

Real Estate Switzerland

Sustainability Report 2017/2018



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Contact

UBS Fund Management
(Switzerland) AG
Real Estate Switzerland
Aeschenplatz 6
CH-4002 Basel
sh-am-re-ch@ubs.com

Cover photo

«2000-watt» community,
Grossmatte in Lucerne

Sustainability reporting

Real Estate Switzerland, along with the legally separate investment products, publishes detailed information about its activities in the field of sustainability by way of nine sustainability reports. The mandate which was acquired in 2017 is not part of 2017/2018 sustainability reporting for Real Estate Switzerland.

The comprehensive sustainability report for Real Estate Switzerland meets the standards set out by the Global Reporting Initiative (GRI). The GRI is the leading standard worldwide for transparent sustainability reporting (www.globalreporting.org).

Reports for the real estate funds UBS Direct Urban, UBS Direct Residential, UBS «Foncipars», UBS «Sima», UBS «Anfos» and UBS «Swissreal», as well as the two real estate investment groups of the UBS Foundation for the Investment of Pension Fund Assets, UBS AST Real Estate Switzerland and AST Commercial Real Estate Switzerland, are published in the «Sustainability» section of our website <https://www.ubs.com/ch/en/asset-management/real-estate.html>. These sustainability reports are updated at the same times as the annual reports and also comply with GRI Standards.

The sustainability report for Real Estate Switzerland is a component of comprehensive sustainability reporting for Real Estate Switzerland.



Interview with Daniel Brüllmann

«We strive to make sure that everything we do benefits future generations.»

Daniel Brüllmann

–
Head of Real Estate Switzerland



What issues did Real Estate Switzerland focus on in the past year?

–
Generally speaking, we're seeing some major changes in Swiss real estate. High levels of construction and a drop in immigration have altered the demand for space. Vacancy rates are rising – including for residential properties. That said, there is still very high demand for real estate as a form of investment. While in the past we have been able to reliably generate increases in value, we're now shifting our main focus to maintaining existing cash flows and generating new ones in future.

You mentioned that vacancy rates are increasing – particularly in rural areas. As ever, demand for more living space is high and supply short in urban areas. What strategy is Real Estate Switzerland pursuing to «build for the market» and remain successful in the long term?

–
We have opted for a selective investment strategy. Although we'll continue to buy real estate, we're going to be very careful in our choices and will not simply pay the asking price. This way, we can ensure that our portfolios remain solid in the long term. We see ourselves as «buy-and-manage investors». In other words, we buy property to keep it, not to trade it away. That's why each investment comes with an outlook on the next few decades. For several years now, we've also

been concentrating on capturing growth through our existing real estate. We are very privileged to have a vast portfolio containing an array of different properties: there are properties from almost every decade in the last century – including in some very good locations. This allows us to work toward development projects as a means to generate growth.

Our long-term approach is also reflected in the sustainability strategy. What progress has already been made in terms of sustainability?

–
There has been a lot of activity recently. One of the key milestones was the publication of our first ever sustainability report. We now have the opportunity to provide our investors with transparent information about our commitment in this area. Another important step was the transfer of many issues to ongoing business operations that had previously been addressed through project work, such as operational optimizations. We are also working hard to establish sustainability as a fixed element in all our activities for renovation projects and new builds. Based on the swathes of data we've gathered over many years in relation to energy and CO₂ emissions, we were in a position to generate initial projections as a step toward defining a path to reduce CO₂. Additionally, our tenant survey exploring matters of safety and comfort, which was conducted in late 2017, paved the way to systematic and ongoing development as regards the social aspects of our sustainability strategy. This direct feedback from tenants delivered a diverse range of insights that we plan to incorporate in our future decisions.

Why is Real Estate Switzerland focusing on sustainable real estate management?

–
In German, that's a one-word answer: *Enkeltauglichkeit*. What this means is that we want to build a future that is fit for our grandchildren, and for future generations, to live in. All activities relating to our real estate portfolio must be designed so that they not only make sense for us, but also for the next generation and the generation after that. We are confident that sustainable real estate management is essential to long-term business success.

People often say that sustainability increases costs. How are you planning to reconcile profitability with environmental and social aspects?

–
Countless studies have already concluded that sustainability is not associated with higher costs, but rather that it can boost returns. Based on my own practical experience I can say that, from a financial perspective, sustainability at least contributes to minimizing risk. If we're careful to ensure that our properties are attractive in the long run, it becomes even more certain that we'll be able to continue renting out those spaces in future, thus generating rental revenue.

Why are the real estate investment products offered by Real Estate Switzerland a good option for investors who aim to achieve solid returns in the long term while also taking into account environmental and social aspects?

–
As an asset class, real estate obviously already includes a long-term component. For investors whose personal convictions lead them to invest in sustainable products, our real estate investment products are even more attractive thanks to our «buy-and-manage» approach and comprehensive sustainability strategy. We also have our sustainability commitment audited by external third parties, for example, by way of the GRESB – the Global Real Estate Sustainability Benchmark. We are proud of the fact that all our real estate investment products have been awarded «Green Star» status, and that UBS «Anfos» has been named Switzerland's most sustainable real estate fund.

What are your priorities with regard to sustainability over the next few years?

–
We want to continue embedding the topic of sustainability, in all its facets, into our organizational DNA. Our goal is not to «paint» individual portfolios «green,» but rather to focus all our activities on realizing sustainable impact. Acting sustainably will become a matter of course.



Our approach

Nowhere are the changes in living spaces instigated by human beings, together with their consequences, more obvious than in construction. Real Estate Switzerland is well aware of its responsibility. We want to build today for tomorrow, while also remaining sustainable and profitable. Since 2012, we have been consistently pursuing our sustainability strategy, which comprises 10 sustainability targets in the areas of economy, environment and society.

Our approach

We build today, for tomorrow. Sustainable. Profitable. For everyone.

Our definition of sustainability

Building on the definition offered by the Brundtland Commission, we understand sustainability to mean thinking today about tomorrow and about future generations. We see sustainability management embedded within a strategy as absolutely essential to our long-term business success. Our integrated approach allows us to reconcile financial goals with environmental aspects and social challenges.

Our sustainability strategy

Our actions are based on the sustainability report published in 2012 that outlined 10 financial, environmental and social target dimensions. These have been operationalized in the form of 30 sub-targets and corresponding metrics. Linking these with our management

process guarantees their implementation and allows for regular monitoring of target achievement. This is how we make sure that sustainability is a consideration in every decision – whether in relation to properties, real estate investment products or organizational development.

The first phase of strategy implementation, from 2012 through 2015, focused on increasing energy efficiency and subsequent reductions in energy costs and CO₂ emissions. In the current phase we are also looking at how to optimize lifecycle costs, specifically through operational optimizations and targeted renovations, increasing the share of renewable energies and more transparent sustainability reporting.

Ten strategic sustainability targets

	Environment	Economy	Society
Increasing energy efficiency (see page 21)			
Reducing water consumption (see page 23)			
Reducing waste (see page 23)			
Using sustainable construction materials (see page 23)			
Optimizing lifecycle costs (see page 19)			
Choosing sustainable locations (see page 18)			
Ensuring a high level of comfort (see page 25)			
Safeguarding security (see page 25)			
Ensuring integral planning (see page 19)			
Ensuring a high level of flexibility in building structure (see page 19)			

Sustainability secures long-term returns

As a responsible institutional investor, we are confident that strategies for sustainable real estate investments are intrinsically associated with long-term returns. Responsible real estate management generates added value by boosting the appeal of real estate to tenants and buyers, improving the risk profile of our real estate portfolio and strengthening our competitive position.

Our holistic approach creates long-term value.

Our forward-looking actions also produce cost savings for tenants, which in turn keeps vacancy rates down and can help improve returns for investors. The latter is reflected in above-average risk-adjusted investment performance. This makes us especially attractive to investors who take account of environmental and social aspects in their investment decisions.

Sustainability is embedded in our processes

To successfully implement our sustainability strategy, processes must be designed to support us in achieving our goals. Any potential acquisition always involves due diligence efforts to check



Binningen

The total refurbishment of the property in Binningen near Basel is a perfect example of how Real Estate Switzerland is transforming yesterday's real estate into assets for the future. CHF 5.5 million was invested in the three eye-catching residential blocks from the 1970s to fully renovate every single apartment. Vast sums were also invested to reduce the ecological footprint. This renovation work managed to cut energy consumption by 40%, from around 679 MWh to 392 MWh. We were then able to completely reposition the property in the market and, as of spring 2017 when the work was completed, every unit has been rented out. The subsequent appreciation means that investors are also looking forward to long-term returns.

