



Wealth
Management

Global Asset
Management

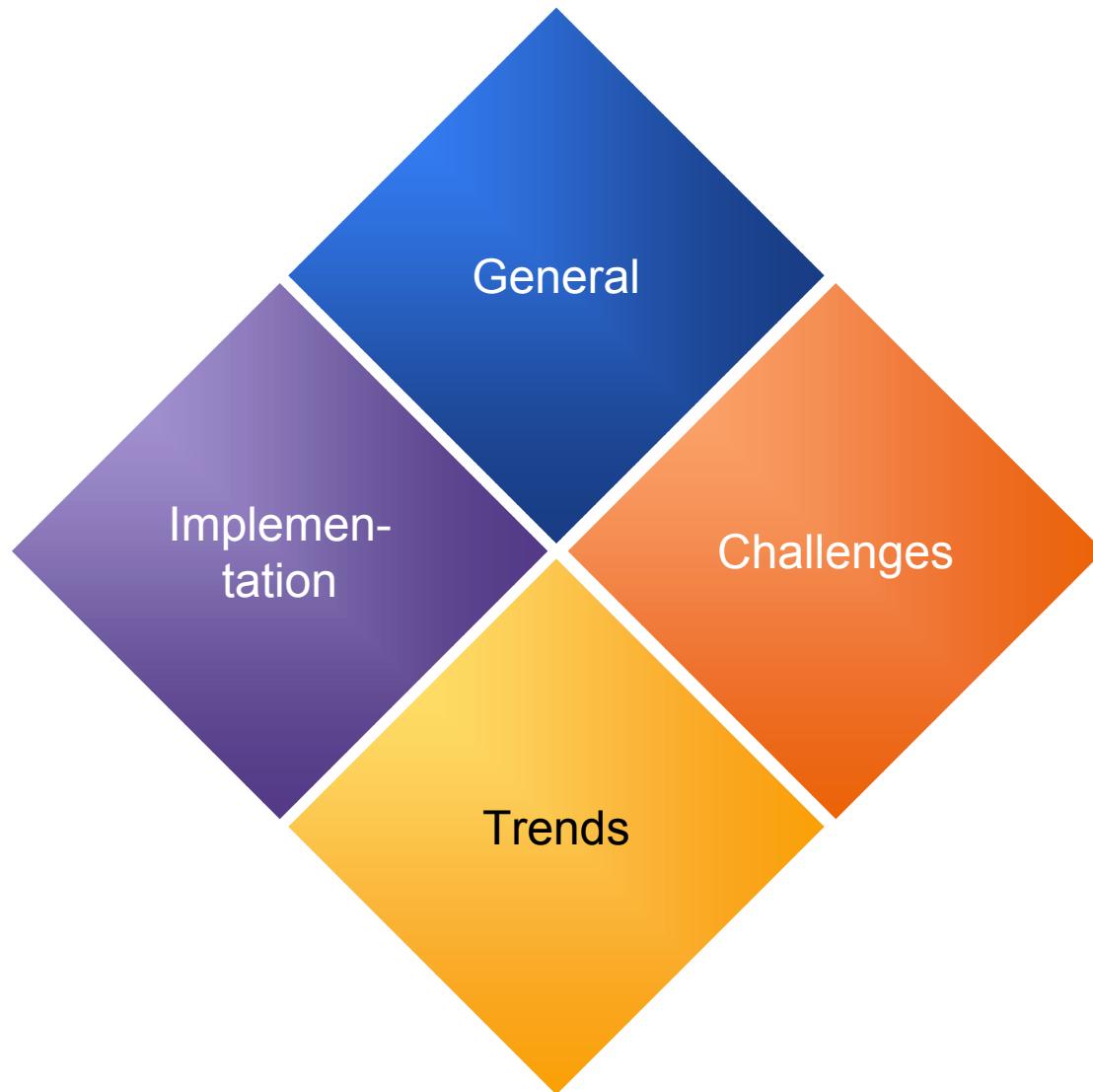
Investment
Bank

Corporate Governance - Implementation, Challenges and Trends

