 GWh
natural gas		82.6%	**	→	84.6%	83.3%
heating oil		15.0%	***	↑	10.9%	12.2%
fuels (petrol, diesel, gas)		2.3%	***	↓	4.5%	4.5%
renewable energy (solar power, etc.)		0.02%	***	↓	0.05%	0.03%
Total intermediate energy purchased⁹	EN4	722 GWh	***	↓	825 GWh	890 GWh
electricity from gas-fired power stations		16.3%	**	↑	10.6%	11.7%
electricity from oil-fired power stations		4.1%	***	↑	2.9%	3.7%
electricity from coal-fired power stations		17.1%	**	→	17.5%	18.4%
electricity from nuclear power stations		11.5%	**	↑	9.5%	11.1%
electricity from hydroelectric power stations		29.1%	***	→	28.0%	25.8%
electricity from other renewable resources		13.5%	***	↓	23.6%	23.1%
district heating		8.5%	***	↔	7.8%	6.2%
Share of renewable energy and district heating		43%	***	↓	51%	48%
Total business travel	EN29	595 m Pkm	***	↔	560 m Pkm	886 m Pkm
rail travel ¹⁰		1.9%	***	↓	3.7%	3.5%
road travel ¹⁰		0.5%	**	↓	1.0%	0.6%
air travel		97.6%	***	→	95.3%	96.0%
Number of flights (segments)		258,766	***	→	258,396	398,369
Total paper consumption	EN1	8,076 t	***	↓	10,349 t	14,403 t
post-consumer recycled	EN2	21.9%	***	↑	16.7%	16.2%
new fibers FSC ¹¹		20.9%	***	↑	17.1%	16.6%
new fibers ECF + TCF ¹¹		57.0%	***	↓	65.9%	66.8%
new fibers chlorine bleached		0.3%	**	↓	0.4%	0.4%
Total waste	EN22	17,053 t	***	↓	21,183 t	25,644 t
valuable materials separated and recycled		53.7%	***	→	54.4%	54.6%
incinerated		18.1%	***	↑	12.5%	14.3%
landfilled		28.2%	**	↔	33.1%	31.1%
Total water consumption	EN8	2.27 m m³	**	↔	2.55 m m³	2.42 m m³
Greenhouse Gas (GHG) Emissions in CO₂e						
Direct GHG emissions (Scope 1) ¹²	EN16	27,153 t	**	→	25,723 t	26,490 t
Gross indirect GHG emissions (Gross Scope 2) ¹²	EN16	253,556 t	***	↓	298,338 t	313,582 t
Gross other indirect GHG emissions (Gross Scope 3) ¹²	EN17	89,957 t	***	→	87,867 t	129,364 t
Total Gross GHG Emissions		370,666 t	***	↓	411,928 t	469,436 t
GHG reductions from renewable energy ¹³		61,889 t	***	↓	99,248 t	109,238 t
CO ₂ e offsets (business air travel) ¹⁴		69,152 t	***	↔	63,579 t	96,000 t
Total Net GHG Emissions (GHG Footprint)¹⁵		239,624 t	***	→	249,101 t	264,197 t

Legend: GWh = gigawatt hour; Pkm = person kilometer; t = ton; m³ = cubic meter; m = million; CO₂e = CO₂ equivalents