More information about this project is available in the [Sustainability Report 2016/2017 from UBS Direct Residential](#).

About Real Estate Switzerland

Real Estate Switzerland is responsible for Swiss real estate management within UBS Asset Management. This currently comprises six listed real estate funds and two investment groups in the UBS Foundation for the Investment of Pension Fund Assets, as well as an external mandate. With headquarters in Basel and additional offices in Zurich and Lausanne, Real Estate Switzerland gives both private individuals and institutional investors access to the Swiss real estate market. Its real estate portfolio comprises more than 1,100 residential buildings and commercial properties and boasts a market value of more than CHF 21 billion.

	Number of properties	Market value, CHF millions ¹⁾	2018 GRESB Rating Number of Green Stars ²⁾
UBS real estate funds			
UBS «Anfos»	150	2,466.1	****
UBS Direct Residential	60	573.0	****
UBS Direct Urban	14	390.5	**
UBS «Foncipars»	130	1,353.4	***
UBS «Sima»	356	8,886.6	***
UBS «Swissreal»	79	1,898.2	***
UBS Investment Foundation			
UBS AST Real Estate Switzerland	136	>2,000	***
UBS AST Commercial Real Estate Switzerland	38	620.9	**
Mandate			
Pension fund	154	2,787.3	No participation

1) Data taken from the 2017 annual and mid-year financial statements. UBS AST commercial real estate Switzerland on September 30, 2018

2) 5 GRESB Stars = top quantile in peer group ranking, 1 GRESB Star = lowest quantile in peer group ranking

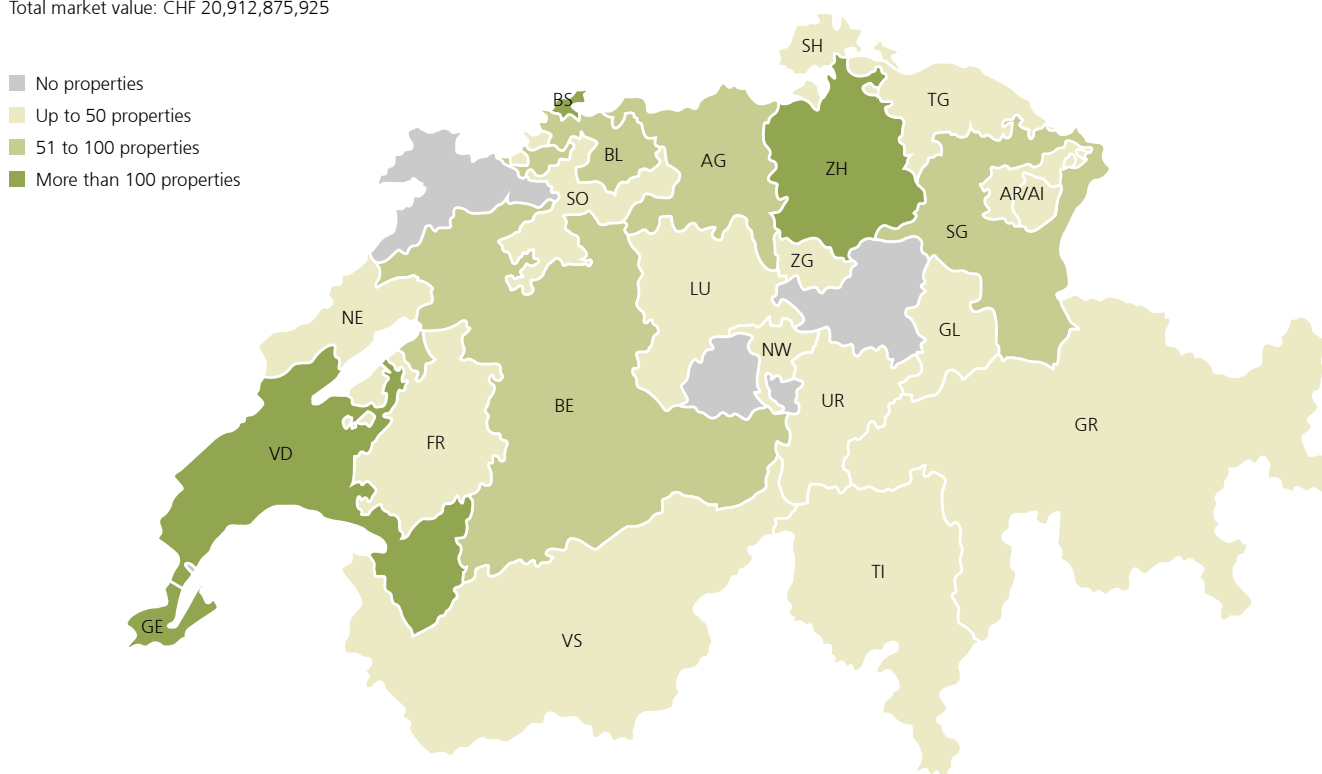
Our approach

Real Estate Switzerland: 2017 portfolio

As of December 31, 2017

Total properties: 1,124

Total market value: CHF 20,912,875,925



Canton	Number of properties	Market value, CHF	Canton	Number of properties	Market value, CHF
Aargau (AG)	70	1,169,237,000	Nidwalden (NW)	1	32,920,000
Appenzell (AR/AI)	5	37,260,000	St. Gallen (SG)	55	897,359,000
Bern (BE)	95	1,753,806,800	Schaffhausen (SH)	20	146,195,700
Basel-Country (BL)	69	1,349,840,000	Solothurn (SO)	34	429,258,441
Basel-City (BS)	105	1,476,633,666	Thurgau (TG)	28	275,683,000
Freiburg (FR)	21	287,876,000	Ticino (TI)	14	297,805,400
Geneva (GE)	131	1,783,508,010	Uri (UR)	1	9,256,000
Glarus (GL)	4	13,257,300	Vaud (VD)	142	2,047,492,600
Graubünden (GR)	5	114,043,000	Valais (VS)	7	164,513,000
Lucerne (LU)	30	753,389,000	Zug (ZG)	4	47,962,000
Neuenburg (NE)	14	172,199,000	Zurich (ZH)	269	7,553,381,008

its potential impact on the portfolio as a whole. For construction projects with investment volumes over CHF 2.5 million, we ensure that the targets set for strategy implementation and activities during the various construction phases are in alignment.

Ongoing progress evaluation


We use «SoFi» sustainability data software to regularly check the effectiveness of our activities, and have produced sustainability factsheets for each real estate investment product. These factsheets are the main tool for managing strategy implementation, and include a sustainability scorecard with targets, sub-targets, metrics/KPIs and both current and target values. As of the end of 2018, the factsheets will be evaluated

External agreements and initiatives

- UN Principles for Responsible Investment (UN PRI)
- Carbon Disclosure Project (CDP)
- UNEP Finance Initiative
- Global Real Estate Benchmark (GRESB)

Memberships

- Swiss Association for Sustainable Property Management (SGNI)
 - Swiss Real Estate Association (SVIT)
 - Association of Real Estate Investors (VII)
 - Swiss Funds & Asset Management Association (SFAMA)
 - Conference of Investment Foundation Administrators (KGAST)
 - Living Every Age (label issued by the LEA Association)
 - Syndicate of Private, Professional Developers (IPB)
-



We use sustainability factsheets to track progress toward our goals.

quarterly for submission to portfolio managers in order to adapt existing activities or identify new ones.

We were able to further improve the database during the reporting period. For example, we have made considerable progress in documenting energy consumption. The additional empirical values now form the basis for continued fine-tuning of the target values defined based on the goals of the «2000-watt society.» → For more information about the 2000-watt society, turn to [page 28](#) of this report.

Sustainability organization and responsibilities

A number of different functions are responsible for implementing the sustainability strategy. The Sustainability Committee, comprising three members of the management team, takes strategic decisions. The overarching «Sustainability» competence center reports directly to the Executive Board, and manages implementation of the sustainability strategy and the ongoing development of its content, while portfolio managers are responsible for reaching

targets. Actions are realized by the specialized areas, external sustainability centers and other partners.

Joint commitment with our business partners

In our «Guide to Planning and Realizing Construction Projects» and «Manual of Managing Properties», we describe in detail the criteria that our business partners must take into account so that we can reach our goals in all three sustainability dimensions. We provide our business partners with copies of both the guide and the manual. For construction projects, we monitor compliance with the contractually agreed requirements in the course of our signing off on the respective construction phase.



