

Real Estate Switzerland

Sustainability Report 2018/2019



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Cover photo

UBS «Anfos» property on Meisenweg
in Thun; renovation in accordance
with Minergie P

Gender note

For the sake of better readability, this document does not differentiate according to gender. Relevant terms apply to all genders in the interests of equal treatment.

Facts and figures



GRESB

6 x 5-star rating
 2 x 4-star rating
 First place, category Switzerland
 Residential: UBS «Anfos»
 First place, category Switzerland
 Diversified: UBS Direct Urban

A+ rating

in reporting for the Principles for Responsible Investment (PRI) initiative.



31 properties are certified and eight have been pre-certified with Minergie or SGNi Gold.

Close to nature

First certificate for landscaping close to nature.



14 current new build projects and 12 ongoing total renovations in accordance with the latest standards in our overall portfolio.

23

properties with photovoltaic or solar thermal systems.
 Electricity and heat generation from solar energy amounted to 676 MWh in 2019.

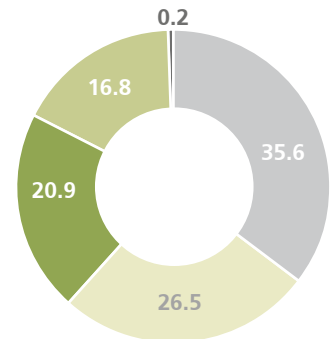
100

photovoltaic systems installed by 2021 as the target.

100%

electricity for common areas from renewable sources through the purchase of certificates of origin for hydroelectricity.

Energy consumption by energy source in %



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

Interview with Daniela Jorio

«It is important to set the course today for a sustainable future.»

Daniela Jorio

–
Sustainability Officer,
Real Estate Switzerland



What does sustainability mean for Real Estate Switzerland?

–
For us, sustainability means that we fulfill our responsibility toward the environment and society. According to the Swiss Federal Office for the Environment, real estate is responsible for 26% of CO₂ emissions in Switzerland. That is why sustainability in the construction and operation of buildings is central. It also ensures that our tenants benefit from attractive spaces in which to live and work, while our investors have the advantage of attractive real estate investments. We are building for the future today.

How is this reflected in day-to-day business?

–
We make sure that sustainability is not an isolated element but is integrated into our process landscape and plays a full part in our decisions. An example of this is the integration of sustainability aspects on all our projects and new constructions. In recent years, awareness within the team has grown and sustainability is now well anchored in day-to-day business. Increased demand from investors and tenants also motivates us to continue to improve and drive forward the sustainability of our properties.

What priorities did you set in matters of sustainability last year?

–
The environmental aspect of sustainability continues to be of central importance to us. We therefore continued to work on reducing energy consumption and CO₂ emissions. In addition to increasing energy efficiency, the focus was on replacing fossil fuels and pushing forward with our photovoltaic projects. The tenant survey conducted in 2017 also prompted us to integrate social issues to an even greater extent. Our fund teams have implemented various measures to increase the awareness of security and convenience for our tenants. Finally, we also addressed the issue of electromobility and developed a mobility guide to better respond to the changing needs of tenants.

What were the highlights for Real Estate Switzerland in the last financial year?

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We had some successes last year. For example, we installed 12 photovoltaic systems (with an output of around 1 MWp). Further installations are already planned, so we are on track to achieving our goal of installing 100 photovoltaic systems by 2021. We also received pre-certification for the sustainability label SGNi Gold for our new build project in Zurich-Wiedikon with its 61 apartments. Furthermore, all our funds received awards for their sustainability performance. In the GRESB* rating, we achieved a marked improvement and performed very well compared to other funds. Two funds took first place in their respective categories.

Where do you see areas of improvement?

– We want to further improve data collection and data quality so that we can better understand and communicate the impact of measures. This is not easy with more than 1,100 properties, though we have already made great progress in recent years. We are consistently sticking to our goals of improving energy efficiency, reducing CO₂ emissions and promoting renewable energy. In the longer term, we want to focus more on the selection and reuse of building materials and on embodied carbon.

What other focal points do you see for Real Estate Switzerland in the future?

– Climate change concerns all of us and the effects are already being felt, for example through the increasing number of hot days and urban heat islands. We want to make the best possible contribution we can to energy system transformation and respond to these developments when planning our construction projects. For example, we are increasingly focusing on green landscaping. Furthermore, we address the tightening of legal requirements regarding CO₂ limits for buildings and the increase in CO₂ levies on an ongoing basis and take appropriate measures at an early stage.

Why should sustainability-oriented investors invest in Real Estate Switzerland's real estate products?

– Many of our products are long established, which is why we have properties in very good locations that are in demand. The resilience of our real estate portfolio is also reflected in an optimal risk-return profile. We consistently apply our sustainability strategy to all funds and, depending on the portfolio, set priorities in each case. For example, commercial properties tend to be better suited to the installation of photovoltaic systems than residential properties. In the case of funds with a high proportion of residential properties, the focus is more on social issues. We are continuously working to improve our sustainability performance and offer an attractive real estate portfolio for tenants and investors.

* **GRESB** stands for Global Real Estate Sustainability Benchmark and is a real estate-specific, global sustainability platform that reviews and compares the ESG (environmental, social, governance) performance of real estate investment vehicles every year.



10

real estate investment products and external mandates



Over

75

years' track record



**Sustainable
and diversified
strategy**



More than

1,100

properties in Switzerland



Around

CHF 23 billion

in investment capital



**Largest Swiss
real estate fund:
UBS «Sima»**



**Oldest Swiss
real estate fund:
UBS «Foncipars»**



More than

80

experienced employees in Basel,
Zurich and Lausanne

Investment products

UBS «Anfos»

Invests in residential real estate in attractive locations in German-speaking Switzerland.