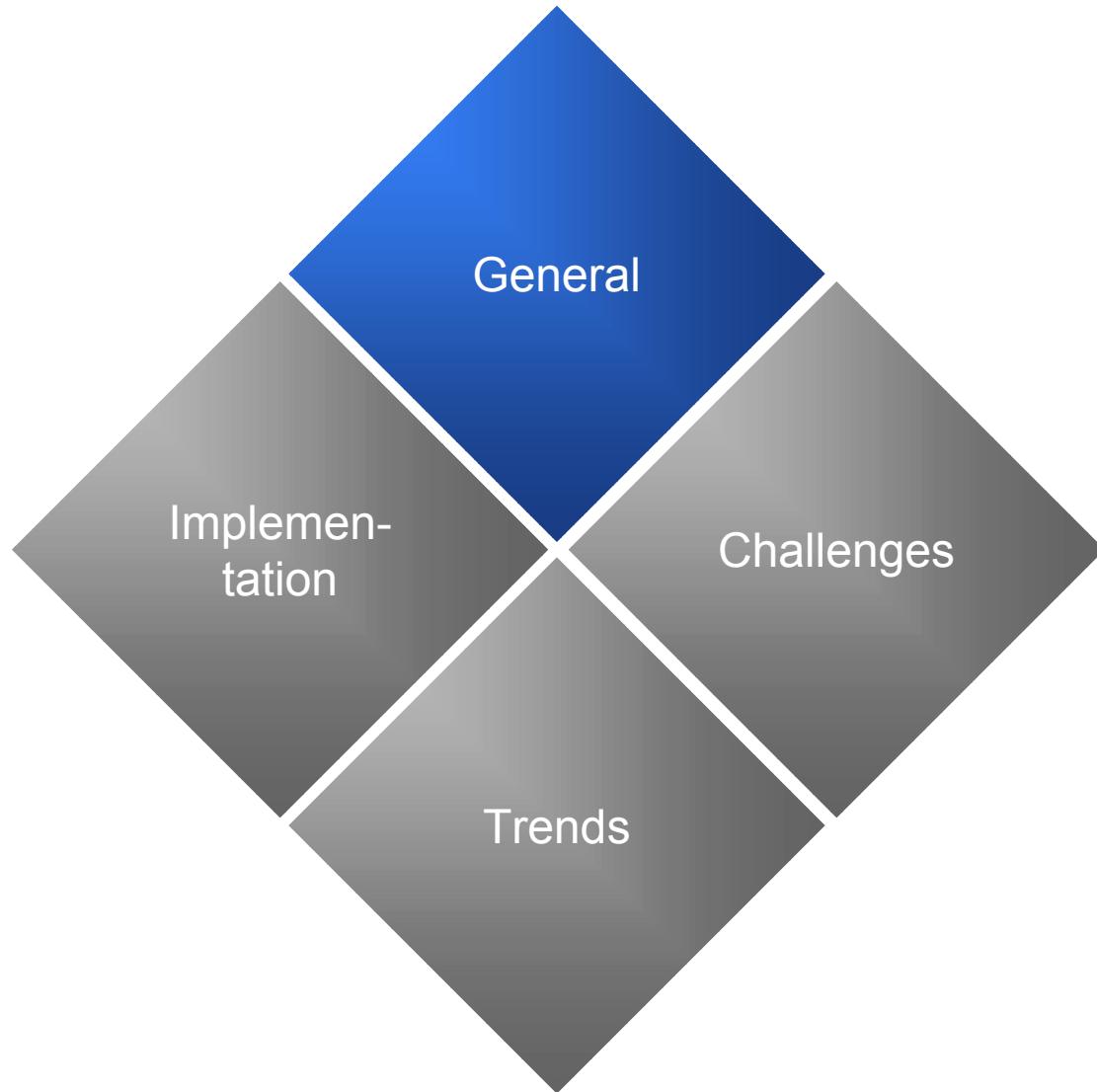
Felix Horber, Legal & Compliance Risk Assessment, UBS AG
United Nations, Geneva, February 9, 2005