We work toward our sustainability targets in collaboration with our business partners.

Our approach

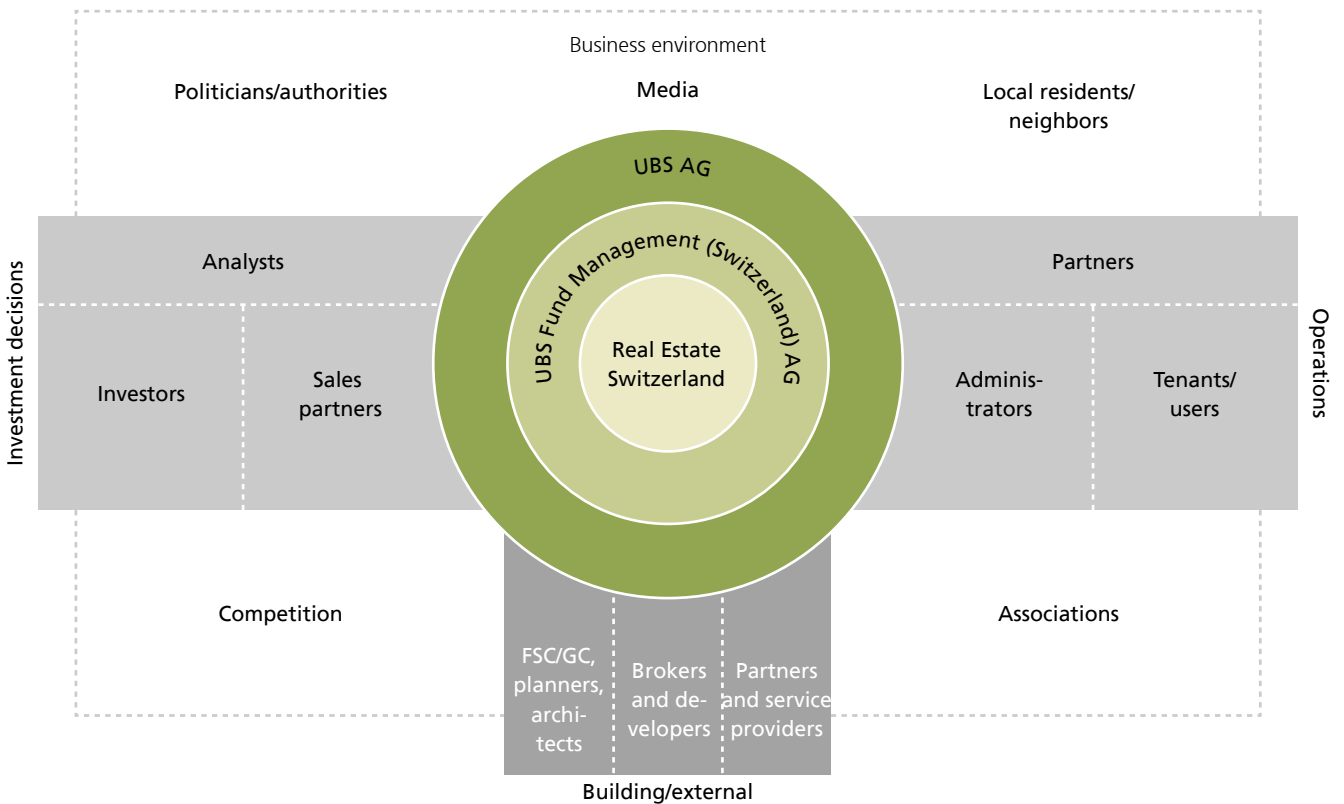
Dialog with our stakeholders

The success of our business depends heavily on close communication with our stakeholders. On the one hand, these include the people who rent, use and manage our real estate. On the other hand, we also keep in regular con-

tact with private and institutional investors, sales partners and analysts. Partnerships with planners, construction companies, architects, general contractors and brokers are essential, especially before the real estate goes into service. Solid collaboration with authorities,

interest group representatives and other business partners associated with construction projects, as well as communication and relationships with local residents, are equally critical to running a success successful business. *GRI-102-42*

Our stakeholders *GRI 102-40*



Communication and interaction with our stakeholders *GRI 102-43, GRI 102-44*

Stakeholder group	Communication and interaction
Investors, sales partners, analysts	<p>As well as personal communication, we issue regular updates about our products and business activities to investors, sales partners and analysts via the web, press releases and publications. The «Immo-Flash» newsletter is published six to eight times a year, and the «Immo-Update» twice a year. The annual financial statements for the real estate funds and investment foundations also provide information about current performance.</p> <p>We are seeing a steady uptick in interest explicitly in sustainable investment opportunities. In producing an annual sustainability report we hope to give interested investors and analysts transparent and useful information, such as on energy consumption and CO₂ emissions.</p>
Tenants, users	<p>Matters that are important to commercial and private tenants often revolve around contracts, rent prices or a lack of rental properties. It is essential that we deal with these issues quickly and at a high level of quality. Contact with tenants and users generally takes place through contracted administrators. We also share information via administrators, e.g., on the subject of sustainability. Guidelines and controlling mechanisms help us ensure that our partners deliver the highest-quality service.</p> <p>Direct feedback comes to us through surveys and events where we speak directly with tenants and users. In 2018, we established a new function that builds on the existing Tenant Relation Management System. The first step will be to bundle together the concerns of major tenants so as to better meet their needs.</p>
Appraisal experts	<p>Real Estate Switzerland works with independent appraisal experts who estimate the market value of potential acquisition projects and complete the annual property valuations for our portfolio. Actions designed to reduce the consumption of resources or gain certification for buildings are scored positively by the appraisal experts and have a beneficial effect on performance.</p>
Business partners, suppliers	<p>Communication with business partners and suppliers focuses primarily on orders, framework agreements and pricing discussions. Interactions with full-service contractors, general planners and architects mainly relate to tendering procedures and the evaluation of bids.</p> <p>As a trustee and representative for property developers, it is also important for us to have regular, central contact with property developers. This enables us to monitor and evaluate deadlines, building codes, build quality and costs.</p>
Authorities, politicians	<p>Management at Real Estate Switzerland is in contact with authorities and political entities. This is especially important during projects that have a significant impact on local communities. For construction projects, contact with authorities is mainly the responsibility of representatives from Construction & Development and Asset Management.</p>
Employees	<p>Real Estate Switzerland relies on highly trained staff. Alongside training and development opportunities, we also discuss salaries, working hours, management and communication with our employees.</p>

Our approach

Identifying key sustainability topics

Our sustainability strategy requires that we run a comprehensive, in-depth analysis of the current situation. To that end we interviewed internal experts and conducted a market and competitor analysis. We have also drawn on the guidance published by the *Interessengemeinschaft privater, professioneller Bauherren* (Syndicate of Private, Professional Developers (IPB)) and the *Koordinationskonferenz der Bau- und Liegenschaftsorgane der öffentlichen Bauherren* (Coordination Conference of Building and Property Bodies of Public Sector Developers (KBOB)) to produce a catalog outlining the relevant sustainability criteria. The sustainability targets derived from this catalog along with the sustainability topics addressed by the Global Reporting Initiative (GRI) standards were included in the process for identifying key sustainability topics. These various topics were discussed and prioritized during a workshop attended by internal and external sustainability experts.

GRI 102-46

Guidelines for responsible real estate management

The «Responsible Property Investment, RPI» guideline developed by UBS Global Real Estate is integrated in the management of Real Estate Switzerland's real estate investment products, and is applied in every phase of the real estate ownership cycle – starting from purchase or development, through ongoing operations, administration, marketing and maintenance, to renovations, repairs and potential sale. As a result, the decision-making process considers not only the financial interests of our clients, but also the relevant ecological and social goals.