GRESB rating: ★★★★★

Award: first place
Category Switzerland Residential, best real estate fund in Switzerland



UBS «Foncipars»

Invests in residential real estate in attractive locations in western Switzerland and is Switzerland's oldest real estate fund.

GRESB rating: ★★★★★



UBS «Sima»

Invests throughout Switzerland in residential, mixed and commercial real estate and is the largest real estate fund in Switzerland.

GRESB rating: ★★★★★



UBS «Swissreal»

Invests throughout Switzerland in commercial real estate.

GRESB rating: ★★★★★



UBS Direct Residential

Invests directly in residential real estate in Switzerland.

GRESB rating: ★★★★★



UBS Direct Urban

Invests directly in residential and commercial real estate in urban locations in Switzerland.

GRESB rating: ★★★★★

Award: first place
Category Switzerland Diversified



UBS AST Real Estate Switzerland

Is an investment group under Swiss law with a mixed portfolio invested across Switzerland.

GRESB rating: ★★★★★



UBS AST Commercial Real Estate Switzerland

Is an investment group under Swiss law with a focus on commercial real estate throughout Switzerland.

GRESB rating: ★★★★★





Responsible

real estate management

We are building for the future today. To this end, we are guided by our sustainability strategy. Through our responsible real estate management, we increase the value of our properties in the interests of our investors and tenants, optimize the risk-return profile of our real estate portfolios, and thus ensure our long-term business success.

Our integrated sustainability approach

We see sustainability as a central component of successful real estate management. In our view, long-term success is only possible if social and environmental factors are integrated into decisions in addition to economic aspects. Our holistic approach is based on the Responsible Property Investment approach of Global Real Estate.

We see sustainability as a central component of successful real estate management.

Our management processes are designed in such a way that sustainability considerations are taken into account in all day-to-day business decisions. For example, we treat sustainability as an agenda item in internal departmental meetings. We also maintain a close working relationship with management companies.

By incorporating sustainability aspects into risk management, we optimize the risk-return profile of our real estate investment products and thus increase

resilience for the future. A comprehensive database of our properties enables us to make proactive decisions. Through this integrated approach to sustainability, we live up to our commitment to ensuring that everything we do is suited to the interests of future generations.

Sustainability strategy

Since 2012 we have pursued our sustainability strategy by focusing on 10 economic, environmental and social goals. To put these into operation, we have formulated 30 sub-goals and specified associated metrics. In developing the strategy, we took into account the guidelines of the Syndicate of Private, Professional Developers (IPB) and the Coordination Group for Construction and Property Services (KBOB), and con-

ducted interviews with experts in the field as well as a market and competition analysis. In 2019 we updated our sustainability strategy to reflect current market developments. The topics of mobility and biodiversity, for example, have now been included with corresponding objectives.

Material sustainability topics

Together with the Global Reporting Initiative (GRI) Standards, our sustainability goals were incorporated into the determination of the material sustainability topics. In 2016 we assessed and prioritized the topics in a workshop with internal and external sustainability experts. This year we reviewed the material topics and adapted them in line with current developments.

Material sustainability topics (GRI 102-47)

Economics

- Attractive locations
- Integrated planning in the construction process
- Life cycle view of our properties
- Risk-return profile

Governance

- Compliance and integrity
- Integrated sustainability approach
- Sustainability requirements placed on business partners and suppliers

Environment

- CO₂ and use of renewable energy
- Energy efficiency
- Landscaping close to nature
- Resource-efficient construction
- Environmentally aware infrastructure
- Water consumption

Society

- Attractive places to live and work
- Social trends and developments
- Convenience, safety and immission control for tenants and users
- Tenant needs
- Employee culture

Responsible real estate management

On the way to a positive impact – our sustainability goals with a focus on the SDGs



Wellbeing has priority

We do everything we can to ensure a high level of satisfaction with our properties by taking the concerns of our tenants seriously. We provide services that add value; improve air, noise and light quality; reduce security-relevant risks; and foster the creation of common areas where people can meet and interact.



Only renewable energies are sustainable

Photovoltaic systems installed on roofs generate power that can be used by our tenants. We implement energy efficiency measures to lower energy consumption and reduce ancillary costs.



Certificates set standards

We plan and construct all new builds to specific sustainability standards. To do this, we optimize processes, quality and efficiency. In terms of the construction materials we use, we strive to avoid pollutant emissions and achieve high recyclability.



Densify don't sprawl

When developing existing properties we place an emphasis on densification so as to minimize the appropriation of additional space. We take care of near-natural landscaping in order to promote biodiversity and enhance quality of life.



Water is a valuable commodity

We reduce water consumption at our properties thanks to low-flow fixtures and install only energy and water-efficient appliances as standard.



Innovation drives us forward

We seize the opportunities and potential offered by new technologies to meet the primary needs of our client groups. We promote new digital communication channels, modern mobility concepts and electronic parcel deposit boxes, while also providing recycling options.



No more fossil fuels

We reduce the CO₂ emissions of our properties. Going forwards, only renewable energies will be used in new builds. Existing fossil fuel installations are successively being replaced by renewable energies.



Cultivate partnerships

We need the support of collaborative partnerships to achieve our sustainability targets. With this in mind, we work together closely with existing partners who share our goals and values, while also cultivating new partnerships to deliver additional expertise.

Contribution to the Sustainable Development Goals (SDGs)

We support the 17 Sustainable Development Goals of the United Nations and focus on those eight goals to which we can make a direct contribution through our work.