Overview



Section 1





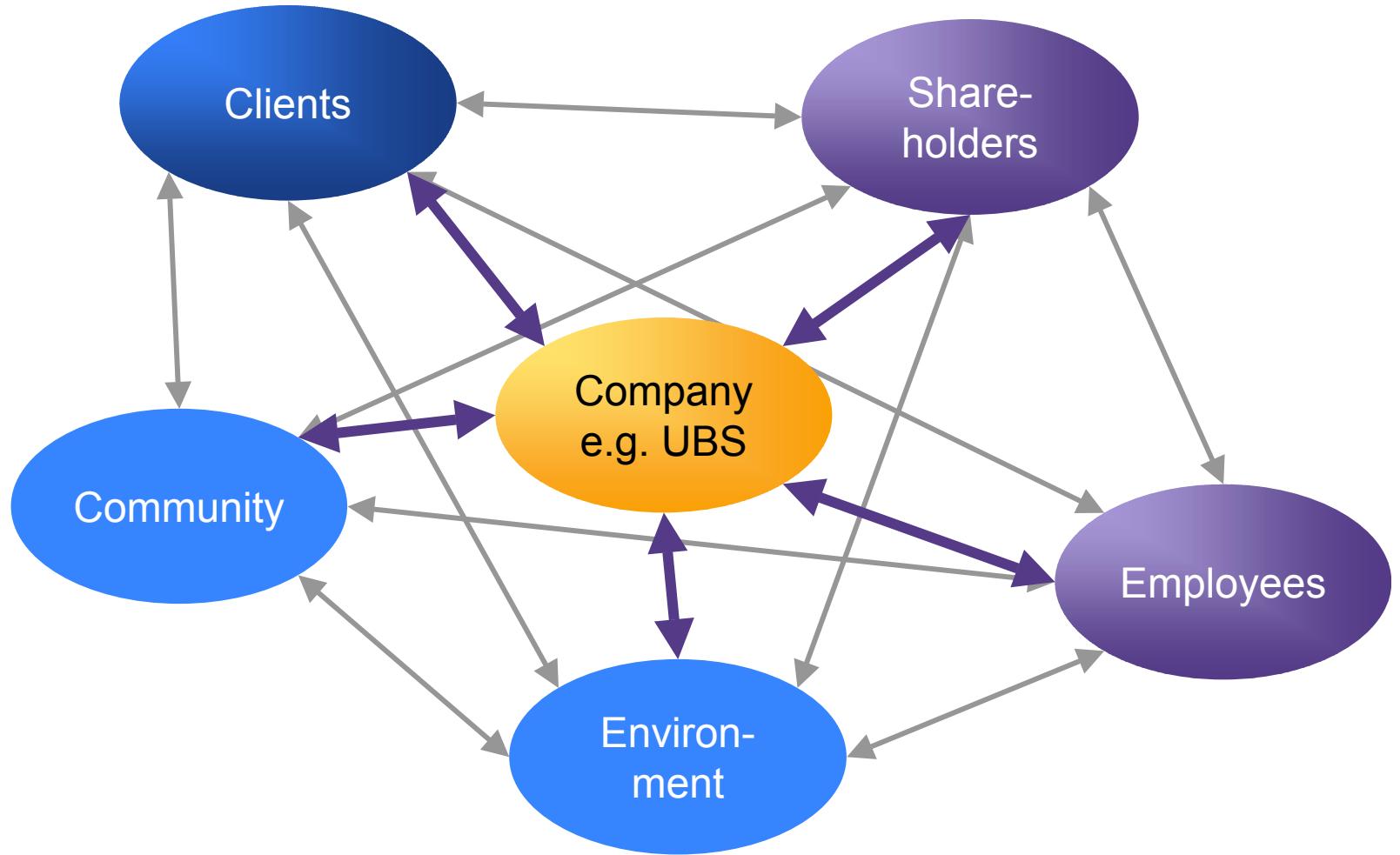
History / Background

- ◆ Corporate governance discussion is a reaction to recent accounting and corporate governance scandals in the financial markets
- ◆ Regulations such as the US Sarbanes-Oxley Act and the Swiss Code of Best Practice for Corporate Governance reflect sweeping reforms in:
 - Corporate responsibility
 - Auditor oversight and independence
 - Enhanced disclosure
 - Additional civil and criminal liabilities and sanctions