Key sustainability topics GRI 102-47

Economy

- Flexibility in building structure
- Integral planning
- Indirect economic impact
- Lifecycle costs
- Locations
- Financial performance

Governance

- Compliance/environmental compliance
- Data protection
- Anti-corruption
- Certifications

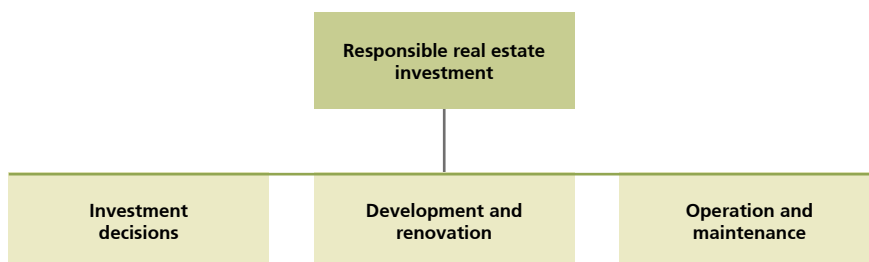
Environment

- Waste
- Contaminated sites
- Construction materials
- Assessing suppliers in terms of environmental aspects
- Energy
- Emissions
- Water

Society

- Employee education and training
- Comfort for tenants and users
- Assessing suppliers in terms of social aspects
- Local communities
- Security and health of tenants and users

UBS Guide «Responsible Property Investment»



Investment decisions

Responsible real estate management starts with the investment decision. We are fortunate to be able to depend on the experience of our experts and the competency of our large investment team. Thanks to our regional research teams, we are able to correctly assess the climate and investment opportuni-

ties and find a solution to every client need. Our investment decisions incorporate evaluation criteria in the form of environmental and social risks, as well as risks associated with climate change. Yet we always keep one eye on long-term financial performance for our clients.

Development and renovations

When sustainability criteria are integrated early on in the planning phase for new developments and renovations, hardly any additional costs are created over the course of the whole project. That is why we make every effort to establish close contact with planners, developers and other external project partners and consultants as early as possible.

Operation and maintenance

During the operation phase, the focus is on reducing the consumption of resources. To be able to reach our energy efficiency and water consumption targets, for example, we need constructive partnerships with real estate managers, suppliers and service providers. They deliver the data and information we need to identify potential reductions and

appropriate optimization activities. Additionally, when replacing defective equipment we always try to select an alternative that conserves resources. And finally, increasing tenant awareness and providing appropriate instruction to the tenants is important to ensuring that real estate is used sustainably. ■

Building certification can boost a property's value

We systematically check whether, and if so which, certifications might be useful for a particular property. Building certificates can boost a property's value and go some way to optimizing its lifecycle costs. Furthermore, commercial tenants in particular are paying more attention to building certificates, which is having a positive effect on occupancy rates, rental prices and tenant quality.

Building certificates also support assessments of the sustainability of real estate portfolios, since they allow for a comprehensible, transparent, measurable and comparable qualitative evaluation across multiple aspects. However, at this time there are so many different certificates available that the issue is highly complex.

We have opted to build new construction projects increasingly in line with recognized standards and to review the corresponding certification.

The following properties in the overall Real Estate Switzerland portfolio possess a building certificate:

Property	Certificate
UBS «Anfos»	
Bachenbülach, Länggenstrasse	Minergie
Rheinfelden, Pappelweg 32	Minergie
Villmergen, Eichmattstrasse	Minergie
Zurich, Heerenschürlistrasse	Minergie
Thun, Meisenweg/Eggenweg/Balmweg/Feldstrasse	Minergie-P*
UBS «Anfos»/UBS «Sima»	
Opfikon, Thurgauerstrasse (Ambassador House)	LEED Platinum*
UBS «Foncipars»	
Bussigny-près-Lausanne, Chemin de la Tatirone	Minergie
Geneva, Avenue Calas	Minergie*
Nyon, Rue de la Morâche	Minergie*
Payerne, Les Rives de la Broye	Minergie
Sion, Rue de Lausanne	Minergie
Gland, Allée Louis-Cristin	Minergie-Eco
UBS «Sima»	
Ecublens, Parc d'Innovation EPFL	Minergie

*planned

Property	Certificate
Martigny, Rue du Courvieux (EKZ Cristal)	Minergie
Münchenstein, Freilager-Platz	Minergie
Pratteln, Bahnhofplatz	Minergie
Villmergen, Mühlen-/Anglikerstrasse (Green Park)	Minergie*
Zurich, Bellaria-/Staubstrasse (Cresta Park)	Minergie
Münsingen, Falken-/Finken-/Terrassenweg	Minergie-P*
UBS AST Real Estate Switzerland	
Lucerne, Grossmatte	2000-watt
Jona, Eichfeld-/Eichwiesstrasse	Minergie*
Lausanne, Chemin des Grandes Roches	Minergie
Le Mont-sur-Lausanne, Route de la Clochette	Minergie
Winterthur, Seuzacherstrasse	Minergie
Zurich, Mühlebachstrasse	Minergie
Reinach, Kirchbreitestrasse	Minergie-P

Property	Certificate
UBS AST Commercial Real Estate Switzerland	
Pully, Chemin de Pallin	Minergie*
UBS Direct Residential	
Dietikon, Heimstrasse	Minergie
Rheinfelden, Pappelweg 28 a-c, 30 a-b	Minergie
Schöftland, Feldmatt-/Heimatweg	Minergie
UBS Direct Urban	
Dietikon, Schulgut-/Grünaustrasse	Minergie
UBS Pension Fund	
Allschwil, Baslerstrasse	Minergie
Frenkendorf, Fasanenstrasse	Minergie
Bülach, Solibodenstrasse	Minergie
Stäfa, Tödihof	Minergie
Zurich, Birmensdorfer-/Aemtler-/Kalkbreitenstrasse	Minergie
UBS Direct Urban	
Beringen, Im Benze	Minergie



Responsible real estate management

We focus on increasing the value of real estate in the interest of our investors and tenants. At the same time, we want to ensure that our real estate investment products remain secure and profitable in the long term. We are confident that a holistic approach – one that fully encompasses the economic, environmental and social aspects of sustainability – is the only means to secure optimum performance with long-term prospects.

Economic

responsibility

Investors quite rightly expect secure and long-term returns. That's why we are always thinking about tomorrow, today, to make sure that not only do our real estate investment products retain their value, they actually increase it. Our sustainability strategy underlines this responsible approach and helps us keep our real estate portfolio fit for the future.

Choosing sustainable locations

Properties have a symbiotic relationship with their surroundings. While the location affects a property's value, the property itself and how it is used affect the socio-economic climate. To safeguard long-term profitability it is essential to take into account the potential for change and possible risks when assessing a location. We carry out integrated location evaluations to produce reliable assessments.

We aim to diversify our locations as far as possible and establish the most appropriate array of properties so as to meet the needs of various tenant segments. Right now, supply in desirable locations is scarce and prices are high. Many tenants cannot afford or do not want to pay these high rents and are actively looking for alternatives. This tense transactional market means that decentralized locations are growing ever more important as investment oppor-

tunities. Due to the lower costs – mainly due to cheaper land prices – the profitability of investments in alternative locations is similar to the more cost-effective expansion of properties.

A modern location is one where the places people spend their personal, work and leisure time are within easy reach of each other.

Megatrends can alter the importance of locations. As digitization advances, people and businesses alike are no longer tied to a specific location. Everyone can be available to their employers and

clients everywhere, as long as the necessary digital infrastructure is in place. Consequently, for example, the fact that a property is located centrally is becoming less important. Thanks to its comprehensive and high-end infrastructure, Switzerland is ideally placed to develop desirable real estate in non-central locations.

The key features of a modern location are flexibility of use and close links between where people spend their personal, work and leisure time. Short distances to work, childcare and wellness facilities, as well as good public transport links, are important criteria for many tenants when choosing where to live.

Diverse lifestyles call for flexible building structures

Buildings able to handle flexible uses are increasingly important as the variety of tenant lifestyles grows. Standard



En Jonchets

Peace and quiet yet with access to everything you could ever need – the attractive «En Jonchets» residential complex in Bussigny-près-Lausanne makes that dream a reality. All of the residential buildings are surrounded by carefully maintained green spaces, and most of the balconies offer sweeping views of Mont Blanc. Outstanding transport links mean that Lausanne is just 10 minutes away by train or car. And you don't even need a car, because all the key infrastructure, such as childcare, stores, restaurants, banks and post offices, are only a short walk away. This all makes «En Jonchets» ideal for students at the nearby university as well as for families.

More information about «En Jonchets» is available in the [Sustainability Report 2017 for UBS «Foncipars»](#).

floorplans no longer serve the sheer diversity of needs and can lead to vacancies. For larger properties in particular, a good mix of apartments with add-ons, such as communal spaces or childcare, are the key to a property's appeal. During complete renovations of existing properties, we systematically adapt the floorplans to satisfy modern requirements. For example, we open up the kitchens in properties built in the 1970s and 1980s.