Review of progress

We give a sustainability rating to every property in our portfolio. In order to assess progress, we use sustainability fact sheets. This control tool allows us to adapt measures in good time or derive new measures.

In recent years we have steadily improved our data basis and we will continue to work on data collection and data quality in the future. With more than 1,100 properties, this means that the standardization of processes for data collection must be further promoted and comparability of data must be enhanced.

Sustainability organization and responsibilities

We can achieve our goals by living out the strategy and integrating sustainability as a principle of action into our day-to-day business. Our Sustainability Com-

mittee, on which various departments are represented, sets the strategic direction. Cross-departmental management is the responsibility of the Sustainability unit, which reports directly to the Executive Board. As we pursue a comprehensive approach to sustainability, all departments are responsible for operational implementation of the sustainability strategy in their respective areas of responsibility. The portfolio managers are responsible for overall target achievement for the respective real estate portfolio.

Sustainability requirements placed on our business partners and suppliers

We work closely with our suppliers and business partners to implement our sustainability strategy. Our Guideline for Planning and Implementing Construction Projects, to which we added further sustainability criteria last year, and the Property Management Manual serve as a basis for collaboration and specify the relevant sustainability aspects for our suppliers and business partners.

The environmental building recommendations of the Coordination Group for Construction and Property Services (KBOB) and the Syndicate of Private, Professional Developers (IPB) are integrated in our contracts. We require that our business partners – such as property managers – also take into account the sustainability goals laid down in our work contracts in their own contracts. Our direct suppliers are bound by the UBS Responsible Supply Chain Standard, which sets standards for the prevention of corruption, human and labor rights, environmental protection, and health and safety. Supply Chain Management monitors compliance with these requirements.



UBS Direct Urban

For the new residential building «Sihlfeld» in Zurich-Wiedikon, UBS Direct Urban has been pre-certified with SGNI Gold for its environmentally aware infrastructure. This new building, which is expected to be ready for occupancy by the end of 2020, will house garages with charging stations for electric vehicles and a photovoltaic system on the roof to provide energy. A service app enabling tenants to obtain various services and the installation of parcel boxes will also make for a high level of convenience for tenants.



UBS AST-IS

In Jona, a hybrid new construction and renovation project is being developed which takes into account and implements different aspects of sustainability sensitive to the needs of each building. In the private neighborhood plan, we ensure maximum utilization of the plot and also take social aspects into account with a generous garden, play area and meeting zone. We are replacing two buildings with new ones because of their condition and ground plan structure. We are renovating the kitchens and bathrooms of the existing high-rise and improving the insulation. In two other buildings we are adding terraces and providing direct access to the underground parking.

Responsible real estate management

Guidelines

- Code of Business Conduct and Ethics of UBS
- Regulation on the prevention of money laundering, bribery, corruption and the financing of terrorism
- Anti-corruption policy
- Code of Conduct of the Swiss Funds & Asset Management Association (SFAMA)

Compliance and integrity

The prerequisite for responsible real estate management is compliance with legal frameworks and ethically correct conduct. For us, it goes without saying that we comply with the applicable laws, regulations and international conventions to which UBS has committed. We are fully committed to integrity in our business conduct and are guided by industry-specific regulations and UBS Group-wide policies and guidelines on money laundering, fraud and the fight against corruption. Our actions are also guided by the UBS Code of Business Conduct and Ethics. In this way, we protect ourselves as best we can from corruption, damage to our reputation, claims for damages and criminal charges.

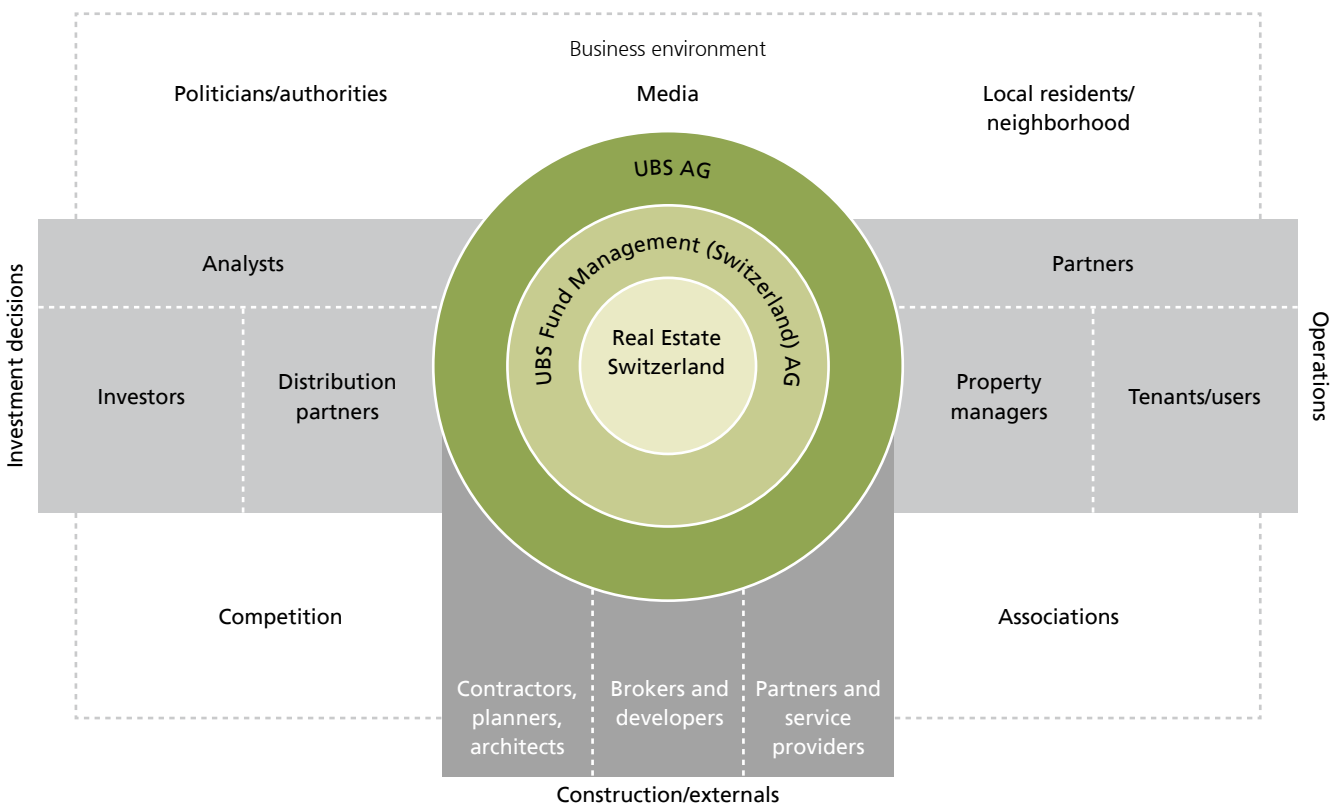
Dialog with our stakeholders *GRI 102-43, GRI 102-44*