Trust



Stakeholders



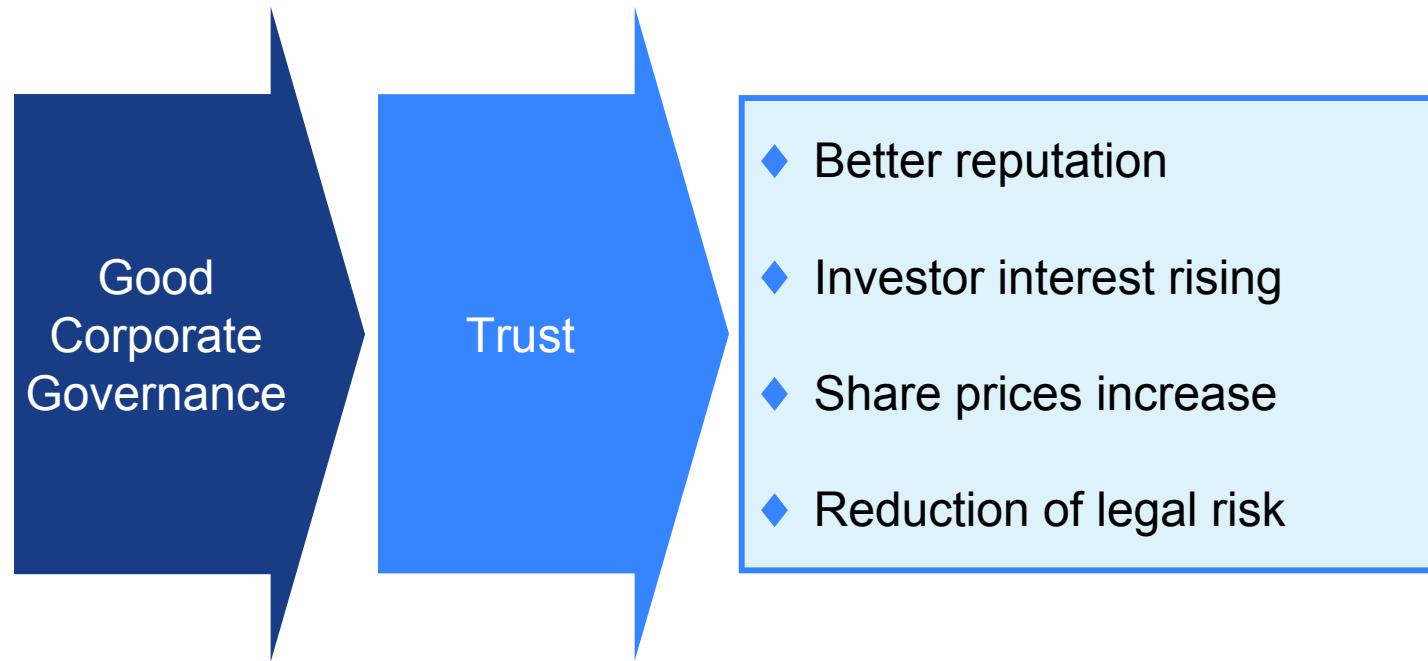


Purpose of Corporate Governance

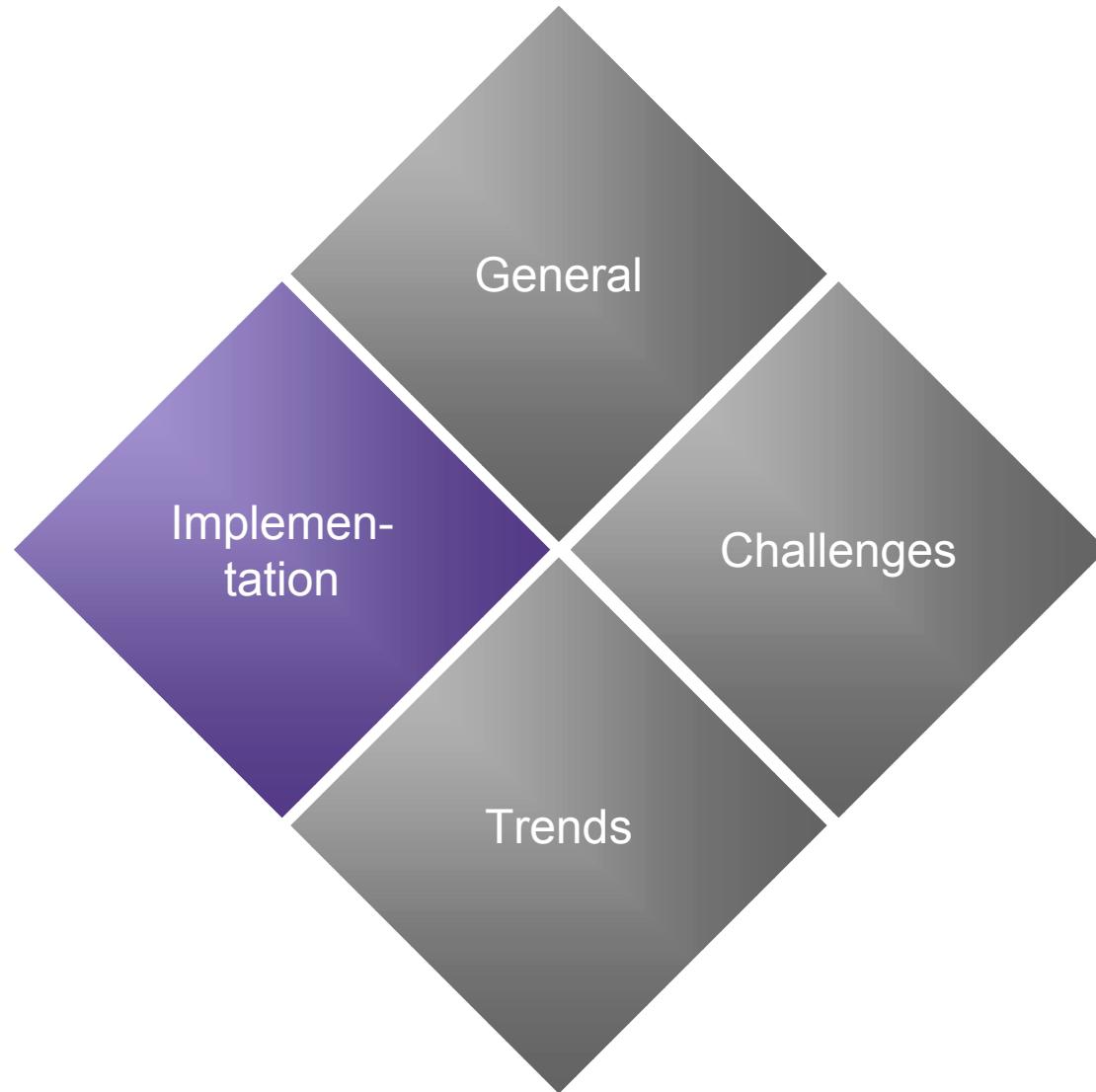




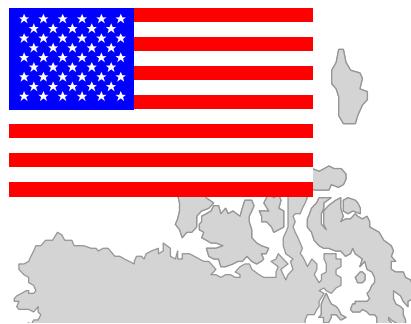
Benefits of Corporate Governance



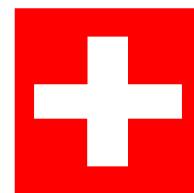
Section 2



Applicability from a UBS Perspective



- ◆ Doing business in US
 - Sarbanes-Oxley Act
 - NYSE Corporate Governance Rules
- ◆ Global share listing at NYSE