Integral planning

Integral planning is critical to the success of a project, since the impact on economic, environmental and social goals is often set out during the planning phase. This calls for close cooperation between all parties from the very start. Works planning, tendering and contract awards all adhere to clear guidelines. We have defined quality assurance rules applicable to the construction phase, and use targeted property documentation to simplify building management during the use phase. We regularly assess progress so that processes and instruments can be adapted as and where necessary.

Economic, environmental and social impact is often determined in the planning phase.



Transit warehouse

The former bonded warehouse in the Dreispitz district in Münchenstein is a fantastic example of creative changes in how an existing property is used. This standout warehouse was converted and now boasts distinctive residential floors. As well as spaces for individual living – made up of lofts, duplexes and multi-level apartments plus generous residential units with terraces – the building provides extensive office space. Not only does this mean that the property satisfies individual needs, it is also driving the Dreispitz district's ongoing transformation into a district for creative living and working.

More information about the transit warehouse is available in the [Sustainability Report 2017 for UBS «Sima»](#).

Optimizing lifecycle costs

Integral planning also has a positive effect on cost development throughout the entire lifecycle of a property. Forward-looking planning of construction activities, for example, helps optimize the availability of natural daylight as a way to reduce electricity costs. Buildings that are compact and well-insulated with heat recovery systems can cut heating costs, and the choice of building elements based on the lifespan of their substance and technical components

can prevent potentially expensive repairs. Good maintenance management is equally important in retaining the property value for as long as possible.

Compliance protects the core business

We see far-reaching compliance as a shield that protects against reputation risks, claims for damages and criminal proceedings. Naturally, we uphold all applicable laws and regulations, and fulfill

Economic responsibility

those international conventions to which Real Estate Switzerland has committed itself as part of UBS. These also include industry-specific regulations, such as the Code of Conduct of the Swiss Funds & Asset Management Association (SFAMA). All of our real estate investment products comply with the guidelines for real estate funds as well as internal directives on topics such as money laundering, fraud and corruption risks, conflicts of interest and data protection.

Our established compliance management system performs checks, conducts risk analyses and derives activities to minimize risk. The Compliance and Operational Risk Control department supports the various organizational units at Real Estate Switzerland and ensures compliance with all relevant requirements. Regular training and information campaigns also contribute to the ongoing sensitization of employees. In 2017, the employees of Real Estate Switzerland attended several online training courses on various topics relating to compliance.

The UBS Code of Business Conduct and Ethics, including the values embedded within it, is another important element of the compliance management system. The Code outlines requirements relating to issues such as diversity and equal opportunities, handling client data, fair competition and efforts to fight criminal business practices. Our econom-


ic success depends not only on ethically correct behavior, but also on friendly interactions with colleagues, business partners and clients. Every employee makes an annual commitment to comply with the Code of Business Conduct and Ethics. Code violations should be reported to a line manager and the relevant Compliance Officer. There is also a whistleblowing procedure in place that allows employees to submit confidential reports to Legal or Compliance & Operational Risk Control. Violations trigger appropriate disciplinary proceedings.

The Compliance and Operational Risk Control department regularly evaluates our compliance processes. The results are reported to Senior Management and then used to adapt instruments and processes as needed. There were no compliance violations during the 2017 financial year. There were also no documented violations of environmental legislation.

Decisive approach to fighting corruption

We unconditionally support business practices with integrity and take decisive action against any form of corruption. Corruption has no place in our value system and also represents a risk to our business. As such, we have developed comprehensive regulations to prevent, uncover and report money laundering, bribery, corruption and the financing of terrorism.

The guideline, which is valid for UBS Group-wide, is binding on all business areas and employees and proclaims zero tolerance for corruption. In addition, appropriate standards apply to all procurement and acquisition activities. Anti-corruption is also embedded in our code



Corruption has no place in our value system.

of practice for Responsible Supply Chain Management (RSCM). Employees at Real Estate Switzerland receive regular training on issues relating to money laundering, compliance with sanctions and combating corruption by way of online training courses that are updated on a regular basis. We also run sensitization campaigns and organize seminars. No incidences of corruption were reported in 2017, and no complaints of this type were received from companies, supervisory authorities or third parties. ■

Environmental responsibility

Throughout this current phase of strategy implementation, our focus is on increasing energy efficiency and the use of recyclable materials in construction projects. As well as continuously improving our data set, we rely on structured energy procurement, operational optimization and an increase in solar energy.

Real estate as a focal point of Energy Strategy 2050

Real estate is one of the largest consumers of energy in Switzerland. Hardly surprising, then, that its impact on the environment is the subject of political and societal scrutiny. With a building program designed to reduce energy consumption, tax incentives for renovation projects and a restructuring of the feed-in tariff system, Switzerland's Energy Strategy 2050, approved by referendum back in 2017, leans heavily on the real estate industry. The Energy Strategy 2050 means that we expect to see increasingly dynamic forces at work in the real estate market in the next few years. Our sustainability strategy ensures we will be ideally placed to capture the new opportunities emerging as a result.

The new rules governing remuneration for feed-in electricity have already had a noticeable impact in 2018: since electricity generated by photovoltaic systems can now be used for personal consumption and any excess fed in to the power grid, installing and running these systems is more attractive on a financial level. And since residents are now permitted to get together and form private consumer communities, they can also purchase electricity at market conditions for domestic use. This will enable us to reduce incidental electricity costs for our tenants. → More information is available on [page 28](#) of this report.

Energy and CO₂

Energy efficiency is one of our top priorities. Not only does it help us reduce en-

ergy consumption and the associated CO₂ emissions, it also lowers operating costs, decreases business risks, and creates competitive advantages as well as differentiation for us on the investment market.

Operational optimizations

One key step toward achieving our goals is to realize operational optimizations. Comprehensive portfolio analyses serve as the basis for identifying those properties that have the greatest optimization potential.

We perform annual operational optimizations in around 10% of our properties.



Investment in an efficient building with high-end office spaces in Pully

In July 2018, UBS AST-KIS took over a fully rented, turnkey business property in Pully boasting not only some fascinating architecture but also Minergie certification. The property was designed by renowned architects CCH Architecture, provides 3,000 m² of office and commercial space as well as 32 parking spots, and offers glorious views of the mountains and Lake Geneva.

As a first step, we performed more than 200 energy-related operational optimizations between 2014 and 2016. Settings for heating, ventilation and cooling systems were optimized and any malfunctions resolved. The optimized properties will subsequently save an average 12.5% of their energy needs per year, equivalent to around 20 GWh.

Since 2017, we have been conducting annual operational optimizations in around 10% of our properties. Last year, we performed around 100 operational optimizations. Past experience has shown that this average 12.5% results

Environmental responsibility

from an almost 24,000 MWh drop in energy consumption at the optimized properties, avoiding around 4,500 tons of CO₂ emissions every year. CO₂ savings are mainly achieved through reduced heat consumption.

Currently, we are working hard to be able to carry out continuous operational optimizations in all properties in future, as part of their ongoing administration. For this to happen, our business partners must deliver standardized technical building management across the entire real estate portfolio.

Sensitizing tenants and users

The amount of energy consumed by a property also depends on how it is used. So we make efforts to sensitize tenants and users of our properties through information about saving energy, alongside hints and tips for how they can reduce their own consumption. In early 2018, we sent out information to all 25,000 tenants at our residential, office

and commercial properties. New tenants are provided with this information when they sign their rental contract.

Structured energy procurement

To obtain better prices and reduce heating and ancillary costs for our tenants, we have opted for central energy pro-

We procure 100% of our electricity from Swiss hydropower plants.

urement on the free market and are working on this with a specialist partner. The data compiled during procurement

is imported into our data management system, where it provides the basis for our sustainability factsheets.

Structured procurement also enables us to buy in electricity with green value added across the board. By purchasing certificates of origin for electricity generated in Swiss hydropower plants, 100% of the electricity used in the common spaces at our properties comes from renewable sources.

Investing in solar energy expansion

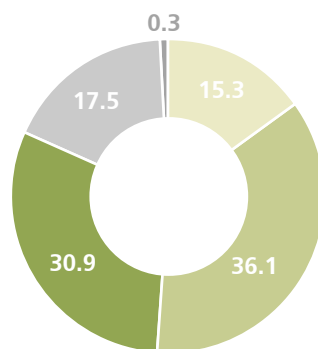
Increasingly, we want to cover the electricity needs of our real estate portfolio through renewable energies. In 2017, the UBS ATS-KIS investment foundation kicked off an ambitious project with a pilot phase and the installation of three photovoltaic systems. The photovoltaic project is designed to install more than 100 power-generating systems with an output of around 15 MWp by 2020, enough to supply around 4,000 homes. The expected energy yield is equivalent to around 4% of the energy consumption for the entire portfolio. We estimate the investment volume will be approximately CHF 25 million. To guarantee that the project runs as efficiently and in as standardized manner as possible, we have partnered with the «Energie Zukunft Schweiz» association. Right now, preparations are well underway at various properties to install additional photovoltaic systems.