Stakeholders	Issues	Type of communication
Investors, distribution partners, analysts	<ul style="list-style-type: none"> • Risk-return profile • Value of real estate investment products • Sustainable investment opportunities • Transparent reporting, for example on energy consumption and CO₂ emissions 	<ul style="list-style-type: none"> • Personal communication • Website and publications • Regular newsletters «Immo-Flash», «Immo-Update» • Annual reports
Tenants, users	<ul style="list-style-type: none"> • Provisions in rental contracts • Rents • Defects in rental properties 	<ul style="list-style-type: none"> • Directly via Tenant Relation Management system • Indirectly through appointed managing agents • Distribution of brochures on sustainability • Tenant survey
Business partners/suppliers (brokers, developers, planners, architects, service providers, full-service/general contractors, valuation experts)	<ul style="list-style-type: none"> • Good and professional collaboration • Fair prices • Fair tendering process and evaluation of tenders 	<ul style="list-style-type: none"> • Close collaboration on construction and renovation projects • Regular coordination of services and planning, for example regarding building regulations and costs
Property managers	<ul style="list-style-type: none"> • Good and professional collaboration • Transparent communication 	<ul style="list-style-type: none"> • Regular meetings to discuss matters arising
Authorities/politicians	<ul style="list-style-type: none"> • Value-adding, sustainable projects that accord with local conditions 	<ul style="list-style-type: none"> • Dialog in the context of construction projects
Local residents/neighborhood	<ul style="list-style-type: none"> • Transparent and early communication about building projects 	<ul style="list-style-type: none"> • Information events, winning their approval in the planning process

We have an established compliance management system that contributes to risk minimization through regular controls and analyses. The Compliance and Operational Risk Control department provides us with support and ensures that all requirements are met. To raise awareness, employees are regularly informed and trained – be it through online training, awareness campaigns or seminars.

Potential violations can be reported to line managers and the Compliance officer responsible. In the framework of our whistleblowing process, the Legal or Compliance and Operational Risk Control departments can also be notified anonymously of any irregularities. No violations of internal or external provisions were registered during the reporting period.

Our stakeholders *GRI 102-40*



Our stakeholders

We cultivate open and ongoing dialog with a variety of stakeholders to learn about their needs and concerns and enable these to feed into our decisions. Key stakeholder groups that influence or are influenced by our business activity include investors, analysts, distribution partners, tenants, property managers, planners, building contractors, archi-

tects, general contractors and brokers. In addition, we are involved in various associations, work with representatives from the world of politics and the authorities, and engage with local residents living in the vicinity of our properties. *GRI 102-42* ■

Voices of our employees



Daniel Brüllmann

–
Head of Real Estate Switzerland

«All our activities are intended to make sense not only for us but also for the next generation and the generation after that. We seek to protect the interests of our grandchildren.»

«We understand sustainability, among other things, as a driver of innovation for ongoing improvement. As a responsible investor, we aim to achieve a sustainable optimization of our funds' risk-return profiles.»



Urs Fäs

–
Head of Investment Products



Jürgen Lutz

—
Head of Asset Management

«By working closely with our property managers, we can identify optimization potential, make the operation of properties more efficient and reduce ancillary costs for our tenants.»

«We achieve truly sustainable results by working with our tenants. That's why we place importance on dialog and awareness-raising on issues such as energy saving.»



Caroline Ruprecht

—
Asset Manager

«Sustainable building starts with forward-looking planning. We consider operations and management from the very beginning so as not to have any surprises later on.»



Jean-Michel Roten

—
Head of Construction & Development



AMBASSADOR HOUSE

Economic responsibility

Our aim is to create and maintain a future-oriented real estate portfolio. With our risk-conscious investment approach and our holistic sustainability strategy, we ensure that our investment products remain profitable for our investors in the long term.

Risk-return profile

In order to ensure the long-term attractiveness of our products, the returns should always be commensurate with the risk. As we operate in a dynamic environment, we continuously analyze our risk-return profile. In addition to the long-term return potential, we also take into account the risks to which we are exposed on every investment. These can be of a financial, economic, social or regulatory nature.

In a dynamic environment, the risk-return profile needs to be analyzed on an ongoing basis..

We apply thorough-going risk management in all departments and processes. We see sustainability as an integral part of risk management. Our internal sustainability rating allows us increasingly to integrate sustainability indicators in our decision-making process. In this way, especially in view of tighter regulations, risks – such as properties with high CO₂ emissions – can be identified early.

