

Socially Responsible Investing: Law and Legal Ethics

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A global leader focused on you

UBS

Global influence

A leading financial services firm

Wealth management presence

Wealth management is a core business

Historical perspective

140-year tradition serving individuals and families in Europe and the U.S.

Financial strength

Well-capitalized bank with strong industry credit rating

A wide-angle photograph of a vast wind farm. Numerous white wind turbines are scattered across a grassy field under a clear, bright blue sky. The turbines are arranged in rows, receding into the distance. The lighting is bright, suggesting a sunny day.

Conversations with UBS

Investing with your values





There are several other SRI-related terms

- Mission-based investing
- Sustainable investing
- Green investing
- Ethical investing
- Responsible investing
- Double- or triple-bottom line investing



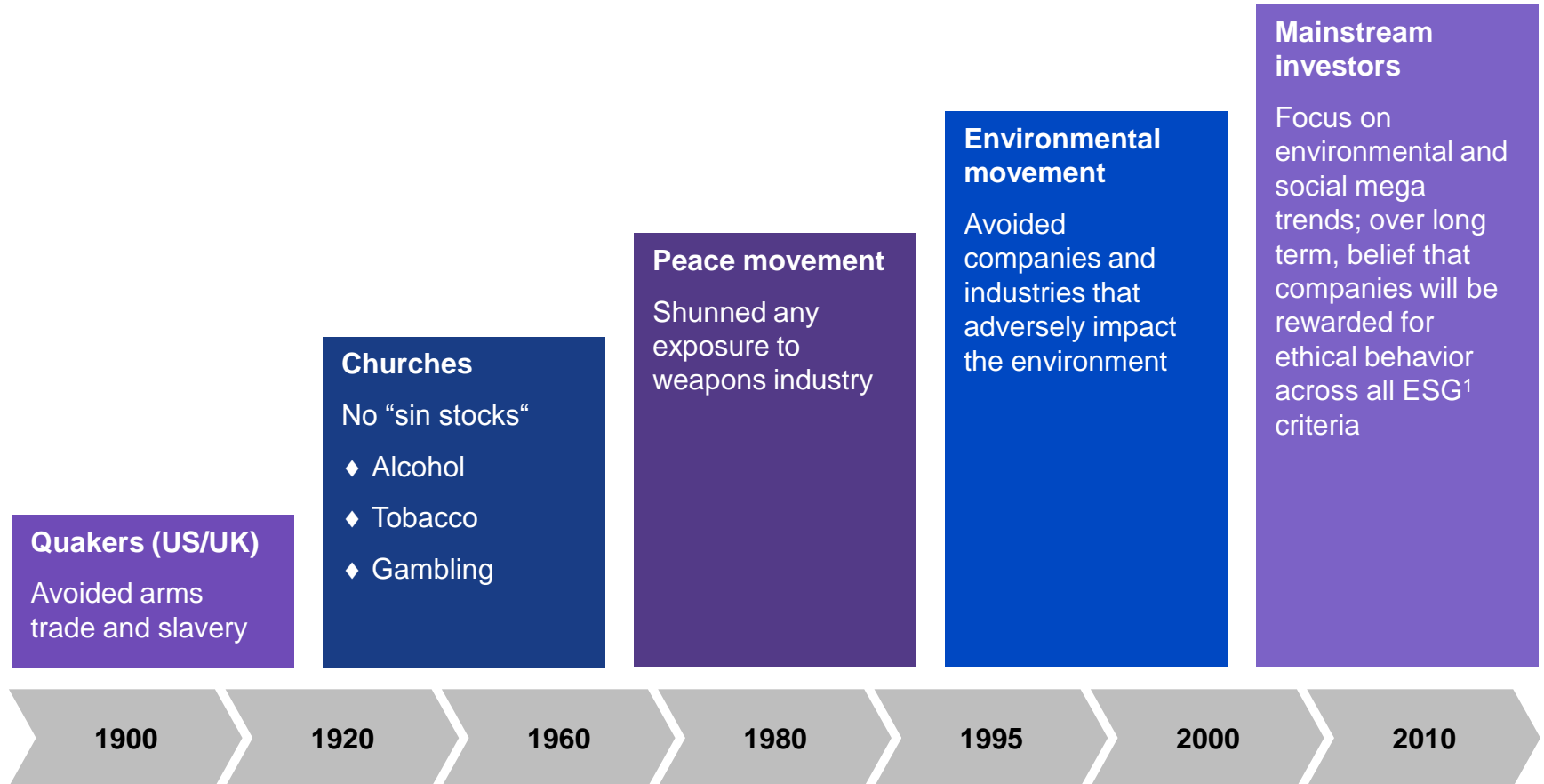
Why consider socially responsible investing?