Reducing water consumption

Technical and planning-based activities help us contribute to reducing the consumption of drinking water and resulting wastewater volume at our proper-

Energy consumption by energy source

In 2017, the energy needed to supply electricity to the common areas and to supply heat to the overall areas in all properties comprised around 15% electricity, 67% fossil fuels such as natural gas and heating oil, 17% district heating and 0.3% wood chips and pellets. More than a third of the energy sources used in the Swiss average district heating mix are renewable.



■ Electricity ■ Natural gas ■ Heating oil
■ District heating ■ Wood chips/pellets



More information about the photovoltaic project is available in the [Sustainability Report for UBS AST-KIS 2016/2017](#).

ties. All new builds and renovations are now only equipped with fittings that save water.

Given that the amount of water consumed depends on user behavior, we send out targeted information to try and win over tenants and users to saving water. In early 2018, we issued just such an update to all of the nearly 25,000 tenants at our residential, office and commercial properties. New tenants are provided with this information when they sign their rental contract.

Reducing waste

Resources are as scarce as ever, meaning that waste is an increasingly important subject. Closing material cycles requires separating out types of waste and finding the optimum way to recycle them. Along with information about reducing waste, we provide our tenants and users with waste disposal systems wherever we are able to influence matters during

the planning and construction phase. No data is currently available regarding volumes of waste.

At the start of 2018, we sent out information to all of the nearly 25,000 tenants in our residential, office and commercial properties describing how to reduce and separate waste. New tenants are provided with this information when they sign their rental contract.

Using sustainable construction materials

Manufacturing building materials often creates significant environmental damage. Where possible, we use locally sourced materials, fast-growing resources or resources with a low carbon content. We are also increasingly using recyclable materials to achieve high levels of reuse. Additionally, resources and energy can be saved when structures and systems can be broken down into their original component parts. We also save gray en-

Our choice of sustainable building materials reduces environmental damage.

ergy by using emission-tested materials. For renovation work and when choosing replacements for faulty equipment, we always pick variants that conserve resources.

The «UBS Sustainability Guidelines for New Construction» and the guidelines on the environmental and health aspects of building materials serve as the basis for sustainable construction processes. We do not plan to define medium-term targets for the use of recyclable and renewable materials, since these have to be individually assessed for each property and data gathering is a challenge. At this time, we do not record any data of this type.

For those new builds and renovation projects that are realized in accordance with a particular building standard, we always use the sustainable building materials requested. Currently, there are around 15 of these new build projects and 15 renovations in progress.

Contaminated sites

A contaminated site is defined as, for example, a piece of land polluted with oil, waste material or chemical residue. Not only do contaminated sites pose a health risk to users and residents, they also generate considerable costs. In Switzerland, the cantons are required to keep records of contaminated sites in a land registry. In the process of acquiring new properties, we use these cantonal land registers as a reference and exclude listed properties if there are no remediation measures planned. For existing properties that are suspected to be built on contaminated land, we carry out thorough investigations as a means to safeguard users' and residents' health. We satisfy official requirements with great care and attention to detail.

Environmental responsibility

Year-on-year KPI comparison

Our energy controlling system allows us to gather consumption data from properties relating to shared electricity, heat and water, and to run analyses with a view to our intended goals. Heating oil consumption data is not yet fully based on real-time data. Since early 2018, we have been gradually and regularly mea-

suring oil fill levels across the entire real estate portfolio – including taking digital readings – so that the data can be recorded in this way everywhere starting in January 2019.

We managed to reduce electricity consumption in 2017 by 5% and heat consumption by 4% compared to the

year before. Water consumption also dropped across the entire portfolio. Given that consumption data for 2017 was not fully available for several properties at the time of producing this report, the values have been extrapolated. ■

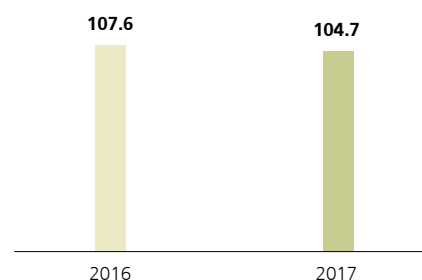
Environmental key figures, Real Estate Switzerland full portfolio ^{1,2}

	2016	2017	Change (%)
Energy consumption (MWh)³	422,623	406,873	-4
Electricity	65,162	62,096	-5
Heat	357,461	344,777	-4
Natural gas	156,711	146,802	-6
Heating oil	128,850	125,704	-2
District heat	70,806	71,208	1
Wood chips/pellets	1,094	1,063	-3
Energy intensity (kWh/m²)	107.6	104.7	-3
CO₂ emissions (t CO₂e)^{4,5}	78,350	75,435	-4
Scope 1	70,194	67,231	-4
Heating oil	32,157	30,124	-6
Natural gas	38,036	37,108	-2
Wood chips/pellets ⁶	16	15	-3
Scope 2	8,157	8,203	1
Electricity ⁷	-	-	-
District heat	8,157	8,203	1
CO₂ intensity (kg CO₂e/m²)³	20.2	19.8	-2
Water consumption from public supply (m³)	4,198,550	4,050,761	-4
Water intensity (m³/m²)³	0.99	0.98	-2

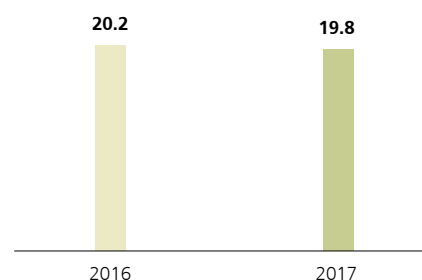
- 1) Data and calculation basis: shared electricity plus total heat and total water. Absolute metrics are mainly based on invoice data. Consumption values for which no reliable figures were available at the time this report was published have been extrapolated (where a suitable data set was available). Relative metrics were established based on those properties that were part of the portfolio for the entire business year, and for which complete data sets were available. Energy intensity and CO₂ intensity were calculated based on 81% and those for water intensity on 86% of the total energy reference area. The heating data used to calculate the energy intensity was adjusted for seasonal changes.
- 2) Extrapolated figures in the database for 2016 have been replaced with actual usage, meaning that the figures are different from those stated in last year's report. The metrics for wood chips/pellets and water in 2016 differ from the figures published in the Sustainability Report 2016/2017. This was the result of a technical error in accounting.
- 3) Shared electricity and total heat. Electricity obtained by tenants is not recorded.
- 4) Calculation is in accordance with the guidelines set out in the WRI/WBCSD Greenhouse Gas Protocols. Scope 1: CO₂ emissions from own heating systems. Scope 2: CO₂ emissions generated by the production of electricity and district heating.
- 5) Emission factors used: Defra (2016) and Frischknecht (2017)
- 6) Direct emissions due to the formation of methane/nitrous oxide. Biogenic CO₂ emissions are reported outside of this scope and respectively amount to 371 t CO₂e (2017) and 382 t CO₂e (2016).
- 7) Using the «market-based approach» as defined by the Greenhouse Gas Protocol Scope 2 Guidance (100% of the electricity used for the real estate portfolio is from renewable sources). Using the «location-based approach» (Swiss average mix), emissions would amount to 9,389 t CO₂e (2017) and 9,852 t CO₂e (2016) respectively.

Changes in relative consumption rates

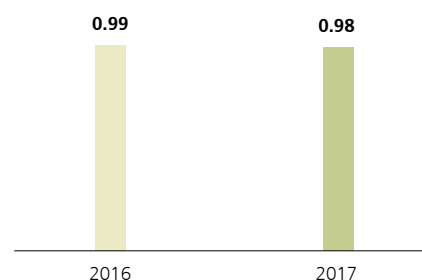
Energy intensity kWh/m²



CO₂ intensity kg CO₂e/m²



Water intensity m³/m²



Social responsibility

It is important to us that we fulfill our social responsibilities. We therefore incorporate any concerns raised by our stakeholders in our business activities. We focus on guaranteeing high levels of security and comfort for our tenants as well as considering the needs of the local community.