Attractive locations

Good connections between place of residence, place of work and leisure activities are essential to an attractive location and thus important in terms of demand. When evaluating locations, we therefore assess not only the micro and macro location but also, for example, the accessibility to public transport. In recent years we have extended numerous buildings, especially in towns and cities, and thus made a contribution to densification and the supply of attractive locations.

However, there is still a shortage of affordable living space in sought-after locations. Many tenants cannot afford or do not want to pay the high rental prices and therefore look into alternatives. So that we can cover the needs of different tenant segments, we strive for a broad diversification of locations and adequate design of properties.

The importance of locations is changing in the digital age, as people and businesses are increasingly able to connect with their employers or clients from anywhere. Therefore, they are less bound to a specific location, which means that the importance of the proximity of a property to the center, for example, decreases.

One risk, for example, is the change in the demand for certain locations or possible uses, which is reflected in how easy it is to let the properties. As the regulatory environment is currently evolving rapidly, we regularly evaluate the legal changes that could affect us and tenants. For example, energy and CO₂ legislation restricts the replacement of oil and gas heating systems with fossil-fuel heating systems. The increase in CO₂ levies has a negative effect on tenants' ancillary costs. We are countering this development with suitable measures such as early conversion to heating systems that use renewable energy sources.



UBS «Swissreal»

By re-landscaping the Magnet site in Pratteln, UBS «Swissreal» made this commercial site more accessible for users and improved the quality of the space. The new signaling for guiding traffic ensures greater safety for pedestrians and makes it easier to navigate the site. In addition, the newly created park with seating and recreational facilities invites visitors, workers and other users to linger.

Economic responsibility

Integrated planning in the construction process

We rely on integrated planning of our construction projects, as this is necessary for a comprehensive consideration of sustainability aspects. The initial collaboration between all participants and a common understanding of sustainability are particularly important, as the long-term economic, environmental and social effects of a project are often already apparent in the early planning phase.

The significance of location is changing in the digital age.

Life cycle view of our properties

As a result of our fundamentally long-term approach, we do not only consider one-off capital investment costs but also take into account the costs over the entire life cycle of a property. This means, for example, that we choose building materials that provide long-term economic efficiency and durability. It also means that we are increasingly addressing the issue of recycling and reusing building materials.

In addition, we focus on reducing operating costs. By continuously monitoring ancillary costs and efficiently procuring electricity and oil, we also achieve cost reductions for our tenants.

Building certificates

Building certificates enable a transparent and comparable assessment of the sustainability of properties; they can also contribute to optimizing the life cycle costs of real estate and increase the value of a property. This helps to ensure

a high occupancy rate, especially among commercial tenants. That is why we systematically check whether and what certification makes sense for the respective property. We plan and build all new buildings according to sustainability standards. Currently, 31 properties in our overall portfolio are certified, and eight properties have been pre-certified. ■

Building certificates

Certificate	Number
Definitive	31
2000-Watt	1
LEED Platinum	1
Minergie	27
Minergie-Eco	1
Minergie-P	1
Provisional	8
Minergie	5
Minergie-P	2
SGNI Gold	1

We have laid down sustainability criteria for work planning, tendering and awarding of contracts in our construction specifications. We revised these in 2019 and added new requirements. We systematically look into the installation of photovoltaic systems in new buildings and renovations. Since we assume that the importance of electromobility will continue to increase, we have clearly defined the requirements for this and make provision for charging points at the planning stage.

For the construction phase, we define specifications for quality assurance. During the usage phase, building management is simplified by focused property documentation. A regular evaluation of our progress ensures that we can adapt processes and instruments as required.



UBS «Foncipars»

In 2018 UBS «Foncipars», in collaboration with the association «MATE-RIUUM», launched a pilot project for the reuse of well-preserved building components in Geneva. Wash basins and bathtubs from the 1930s were carefully removed and resold via the association's online platform. In addition to saving gray energy, UBS «Foncipars» was also able in this way to make a contribution to preserving architectural legacies that still have a purpose.

Environmental responsibility

We continue to focus on expanding the use of renewable energy and increasing energy efficiency. We also prioritize the careful use of resources, landscaping that is close to nature and the creation of environmentally aware infrastructure.

CO₂ and renewable energy

We are steadily reducing our energy consumption and CO₂ emissions by focusing more on renewable energy sources and no longer installing fossil-fuel heating systems – either in new buildings or when replacing existing heating systems.

This year we have installed 12 photovoltaic systems.

We are reducing the energy consumption from fossil fuels in our existing properties in the course of renovations. Last year, we completed a number of projects in which we replaced oil and gas heating systems with alternative systems such as district heating, heat pumps and photovoltaic systems. This enables us to reduce the annual emissions of our real estate portfolio.

We are also pressing ahead with our photovoltaic project. With more than 20 installations already completed and a further seven to be connected in the first quarter of 2020, we are taking a major step toward achieving our target of 100 installations by 2021. This will supply around 4,000 households with solar

power in the future. We are investing around CHF 25 million in the implementation of this project and are working with «Energie Zukunft Schweiz» to ensure that the project runs smoothly. This enables us to achieve a «win-win-win situation», because photovoltaic systems have threefold benefits: they contribute to the reduction of CO₂ emissions and thus to a lessened impact on the climate; they reduce tenants' energy costs; and they are also attractive as an investment, as the sale of electricity can generate an additional return.

With structured and centralized energy procurement, we achieve better prices and thus lower the heating and ancillary costs for our tenants. We buy guarantees of origin for electricity from hydropower production and therefore purchase electricity fully from renewable sources for the communal areas of our properties.