Values

Belief system

Investment returns

Investing based on values is nothing new



¹ ESG = Environmental, Social and Governance

Three primary forms of SRI

Screening

Negative: Excludes companies or stocks that do not meet SRI standards

Positive selection:
Seeks stocks that meet SRI standards

Shareholder advocacy

Uses shareholder resolutions to influence company management

Community investing

Provides resources and opportunities for economically disadvantaged people

SRI continues to attract investors

Total SRI assets in the U.S. have risen by 324% in 12 years, from \$639 billion in 1995 to \$2.71 trillion in 2007*

Mutual funds

\$171.7 billion

ETFs

\$2 billion +

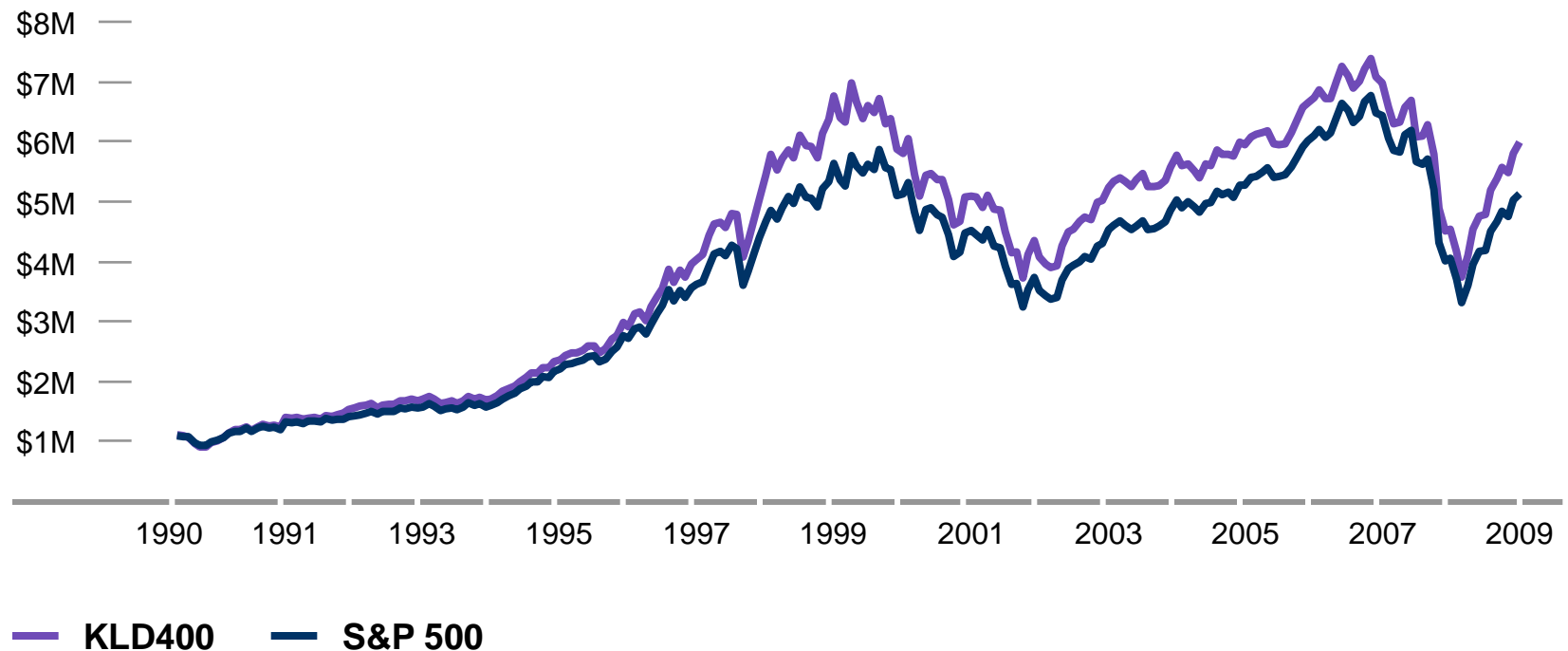
**Separate
accounts**

\$1.9 trillion +

A similar performance pattern as compared with non-SRI stocks

The FTSE KLD 400 Social Index

Cumulative performance of \$1 million invested through December 31, 2009



The FTSE KLD 400 Social Index (formerly KLD's Domini 400 Social™ Index) is a float-adjusted, market capitalization-weighted common stock index of U.S. equities launched by KLD Research & Analytics in May 1990. The S&P 500 Index is a trademark of Standard & Poor's. Standard & Poor's 500 Index covers 500 industrial, utility, transportation and financial companies of the U.S. markets (mostly NYSE issues). It is a capitalization-weighted index calculated on a total return basis with dividends reinvested. Individuals cannot invest directly in any index. Index performance does not reflect transaction costs, fees, or reinvestment of distributions that would apply to an actual investment account. Past performance is not indicative of future results.