- ◆ Incorporated in Switzerland
 - Swiss Banking Law
 - Swiss Corporate Law
 - Swiss Code of Best Practice
 - SWX Corporate Governance Directive





Implementation at UBS

- ◆ Two tier system: Chairmanship / CEO
- ◆ Corporate Governance Guidelines
- ◆ Enhanced role of independent audit committee
- ◆ Relationship with external auditor
- ◆ Internal controls and disclosures
- ◆ Ethical responsibilities: Code of conduct

Two Tier System: Chairmanship / CEO



Checks and Balances

Areas of responsibility of Board of Directors and Group Executive Board

Board of Directors

- ◆ Strategy
- ◆ Supervision

Group Executive Board

- ◆ Superior operating body
- ◆ Leadership of Group

Corporate Governance Guidelines



1. Director qualification standards
2. Director responsibilities
3. Director access to information
4. Compensation
5. Director orientation and continuing education
6. Management succession
7. Annual performance evaluation of the board



Enhanced Role of Audit Committee



- ◆ Composition
 - UBS audit committee composed of independent directors and chaired by a financial expert
- ◆ Charter
 - Charter describes its duties and responsibilities
- ◆ Task
 - Assisting the Board in monitoring the integrity of the financial statements of the company, the compliance with legal and regulatory requirements, the qualification, independence and performance of the external auditors and the integrity of the systems of internal controls for financial reporting
 - Handling complaints regarding accounting, internal accounting controls and similar matters (whistleblowing)
 - Approving audit, audit-related and non-audit services



Relationship with External Auditor

- ◆ Principal auditors assume all auditing functions
- ◆ Pre-approval of all additional audit, audit-related and non-audit work by the audit committee
- ◆ List of prohibited non-audit services
- ◆ Special Group directive on use of services of Principal Auditors





Internal Controls and Disclosures

SOX 404 - Internal Controls

- ◆ Each annual report filed with the SEC must contain an internal control report stating the responsibility of management for maintaining an adequate internal control structure and procedures for financial reporting and providing management's assessment of the effectiveness of those controls
- ◆ The issuer's auditor must attest to and report on management's assessment of the controls
- ◆ The SOX 404 process is the most expensive and resource-intensive aspect of SOX for issuers (effective for non-US issuers in 2005)