Electricity and heat from solar energy in 2018 in MWh

Total electricity production through photovoltaic systems	
Fed into the grid	167
Used	207
Own use ratio	55%

Total heat production through thermal solar systems	
	302

Energy efficiency

To increase energy efficiency, since 2017 we have been optimizing the operation of around 10 percent of our properties each year. We achieve the greatest leverage for improving energy efficiency through renovation by implementing insulation measures and installing LED lights and sensors.



UBS AST-KIS

With the installation of the photovoltaic system on the high-rise in Birsfelden, UBS AST-KIS was given the opportunity to implement an economically promising project. Obtaining solar power from the roof of the building enables the commercial tenant to position itself as a sustainable company for its customers. By the end of 2019 six properties in the AST-KIS portfolio with photovoltaic systems will be in operation.

Environmental responsibility

Responsible water consumption

By means of technical and planning measures we create the conditions for reducing the consumption of drinking water and the amount of wastewater in our properties. This makes sense in both environmental and economic terms. In addition, the reduction in water consumption is of great importance with regard to energy efficiency, because residential buildings use around one-third of their energy for hot water.

Environmentally aware infrastructure

With charging stations for electric vehicles, parcel boxes and in-built provision for waste disposal systems, we offer our tenants a helping hand in making their everyday lives environmentally aware.

Raising tenants' awareness

Since the behavior of our tenants and users also plays a major role in the conservation of resources, at the beginning of 2018 we sent out a brochure with information on saving water and energy and on reducing and separating waste to all 25,000 tenants of our residential, office and commercial properties. We give this information to new tenants along with their rental contract.

The accelerated trend toward electromobility is reflected in the increased demand from tenants for charging stations and prompted us to produce a mobility guide. We are equipping all new buildings accordingly and we also

look into retrofitting facilities when renovating existing properties. We are building a car sharing and bicycle station, too, for example at the «Grossmatte» 2000-Watt Site in Lucerne.

For the optimal disposal and recycling of waste, we provide the appropriate infrastructure and make our tenants aware of recycling and the closing of material cycles.

Landscaping close to nature

With regard to climate change, the greening of urban areas is becoming increasingly important. In addition, studies indicate that a near-natural environment has a positive impact on the productivity and well-being of the population. To ensure that the issues of land-



UBS «Anfos»

This total renovation illustrates the efforts of UBS «Anfos» in continuously improving the energy performance of existing properties. The renovation was carried out in accordance with the Minergie P standard. In the course of this a heat pump was also installed. The gardens were surrounded by a natural hedge with different native plant and shrub species and the generous green areas were designed as a flower meadow. The natural surroundings contribute to the well-being of the residents. The work was also recognized by the Stiftung Natur und Wirtschaft, which awarded the overall renovation with a certificate for landscaping close to nature.

scaping close to nature and biodiversity are taken into account in all construction projects, we included them in our construction specifications for the first time in 2019.

Resource-efficient construction

In our construction activities we use building materials that are as low in pollutants and recyclable as possible. In addition to the careful selection of durable materials, we are increasingly concerned with the way in which they are used and their recycling. For example, when facades are bonded, there are building materials that can be taken apart and reused, and there are materials that cannot be recycled. In the longer term, we would also like to focus more on the issue of gray energy, as this will help us to improve our energy footprint and reduce the consumption of resources.

Key figures year on year

Compared to 2017, the energy consumption of the entire portfolio fell by four percent in 2018. While the consumption of natural gas and district heating fell, energy consumption from wood chips/pellets increased. The reduction in district heating consumption is mainly due to the fact that a property that made heavy use of district heating was renovated in 2018. Energy consumption from wood chips/pellets rose because a property with this type of heating was renovated in 2017 and returned to full use in 2018. Total water consumption remained almost constant. ■

Key environmental figures^{1,2}

	2017	2018
Energy consumption (MWh)	456,249	438,672
Electricity	93,675	91,785
Heat	362,574	346,886
Natural gas	167,950	156,371
Heating oil	112,706	116,229
District heating	81,353	73,556
Wood chips/pellets	564	730
Energy intensity (kWh/m²)	111.2	111.5
CO₂ emissions (in t CO₂e)^{3,4}	77,114	74,882
Scope 1	67,742	66,409
Natural gas	34,463	32,087
Heating oil	33,271	34,311
Wood chips/pellets ⁵	8	11
Scope 2	9,372	8,474
Electricity ⁶	-	-
District heating	9,372	8,474
CO₂ intensity (kg CO₂e/m²)	19.6	20.0
Water consumption, public supply (in m³)	4,208,038	4,168,928
Water intensity (m³/m²)	0.93	0.92

1) Data and calculation basis: electricity for communal areas, total heat and total water, electricity purchased by tenants is not recorded. Absolute key figures are mainly based on billing data. Consumption values for which reliable figures were not available at the time of publication of the report have been extrapolated. Relative key figures were calculated on the basis of the properties in the portfolio throughout the financial year for which complete data sets were available. In 2018 oil consumption figures were collected for 41 additional properties. The calculation of the energy and CO₂ intensity in 2017 is based on 84.2% and in 2018 on 87.6% of the total energy reference area, and the calculation of the water intensity in 2017 on 94.4% and in 2018 on 93.3%. Thermal data was climate-corrected for the calculation of energy intensity. Both gas and oil and district heating consumption decreased in a like-for-like comparison.

2) Extrapolated values in the database for 2017 have been replaced by real values, which is why some data differs from last year's report. In particular, electricity consumption in 2017 was corrected, as a data gap was closed.

3) Calculated in accordance with the guidelines of the WRI/WBCSD Greenhouse Gas Protocol. Scope 1: CO₂ emissions from own heating. Scope 2: CO₂ emissions resulting from the production of electricity and district heating.