Ensuring a high level of comfort

High levels of comfort and user-friendly layouts are key to ensuring that a property's quality of use is high. In residential buildings, for example, this means we pay close attention to accessibility and making spaces family-friendly. In office buildings we concentrate more on ergo-

**When it comes
to comfort,
natural is
best.**

nomics so that everyone's working days are as pleasant as possible. When it comes to lighting, ventilation and air conditioning, we believe natural is best.

Optimum use of the available daylight is just as important as providing enough shade and ventilation options for hot summer days.

For larger-scale residential projects in higher price segments, we check whether our innovative living concept «e-James – serviced residences» satisfies the needs of potential tenants. Thanks to the e-James service app, residents have access to digital support and services. These include, for example, cleaning and janitorial work, laundry and ironing services. The platform supports a resource-saving lifestyle, as it allows users to see exactly how much energy and water they consume. At this time, «e-James» is available at three properties. Three additional new build and renovation projects are also planning to deploy «e-James».

Safeguarding security

Safeguarding the security of the tenants and users of our 1,100 properties is a core goal in our sustainability strategy.

Satisfied tenants

In 2017, we worked with an external partner to conduct a representative survey of our tenants to explore their opinions about the safeguarding of their security and high level of comfort.

Of those tenants who responded, 79% were satisfied or mostly satisfied with their living situation. That figure rose to 75% among users of commercial properties. Asked to rate their comfort on a scale of 1 (not comfortable) through 10 (very comfortable), the average score given was 7.64. The average for security was 7.79. The survey also looked at the support provided to tenants by property administrators, janitorial support, the rental space and building, and the surrounding area. Between 68% and 81% of the tenants surveyed were satisfied or mostly satisfied with these four aspects.

Overall, these results are extremely positive. Any pain points identified will be analyzed in more detail in a subsequent step, before appropriate actions are identified and implemented.

To reach this goal, we weigh up accident risks and the likelihood of natural hazards when choosing locations. Planning focuses on good visibility, lighting, fire protection and the selection of non-slip materials.

Every three years, we review the security status and administration of the properties and document our findings in a report, which in turn is used as the basis for further risk minimization. This allows us to detect and resolve problems early on, which helps maintain the high quality and attractiveness of our real estate.



Tonwerk East

These rental apartments were completed in 2017 on the former Tonwerk site in Lausen near Liestal, and boast exceptionally high levels of comfort. Creatively designed interior spaces are enhanced with elegant balconies and loggias, while the comfort ventilation systems guarantee a pleasant indoor climate. With a playground and a meetup zone in the garden courtyard, residents can spend time relaxing outdoors. A glass balcony layer fitted between the interior courtyards and nearby rail tracks helps keep noise emissions from passing trains to an absolute minimum.

More information about Tonwerk East is available in the [Sustainability Report 2016/2017 for UBS «Anfos»](#).

Social responsibility

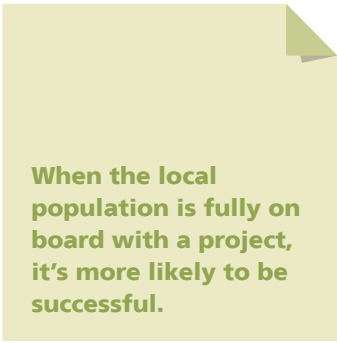
Data confidentiality

The ongoing digitization of building technology brings with it new challenges for data protection. For example, recording consumption captures data that can be classed as tenants' personal information. We assure all tenants their data remains confidential and we comply with all data protection laws. We have strict standards and procedures in place to prevent data being manipulated, stolen or lost. Investors' data is only ever passed on with their express consent, or where we are required by law to submit data to the relevant authorities. Our employees are only granted access to data where necessary in service to the client. No complaints concerning data protection violations were submitted during the reporting period. No data leaks, incidents of data theft or losses occurred.

Involving the local community

For a project to be realized efficiently and the property rented out in good time, it is essential to have the local community on board where the property is located. As such, we carefully evaluate their needs, wishes, habits and interests and highlight any impact that the construction activities will have. Experience has clearly shown that when the local people have a positive attitude to a project, it is very likely to be a success. Quite apart from reducing costly delays, involving local residents early on in the project also mitigates the risk of legal proceedings and reputation damage.

As a way to understand the various concerns and create acceptance for a construction project, we involve local residents, neighbors, and representatives of community and interest groups in the planning phase. For example, we are currently working with local communities



When the local population is fully on board with a project, it's more likely to be successful.

in Reinach and Niederhasli on two design planning procedures. Among the various details provided in our management manual, there are clear rules about what information needs to be communicated, as well as the timing and target audience. We issue these updates either in writing or by way of information events. For renovation projects, we also require our contractors to set up a field office so that tenants have someone they can turn to if they have any questions.

Influence on the local economy and infrastructure

Every year we invest around CHF 350 to 400 million in over 300 projects. Almost two-thirds of these projects are new builds and one-third are renovations. It therefore follows that we have considerable influence on local economies and labor markets. By collaborating with local partners, we support jobs in the construction and trade industries in various regions throughout Switzerland.

In general, we do not finance any infrastructure projects. However, in consultation with stakeholder groups, we are actively engaged when it comes to incorporating plans for public infrastructure into the concept design for a construction project. In this way, for example, we contribute to the creation of public sites

and spaces, overpasses and underpasses, and even daycare centers and public transport stations. One of our many such efforts in 2018 was a measure to counter an increase in construction volume in Reinach, where we arranged properties specifically so as to create a publicly accessible space.

Guidelines on implementing the sustainability strategy for contractors

To improve the sustainability of our real estate portfolio, we work closely with contractors such as architects, planners, construction companies, suppliers, brokers and real estate agents. We provide our contractors with guides, checklists and standards.

As well as the provisions set out in our own sustainability strategy, we comply with the environmental recommendations for construction issued by the Co-ordination Conference of Building and Property Bodies of Public Sector Developers (KBOB) and the Syndicate of Private, Professional Developers (IPB). For our own projects, these «KBOB + IPB Environmental Recommendations for Construction» form part of the contract. The sustainability targets defined in our work and services contracts are binding and administrators must also integrate them in their contracts. Our direct suppliers are also bound to the UBS Responsible Supply Chain Standard, which sets out guidelines on matters such as preventing corruption, human and labor rights, environmental protection, and health and safety. Supply Chain Management monitors compliance with these provisions.

Compliance with the various goals is tracked during construction, as well as during the interim and final acceptance.

For example, we check whether the materials used meet the sustainability requirements. When purchasing property, we run a check for sustainability risks.

Employee education and training

Our employees are always learning. We offer a variety of online and classroom training, leadership courses and talent programs. There are also specialist training courses for employees in certain departments, regions and roles. Experienced employees can take advantage of seminars and information about life-long learning. Real Estate Switzerland supports external training activities, and we contribute to the cost provided that the course in question serves the interests of the company and its employees. In addition, employees who are preparing for a recognized qualification concurrent to their job may be granted paid

Workforce demographics (people, as at 31 December 2017)

	Total	Men	Women
Workforce by employment contract			
Permanent	70	57	13
Temporary	-	-	-
Workforce by type of employment			
Full-time	65	57	8
Part-time	5	-	5

Data excludes trainees. Our employees are not subject to collective bargaining agreements. *GRI 102-41*

leave. We also foster this process of continual learning in the day-to-day, for example, through specific tasks, projects and temporary roles.

Sustainability is an important aspect of our information and training offering. We want to raise awareness of corporate responsibility as a means to achieving our societal and environmental goals. A mandatory training module was introduced in 2015 that focuses on UBS's social responsibility. We offer our investment specialists targeted training courses on the topic of sustainability. ■



Gümligenfeld Center

The Gümligenfeld Center in Muri near Bern was completed in 2017, offering an appealing mix of long-term rental offices and sales areas and a vast array of leisure facilities, including a modern movie theater complex and bowling lanes, plus an innovative gastronomy concept that comes with a sports bar. Located near both the freeway and separate bus stop, the city center is easy to reach by car as well as by public transport. This leisure and business center has a vital role to play in Muri's attractiveness as a location. Not only that, but careful attention was paid during construction to work primarily with local companies.

More information about the Gümligenfeld Center is available in the [Sustainability Report 2017 for UBS «Swissreal»](#).

Spotlight on

«Grossmatte,» Lucerne's first 2000-watt zone

UBS AST-IS took the lead on erecting this cutting-edge complex in the Littau district.