SOX 302 and SOX 906 certifications in SEC filed periodic reports

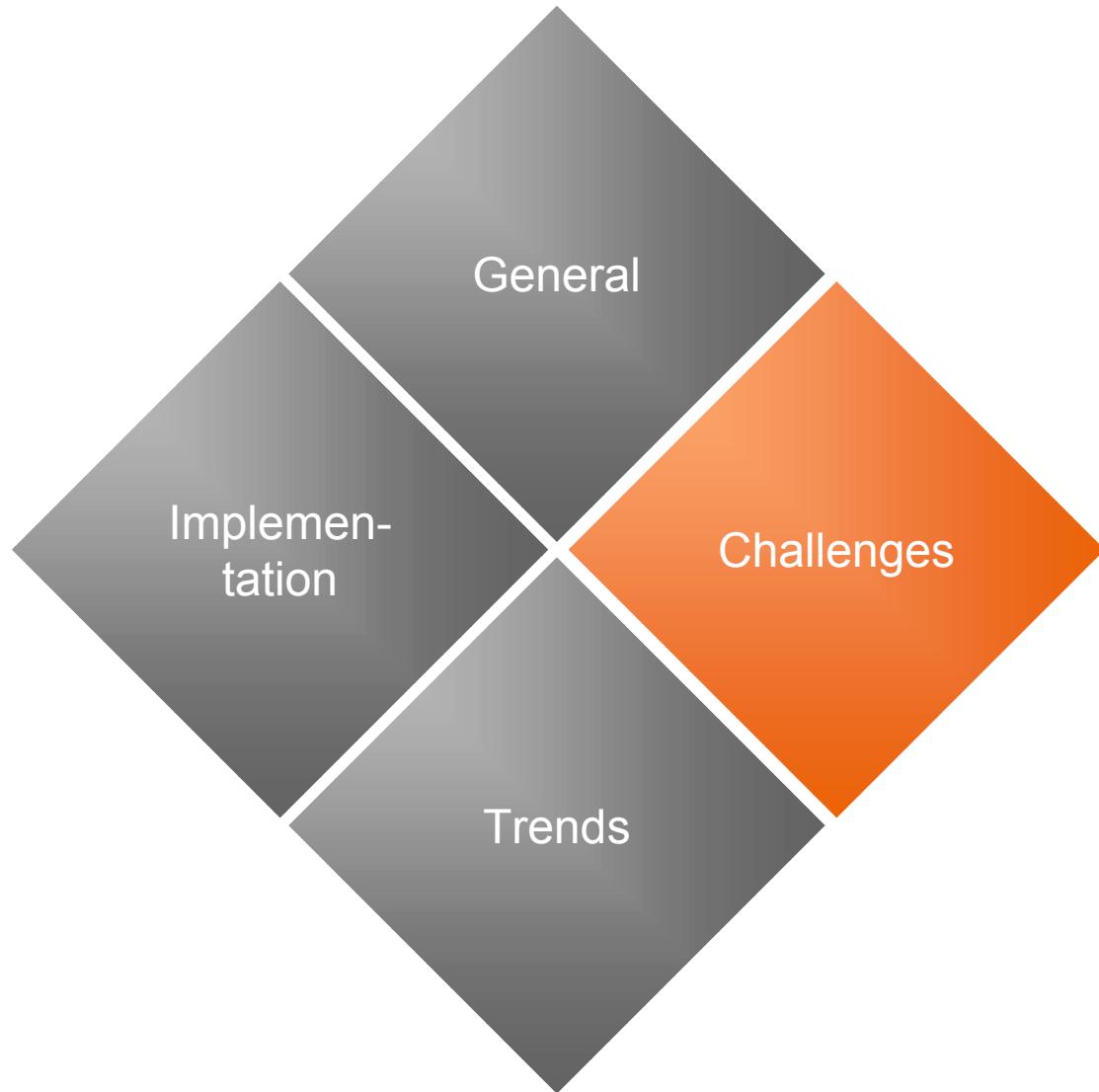
Ethical Responsibilities: Code of Conduct



- ◆ Code of Business Conduct and Ethics of UBS Group, with addendum for principal officers, adopted and disclosed in 2002/2003 handbook and available on website
- ◆ Content
 - Compliance with laws, rules and regulations
 - Confidentiality
 - Integrity and conflict of interest
 - Competition and fair dealing
 - Corporate opportunities
 - Protection and proper use of UBS's assets
 - Reporting any violations of the Code
 - Waivers of this Code
 - Compliance procedure



Section 3





Challenges (1)

- ◆ To achieve excellence in Corporate Governance
- ◆ To permanently meet the mix of
 - strict legal regulations
 - regulatory requirements
 - softer best practice guidelines
- ◆ Global applicability versus compliance with local jurisdiction
- ◆ Conflicting rules in a transborder environment