4) Emissions factors used: Defra (2016) and Frischknecht (2017)

5) Direct emissions resulting from the formation of methane/nitrous oxide. Biogenic CO₂ emissions are reported outside the scopes and amounted to 255 t CO₂e (2018), 197 t CO₂e (2017) and 382 t CO₂e (2016) respectively.

6) Reported in accordance with the market-based approach pursuant to Greenhouse Gas Protocol Scope 2 Guidance (electricity for communal areas for the real estate portfolio purchased 100% from renewable sources). According to the location-based approach (Swiss average mix), emissions would be 13,878 t CO₂e (2018), 14,164 t CO₂e (2017) and 9,852 t CO₂e (2016) respectively.

Social

responsibility

We create attractive living and working spaces in our properties. To achieve this, it is crucial to know the current and future needs of our stakeholders and provide our tenants with contemporary properties with high quality of use, security and comfort.

Knowing and taking into account tenants' needs

Security, convenience and comfort are very important to our tenants. This was shown by the representative tenant survey conducted in 2017. The survey showed in particular a need for attractive floor plans, good lighting and additional services such as laundry and cleaning services. These topics were taken up in the fund teams and addressed with various measures. For example, UBS Direct Residential replaced existing lights with more energy-efficient light sources that provide better lighting. This resulted in an increased sense of security on the part of tenants. In order to understand the needs of our tenants, we will conduct the next tenant survey in 2020.

In addition, we are increasingly focusing on strengthening relationships with commercial tenants and better meeting their needs in order to create optimal conditions for current and future tenancies.

Convenience, safety and immission control for tenants and users

We are responsible for the safety of tenants and users in over 1,100 properties. We check potential new properties for accident risks and evaluate whether the site is located in a natural hazard zone. During the planning phase, we attach great importance to good visibility, lighting conditions, fire protection and the selection of non-slip materials. We want to offer properties that have high quality of use and in which people feel comfortable.

In office buildings, we pay special attention to ergonomics, indoor air quality and sound levels in order to positively contribute to the well-being and productivity of employees. We prefer natural solutions for ventilation, air conditioning



UBS Direct Residential

UBS Direct Residential has implemented an innovative lighting concept at six properties to increase tenants' sense of security and energy efficiency. UBS Direct Residential installed LED lights with a presence detector and emergency lighting, which thanks to their swarm behavior consume 94% less energy than conventional LEDs.

and lighting. That means we make optimal use of daylight and set up ventilation options for night cooling and sun protection installations as heat protection in summer.

In residential buildings, we make sure that there are no barriers and that the room layout is user-friendly. For new buildings, we install parcel boxes that help to increase tenants' convenience so they have to go to the post office less often. In addition, more and more tenant apps are being used. Apps can be used to obtain services such as cleaning, washing and ironing or to store mail in parcel boxes. The ability to see their own energy and water consumption makes it easier for tenants to con-

serve resources in their day-to-day lives. Furthermore, apps simplify communication with the property managers by, for example, enabling defects to be reported.

Every three years we check the safety status and the management of our properties. This enables defects to be identified and remedied at an early stage, which helps ensure a consistently high level of quality and attractiveness of our properties. The focus on safety and convenience results in lower tenant turnover and as a consequence reduces costs and the vacancy rate. This in turn has a positive effect on yields.

Social trends and developments

By building for the future, we will be able to meet changing needs and continue to create attractive living space. As a member of Swiss Prop Tech, we constantly monitor market innovations and social trends. Since we are building for a time horizon of 80 years, we always weigh up which trends will continue in the longer term and which ones we will respond to.

Advancing digitalization opens up opportunities for more efficient communication between tenants and managing agents. We are therefore pressing ahead with the development of modern communication channels. This allows us to align ourselves with tenants used to handling everything online.

In cities, there is increasing demand for small apartments, familiar from large Asian cities. Our apartments with an area of around 20 square meters boast innovative interior design and functional furnishing. In Basel we have already implemented this approach in the Claraturm. In other new build projects, too, we look into the need for small apartments.

Employee culture

Our corporate culture is based on our Culture Charter, which defines our work ethic and is expressed in our credo «We live real estate». We seek to create a culture in which all employees are passionate about their work. We are convinced that this is also reflected in the quality of our work. ■

Composition of the workforce (in persons, as at 31 December 2018)