¹ All figures are based on the level of knowledge as of January 2011. ² Reporting period: 2010 (1 July 2009–30 June 2010), 2009 (1 July 2008–30 June 2009), 2008 (1 July 2007–30 June 2008). ³ Global Reporting Initiative (see also www.globalreporting.org). EN stands for the Environmental Performance Indicators as defined in the GRI. ⁴ Non-significant discrepancies from 100% are possible due to roundings. ⁵ Specifies the estimated reliability of the aggregated data and corresponds approximately to the following uncertainty (confidence level 95%): up to 5%—***, up to 15%—**, up to 30%—*. Uncertainty is the likely difference between a reported value and a real value. ⁶ Trend: at a ***/**/* data quality, the respective trend is stable (→) if the variance equals 5/10/15%, low decreasing/increasing (↔, ↗) if it equals 10/20/30% and decreasing/increasing if the variance is bigger than 10/20/30% (↓, ↑). ⁷ Refers to energy consumed within the operational boundaries of UBS. ⁸ Refers to primary energy purchased which is consumed within the operational boundaries of UBS (oil, gas, fuels). ⁹ Refers to energy purchased that is produced by converting primary energy and consumed within the operational boundaries of UBS (electricity and district heating). ¹⁰ Rail and road travel: Switzerland only. ¹¹ Paper produced from new fibers. FSC stands for Forest Stewardship Council, ECF for Elementary Chlorine Free and TCF for Totally Chlorine Free. ¹² Refers to ISO 14064 and the "GHG (greenhouse gas) Protocol Initiative" (www.ghgprotocol.org), the international standards for GHG reporting: scope 1 accounts for direct GHG emissions by UBS; gross scope 2 accounts for indirect GHG emissions associated with the generation of imported/purchased electricity (grid average emission factor), heat or steam; gross scope 3 accounts for other indirect GHG emissions associated with business travel, paper consumption and waste disposal. ¹³ GHG savings by consuming electricity from renewable sources. ¹⁴ Offsets from third-party GHG reduction projects measured in CO₂ equivalents (CO₂e). These offsets neutralize GHG emission from our business air travel. ¹⁵ GHG footprint equals gross GHG emissions minus GHG reductions from renewable energy and CO₂e offsets.

Client foundation

Charitable organizations and projects across the globe – usually in regions where UBS does not maintain a business presence – also benefit from the support of the UBS Optimus Foundation, a non-profit charitable organization which offers UBS clients a broad range of options for engaging in humanitarian activities. In 2010, the Foundation's tenth anniversary year, Optimus can look back with justifiable pride on a success story of growth and continuous development. Now one of Switzerland's largest charitable foun-

dations, it has contributed over CHF 80 million to more than 170 projects in over 60 countries. All of the projects which it supports are dedicated to improving the lives of children around the world. Employing a sophisticated funding strategy, it plays a key role in bringing about positive social change in the areas which it targets: "global health" and "education and protection". As UBS bears all the administrative costs related to Optimus, clients can be sure that 100% of every donation they make goes directly to the projects themselves.

Examples of UBS's community investment activities across the globe

Americas – In 2010, we launched two unique programs. UBS brought the Big Apple Circus to Stamford, Connecticut. The non-profit circus is committed to invigorating the communities it serves by sharing the joys of a classical circus, and providing a range of community and educational outreach programs to local hospitals and schools. UBS clients, employees and their friends and families, as well as local residents, enjoyed 25 performances over the summer. Leveraging our long-standing Art Basel Miami Beach (ABMB) sponsorship, we launched miART, an art education program created to support the local Miami community year-round. MiART engaged more than 150 middle school students in ABMB through interactive activities, and will bring art education to underserved youth artists through a year-long mentoring program. The creation of a fundraising website to benefit miART and art supply drives in local UBS branches provided employees with the opportunity to support this program.

One of our signature volunteer efforts is the annual Building Brighter Futures' Community Engagement Month in October in the US. More than 25 communities participated in 2010, with the goal of supporting community needs in the areas of education, the economy and the environment. Over 1,300 UBS employees participated in locally-driven volunteer activities. Additionally, we have long-standing volunteer partnerships with the Special Olympics and the Power Lunch reading program, which operates in four US cities. According to Maryellen Frank, an eleven-year veteran Power Lunch volunteer, "there are some days when it

doesn't feel possible to break away from the office and change your focus, but when you walk into the room and your young reading partner's face lights up, it's all worthwhile. Spending that hour truly giving yourself has its own benefits. I usually return to the desk refreshed and ready for action."

Asia Pacific – Building upon our groundbreaking Community Leadership Experience, developed in partnership with Charities Aid Foundation India in 2008, UBS subsequently developed and launched a program for Singapore non-profit sector leaders in partnership with the Centre for Non-Profit Leadership in 2009. Now in its second year, the Experience program combines a two-day residential retreat workshop with one-to-one partnering between UBS senior executives and executives of non-governmental organizations. The opportunity for both sets of leaders to interact and share experiences has proven to be highly successful, resulting in a deeper understanding of the challenges faced by the community in Singapore. Additional workshops focusing on common human resource issues, such as talent recruitment and retention, have also been organized as part of the Experience program.