Sources: Frank Russell, KLD Research & Analytics

Many SRI stocks are household names

Top 10 holdings, FTSE KLD 400 Social Index
as of December 31, 2009

- Microsoft
- Johnson & Johnson
- Proctor & Gamble
- IBM
- Google
- Cisco Systems
- Wells Fargo
- Hewlett Packard
- Intel
- Merck

SRI opportunities are global in scale and far-reaching in scope

Environmental

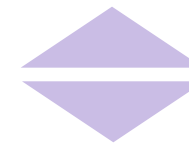
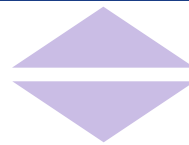
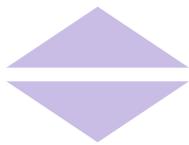
Addresses issues related to managing or preserving natural resources and improving environmental conditions

Social

Responds to pressing humanitarian needs or changing demographic or political conditions

Governance

Focuses on ensuring that companies have the proper oversight structure to align the interests of all stakeholders



Investing environment

Significant environmental and social trends help drive legislative and policy changes that create an attractive investing environment for these themes

Environmental themes

Challenges

- Climate change
- Air pollution
- Water scarcity
- Water pollution
- Genetically modified organisms (GMOs)
- Deforestation

Investment Opportunities

- Renewable energy production
- "Clean" technologies
- Energy efficiency/conservation
- Resource management
- Water treatment

Social themes

Challenges

- Poor nutrition/food quality
- Fair trade
- Aging populations in developed economies
- Rapidly increasing youth demographics of emerging market economies
- Rising healthcare costs
- Consumerism
- Access to capital among the poor

Investment Opportunities

- Organic food production and distribution
- Fair trade suppliers
- Medical care and services
- Medical technology
- Prevention and early diagnosis
- Community investing/
microfinance

Governance themes

Challenges

- Executive compensation
- Corporate social and ethical conduct
- Conflicting stakeholder interests
- Shareholder estrangement

Investment Opportunities

Companies that have:

- Proper board structure and oversight
- Strong code of ethics and ethical culture
- Alignment of shareholder interests with those of management
- Shareholder action

Companies can be change agents AND SRI opportunities

**Change existing
business practices**

**Develop new
business
practices**

**Create new
products and
services**

“Be the reference for socially accountable business globally.”

Timberland 2008 Corporate Social Responsibility Report

Corporate goals:

- Global human rights, environmental stewardship, community involvement

Accolades:

- Voted one of “World’s Top Sustainable Stocks”
(*SustainableBusiness.com*, 2004, 2005, 2006)

How Timberland addresses ESG concerns

Global human rights

- % of managers from local community, % of local minimum wage paid
- % of working hour, ethics and wage violations in factories around the world

Environmental stewardship

- Total metric tons of carbon emissions
- % of energy purchased from a renewable source
- Organic cotton as a % of total cotton purchases

Community involvement

- Hours employees spent serving in the community
- Number of trees planted

For illustrative purposes only. Not a recommendation to buy Timberland stock.
Source: Timberland. Past performance is not indicative of future results.

“Changing the history of diabetes.”

Novo Nordisk mission

- Stakeholder engagement and transparency around environmental and social issues
- Sets "eco-efficiency" ratio for water and energy usage at its facilities

Goals:

- To cut CO₂ emissions to 10% below 2004 levels by 2014
- To increase use of renewable energy resources (wind, solar, geothermal)

At UBS, corporate responsibility is woven into our culture and business model

- UBS Environmental Policy covers transactions, services and activities
- Only bank certified to the ISO 14001 standard for environmental management systems
- Early signatory of the UN Environment Program's Bank Declaration
- Member of the European and North American emissions exchanges
- Meets investment criteria for two SRI stock indexes:
 - Dow Jones Sustainability World Index
 - The FTSE4Good Index

UBS offers many ways to invest with your values

- SRI mutual funds
- SRI SMA managers
- Exchange traded funds (ETFs)
- Unit investment trusts (UITs)
- Community investment notes
- Donor-advised funds

See slide 25 of this presentation for important disclosures on these investments.

SRI investors gain in two ways

Affirm and support positive corporate activity

Invest in forward-thinking companies with missions that align with your values

Stay informed

Wealth Management Research

- Designed specifically for private clients
- First introduced in Switzerland in 2000

UBS Investment Research

- Focused on institutional investors
- Also available for individual investors



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Socially responsible investing.
Investing with your values.

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Community investment notes

Two main risks related to fixed income investing are interest rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of notes. Credit risk refers to the possibility that the issuer of the note will not be able to make principal and interest payments.

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