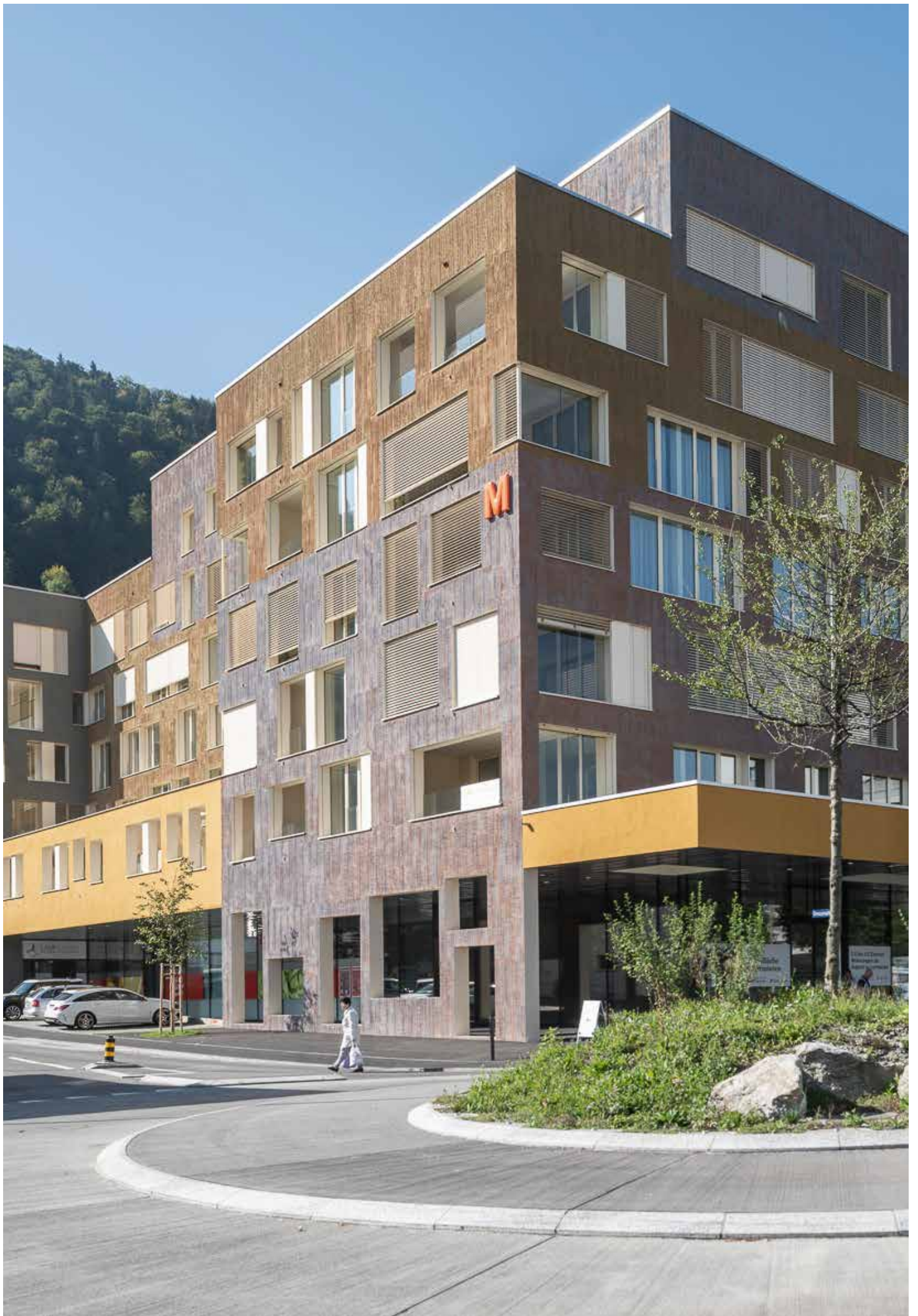
	Total	Male	Female
Workforce by employment contract			
Permanent	83	64	19
Temporary	0	0	0
Workforce by employment type			
Full time	76	64	12
Part time	7	0	7

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



UBS «Sima»

Forward-looking residential, commercial and restaurant premises are being created in the direct vicinity of Messe Basel. In this new build project with its small apartments we are implementing an innovative and smart approach to space and furniture. Thanks to movable modules, tenants can create different living setups at the touch of a button and shape their rooms according to their needs, thus ensuring efficient use of space. Various furnishing packages have also been put together for the apartments in the Claraturm, which can be ordered by tenants.



Reporting according to GRI Standards

For the third time Real Estate Switzerland is reporting in detail on its sustainability performance in accordance with the Global Reporting Initiative (GRI) Standards.

Transparent sustainability reporting
Real Estate Switzerland's comprehensive Sustainability Report complies with Global Reporting Initiative (GRI) Standards. By opting for GRI, Real Estate Switzerland chose the de facto global standard for sustainability reporting. This ensures that our commitment is presented in a structured format that is transparent, objective and comparable.

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 UBS AST Commercial Real Estate Switzerland, report on sustainability in their respective annual reports. The external mandate is not part of the sustainability reporting.

This Sustainability Report covers Real Estate Switzerland and 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 prepared in accordance with the GRI Standards: Core option. The

report underwent the GRI Materiality Disclosures Service and successfully passed this test (see GRI icon, [Page 26](#)). No external audit was performed.

The last report was published in November 2018. The materiality of the topics was re-evaluated in 2019. Within this framework, material topics were consolidated and new topics were classed as material ((GRI 102-46)). An updated overview can be found on [Page 9](#). The GRI Standards used were adapted accordingly (GRI 102-48). There were also no significant changes regarding organizational matters or the supply chain compared with the previous reporting period. In the environmental key figures, the 2017 data differs from the key figures published in the Sustainability Report 2017/2018 because the extrapolated values in the database for 2017 were replaced by real values. In particular, electricity consumption in 2017 was corrected as a data gap was closed (see footnotes to key environmental figures table [Page 21](#)) (GRI 102-49). ■

External agreements and initiatives

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

Memberships

- Swiss Sustainable Building Council (SGNI)
 - Swiss Real Estate Association (SVIT)
 - Association of Institutional Real Estate Investors (VII)
 - Swiss Funds & Asset Management Association (SFAMA)
 - Conference of Managers of Investment Foundations (KGAST)
 - Living Every Age (LEA)
 - Syndicate of Private, Professional Developers (IPB)
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GRI

content index



For the Materiality Disclosures Service, the GRI Service Team verified that the GRI content index is clearly presented and that the references for disclosures 102-40 to 102-49 are consistent with the relevant parts of the report. The GRI Materiality Disclosures Service was performed on the German version of the report.

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GRI 416: 2016	Customer health and safety		
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Reasons for omission

1) Not applicable 2) Restrictions due to a duty of confidentiality 3) Explicit legal prohibitions 4a) No information available 4b) Information partially available

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