Europe, Middle East and Africa – Throughout the region, we continue to support education and regeneration efforts, particularly in areas close to where we conduct our business. In Poland, over 75% of staff were engaged in support for low income and disadvantaged communities, and entered into an innovative arrangement with col-

leagues in Luxembourg to increase our contribution. In the UK, this year the firm was amongst a very small number of firms to receive three Business in the Community National Big Tick Awards for our Community Affairs program; our flagship EMEA partnership with the Bridge Academy – a local secondary school sponsored by UBS; and our employee volunteering regeneration partnership through Project Shoreditch (in Hackney, East London). In addition, a long-standing community partnership dating back to 1992 was awarded the prestigious Dragon Award by the Lord Mayor of London. The partnership reflects UBS's overall commitment to corporate responsibility, encompassing financial contributions, employee expertise, capacity building and creating links to other community initiatives. It has led to a significant impact on the economy of a disadvantaged area of the UK, encouraging inward investment of GBP 1.5 million.

Switzerland – In October, more than 180 employees participated in the traditional Finance Forum sponsored walk on the shores of Lake Zurich. They were joined by 1,100 colleagues from other Swiss financial and IT firms. With CHF 50,000 raised in just two hours, our employees achieved the highest amount of all participating companies. The total amount raised by the walk (CHF 187,000) was donated to the Swiss Multiple Sclerosis Society which supports research into this disease and advises and helps families of afflicted children free of charge.

→ Refer to www.ubs.com/community for more information on our community investment activities



ASSURANCE STATEMENT

SGS STATEMENT ON ASSURANCE OF UBS GRI Sustainability Disclosure 2010

SCOPE

SGS was commissioned by UBS to conduct an independent assurance of the GRI based Sustainability Disclosure for 2010. The scope of our engagement was limited to the GRI disclosure requirements and indicators as contained in the GRI index published at www.ubs.com/gri. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included all text and 2010 data in accompanying tables, contained in the printed Annual Report 2010 and referenced information on the webpage of UBS as quoted in the GRI index. Earlier data were not included in this assurance process.

CONTENT

The information in the report and on the webpage and its presentation are the responsibility of the directors or governing body and the management of the organization. SGS has not been involved in the preparation of any of the material included in the GRI index and acted as an independent assessor of the data and text using the Global Reporting Initiative Sustainability Reporting Guidelines 2006 as a standard. The content of this Assuror's Statement and the opinion(s) it gives is the sole responsibility of SGS.

ASSUROR INDEPENDENCE AND COMPETENCIES

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from UBS, being free from bias and conflicts of interest with the organization, its subsidiaries and stakeholders. The assurance team was assembled based on their knowledge, experience and qualifications for this assignment.

METHODOLOGY

The SGS Group has developed a set of protocols for the Assurance of Sustainability Reports based on current best practice guidance provided in the Global Reporting Initiative Sustainability Reporting Guidelines (2006). In a separate engagement, SGS has certified the environmental management system in accordance with ISO 14001:2004 and verified the greenhouse gas emissions in accordance with ISO 14064. The assurance comprised a combination of pre-assurance research; interviews with relevant employees; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to its source as part of this assurance process.

OPINION

On the basis of the methodology described, we are satisfied that nothing has come to our attention that causes us not to believe that the information and data contained within the Disclosure referenced in the GRI index 2010 is accurate, reliable and provides a fair and balanced representation of UBS's sustainability activities in 2010. We are satisfied that the Sustainability Disclosure as referenced in the GRI index meets the requirements of level A+ of the GRI (2006), as declared. At the same time it fulfills the requirements for Communication on Progress (COP) under the UN Global Compact. Recommendations regarding the further development of the sustainability disclosure and management system at UBS were communicated to the firm in an internal report.

SIGNED FOR AND ON BEHALF OF SGS

Dr. Christine Jasch
Lead auditor, SGS

Elvira Bieri
Lead auditor, SGS

Zurich, 18 February 2011

WWW.SGS.COM