The community of Littau is part of a new living and working zone in Lucerne, and is nestled between the city center and local recreation areas. For the past two and a half years, the «Grossmatte» area has seen construction of 164 modern apartments and 2,600 m² of commercial and work space. With its new childcare center, schools almost next door and direct links to public transport, there are no barriers to a sustainable lifestyle.

Certified sustainable construction

The first tenants moved into the living and working spaces in August 2018, and are rightly proud of their new build: stretching across almost 10 hectares, «Grossmatte» is the first zone in the city of Lucerne to be certified with the 2000-

watt label. As part of National Energy Day in September 2017, the project was also recertified based on its «Development» phase. This award highlighted the management aspect of the project, which was assessed as having achieved an improvement of around 20% and was honored with the words starting that «The new area sponsor (UBS) takes the subject of 2000-watt zones very seriously.» Certification for the «Operations» phase is expected to follow in spring 2020.

Long-term profitability thanks to optimized lifecycle costs

Securing profitability for the area in the long term not only requires that we consider investment costs, but also that we strive to optimize lifecycle costs. We therefore considered construction, operations, and dismantling when planning the project. It is often the case that the optimization potential for smaller-scale activities, which at first glance seem banal, makes a dramatic difference in total. One example would be the initial purchase of roller blinds, where the color basically has no effect on the price, especially for major projects like Grossmatte. However, if individual blinds have

to be replaced once the building is in operation, this can lead to significant delays as well as additional costs if there is no standard color. The guidelines derived from these considerations were communicated to our total contractors during the RFP process, and were later documented in the work and services contract.

On the financial front we also looked to achieve good value for money for tenants as befitted the local market. This is key to securing consistently high utilization, because even in urban areas there is no guarantee of absorption capacity. All that said, we are extremely pleased to be able to report a letting rate of approximately 75% in the first few months following initial occupancy.

A holistic environmental concept

«Grossmatte» buildings were designed around a holistic energy concept and in accordance with the criteria for a 2000-watt society. These include, for example, meeting targets concerning the demand for non-renewable primary energy. Consequently, a 120 kWp photovoltaic system was installed on the roof of the six- to seven-floor complex, the majority of which directly faces the sun delivering part of the building's power supply. Furthermore, various devices and lamps in the highest energy efficiency class help minimize consumption. District heating provides up to 90% of the required heat from the Renergia waste incineration plant and Swiss Steel AG. A wood-chip-fired power plant handles the remaining 10%.

The 2000-watt society

- The basic thinking behind the 2000-watt society is that with a smart energy supply system and appropriate levels of awareness, 2000 watts of continuous power (at primary energy level) per person is sufficient for human beings to prosper and enjoy a high quality of life. CO₂ emissions should be no higher than 1 ton per person per year. Currently, a person living in Switzerland uses approximately 5,000 watts of continuous power and generates 8 tons of CO₂ per year. 1 ton of CO₂ is generated, for example, by a one-way Economy flight from Zurich to Dubai.
- The aim is to achieve these targets through a combination of the following strategies:
 - Efficiency** – do the same but use less
 - Substitution** – do the same in a different way
 - Sufficiency** – do less. «Less is more!»
- This label is awarded for the various lifecycle phases of an area: development, realization and operation. It is only valid for a limited time and must be renewed periodically.



We were careful to keep embodied energy to a minimum during construction. Thanks to an optimum arrangement of parking spots, transport zones, technology and cellar spaces, the underground garage was accommodated on a single floor. Eliminating a second basement level and making sure to transfer loads as directly as possible significantly reduced the need for concrete and steel. We also opted for sand-lime over brick. Other construction-related environmental measures are realized in line with Minergie ECO.

The holistic mobility concept focuses on optimum links to public transport. For example, a bus stop has been placed im-

mediately next to the area, and parking spots in the underground garages are limited. However, there are a large number of bays available for storing bikes. This sophisticated mobility concept also includes charging stations for electric cars and an on-site car sharing service.

Balancing individuality and community

One of the primary concerns with regard to planning «Grossmatte» was to achieve a balanced mix of tenants from every generation and social background. That is why we came up with designs for different types of homes to suit the needs of various lifestyles. We also wanted to incorporate spaces that could be used by everyone, helping to create a sense of community. The result: two large interior courtyards linked by a covered passage.

As well as ensuring a high level of security through generously sized, well-lit lobby areas and parking with CCTV monitoring, we try to make our tenants' day-to-day lives as pleasant as possible. Thanks to the e-James service app, residents have access to a range of digi-

CHF 100 million

Investment volume

164

perfectly fitted-out 1½ to 4½ bedroom apartments

2018

completion

The first apartments were ready to occupy in August.

10,500 m²

total area

of which 2,640 m² is commercial and sales space

tal support and services. For example, they are automatically notified when a parcel arrives and is placed in the parcel box, from where they can retrieve it at any time without having to visit a post office. «e-James» also offers cleaning and janitorial services, and the integrated small ads encourage residents to share the things they own. Finally, a statement showing their own energy and water use promotes a conservative approach to natural resources. ■



Reporting principles

We want to provide transparent information about our commitment to sustainability. We are constantly developing our reporting and our communication. Since 2017, Real Estate Switzerland has published a separate annual sustainability report in accordance with Global Reporting Initiative Standards.

Transparent

communication

This is the second time that Real Estate Switzerland is publishing a separate, detailed sustainability report in accordance with the standards of the Global Reporting Initiative (GRI), describing its performance in matters of sustainability.

Reporting in accordance with GRI Standards

This sustainability report covers Real Estate Switzerland as well as the six listed real estate funds and two real estate investment foundations (*GRI 102-45*). The principles for determining the report content and reporting quality were applied throughout the reporting process. This report was produced in accordance with the GRI Standards «Core» option. This report was submitted to, and successfully passed by, the GRI Materiality Disclosures Service (see GRI icon on [page 33](#)). No external audit was performed.

The previous report was published in November 2017. There have been no significant changes made with regards to the material topics and delineation of these topics since the previous reporting period (*GRI 102-48*). There have also been no significant changes made with regard to the supply chain since the previous reporting period. Concerning the environmental key figures, the metrics for wood chips/pellets and water in 2016 differ from the figures published in the Sustainability Report 2016/2017. This was the result of a technical error in accounting. The metrics were modified retroactively to enable comparisons against the metrics for 2017. Additionally, certain statements about the data-

base have been corrected (see footnote for the environmental key figure table on page 24) (*GRI 102-49*).

The advantages of recognized standards

With the Global Reporting Initiative Standards, Real Estate Switzerland has decided in favor of the de facto global standard in its sustainability reporting. This means we ensure that our strategy and communication are built on one another, and our sustainability reports follow internationally comparable principles. The structured format prescribed by the GRI allows us to present our commitment to sustainability in a transparent, objective and comparable manner.

Besides international acceptance and systematic development, the GRI Standards offer yet another advantage: both the new sustainability reporting guideline issued by the Swiss Exchange (called opt-in) and the EU Directive on CSR reporting specify the GRI Standards as a recognized code of practice for meeting the regulatory requirements.

GRESB – Global Real Estate Sustainability Benchmark

GRESB assesses the sustainability performance of real estate and infrastructure portfolios and assets worldwide. Its assessments are aligned with international reporting frameworks such as GRI and PRI, and are guided by what investors and the industry consider to be material issues in the sustainability performance of real asset investments.

Real Estate Switzerland has participated in the annual GRESB ranking since 2016. 2018 saw the sustainability performance assessed for all six listed real estate funds and two real estate investment foundations. Our aim is to leverage this benchmarking to gain insights into our sustainability performance compared to other companies, especially international real estate portfolios.

This year's results for Real Estate Switzerland real estate investment products were very positive once again. All real estate investment products managed to boost their score and achieve Green Star status. UBS Direct Residential was even awarded an additional Green Star. UBS «Anfos» ranked first among Switzerland's most sustainable real estate funds. → An overview of the rating for each individual real estate investment product is available on [page 9](#) of this report. ■

GRI

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Universal standards

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Topic-specific standards

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419-1	Sanctions following non-compliance with laws and regulations in the social and economic area	20	

Reason for omission

- 1) Does not apply
- 2) Limitations due to non-disclosure agreement
- 3) Explicitly prohibited by law
- 4a) No information available
- 4b) Only certain information available

UBS Fund Management
(Switzerland) AG
Aeschenplatz 6
CH-4052 Basel

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