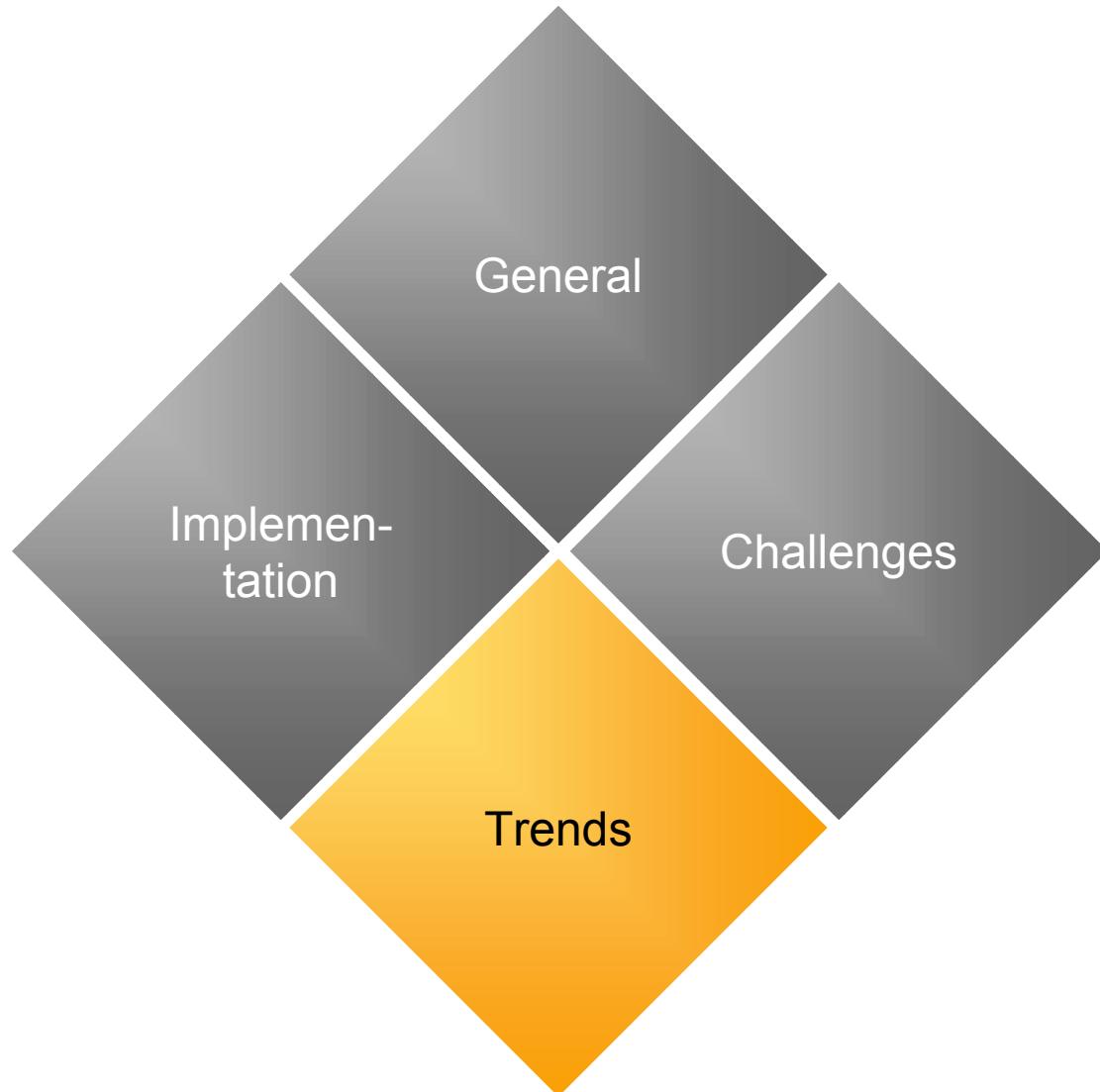


Challenges (2)

- ◆ Timely implementation of best Corporate Governance throughout the Group
- ◆ Consistency in internal rules and regulations
- ◆ Internal controls and documentation
- ◆ Education and Training



Section 4





Outlook

- ◆ More transparency
- ◆ Enhancement of shareholder rights
- ◆ Focus on conflicts of interests
- ◆ Tightening of independence standards
- ◆ Professionalism
- ◆ Rating



Overall Context of Corporate Governance

- ◆ Educating the unethical
- ◆ Impossible to legislate credibility
- ◆ Transparent principles not just strict rules
- ◆ Spirit not just the letter
- ◆ Substance not just form
- ◆ Top representatives as role models





Final Remark

Good Corporate Governance does not only mean to apply rules and to meet requirements. Good Corporate Governance is definitely more than that. Although there is no widely accepted definition or model of Corporate Governance, good Corporate Governance can only be achieved with top representatives as role models, demonstrating credibility and integrity on a daily basis. These are the determining elements that constitute sustainability in Corporate Governance.