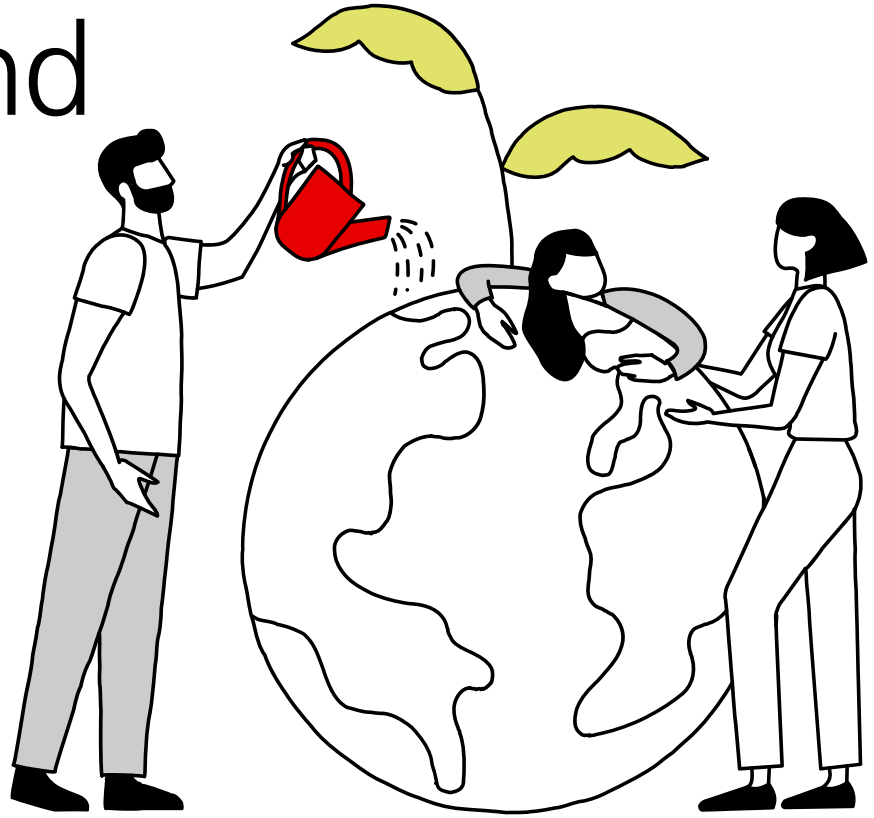
Real Estate Switzerland

Sustainability Report 2021/2022



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Real Estate Switzerland launched its sustainability strategy 10 years ago. How has sustainability evolved since 2012?

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Over the past years, the focus has been centered on ecological issues. Today, we have broadened our focus and, in addition to environmental issues, have also incorporated social aspects and responsible corporate governance into our actions. This holistic ESG approach has been reflected in our fund contracts with binding effect, and we have defined its objectives in a measurable way. For us, this means integrating these sustainability aspects into investment decisions and building management, reporting environmentally relevant key figures on energy and CO_2 emissions, and applying exclusion criteria to tenants and service providers.

Overall, we have learned a great deal in the last 10 years: Sustainability measures, which we have defined for the first time on our own initiative in 2012, have now become the standard and are integrated into our everyday processes. The experience and knowledge help us to capture and harness the momentum on sustainability issues.

The AMAS [1] recently published the self-regulation requiring Swiss real estate funds to publish environmentally relevant key figures. Is this a challenge for Real Estate Switzerland?

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The decision is groundbreaking and we believe it is the right approach. Together as an industry, we need to address progress measurement and review targets as we as a society are confronted with one of the biggest challenges of the past decades. The new environmental indicators introduced by AMAS represent an example of how experience has been shared between different market participants to define an industry standard that can also be implemented by smaller providers. We can only make an impact if we all pull together.

> «Together with our partners we bring our long-standing expertise in the field of sustainability to the table to drive the entire industry forward together.»
>
> Michael Böniger, Head Business Management & Operations

How does Real Estate Switzerland promote collaboration in terms of sustainability?

–

When it comes to sustainability, competition does not come first. We share our many years of knowledge and our enthusiasm for sustainability – be it in the development of regulatory standards, the promotion of innovation in the construction industry or pressing ahead with energy optimizations for the benefit of tenants. As these tasks become increasingly complex, we can only solve them together with our partners and investors. This is why collaboration with partners is of great importance to us.

1) Asset Management Association Switzerland (AMAS). For more information, please refer to: www.am-switzerland.ch

Michael Böniger, Head Business Management & Operations

What is Real Estate Switzerland doing to continue to promote sustainability?

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In line with our motto *We live real estate*, sustainability is reflected in our daily actions and decisions. We continue to drive the integration of sustainability into our investment processes and continuously expand our knowledge in the field of sustainability. In addition, we have defined a CO_2 emission reduction pathway for all the Real Estate Switzerland funds. It gives us a clear picture of where we stand and what we need to do to achieve the net zero target by 2050. We can use the pathway to measure the effects achieved and transparently share our path to reaching our targets.

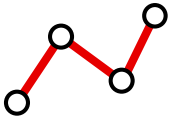
About Real Estate Switzerland

Facts and figures

11

real estate investment products and external mandates

Over

75 

years of documented success

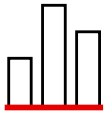
Sustainable and diversified strategies

More than

1100

properties

More than

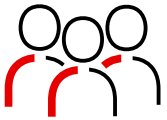
CHF 26 billion 

in fixed assets

The biggest Swiss real estate fund: UBS «Sima»

The oldest Swiss real estate fund: UBS «Foncipars»

Around

95 

experienced employees in Basel, Zurich and Lausanne

Please note: data as of 30 September 2022

Facts and figures[1)]

A+ rating

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

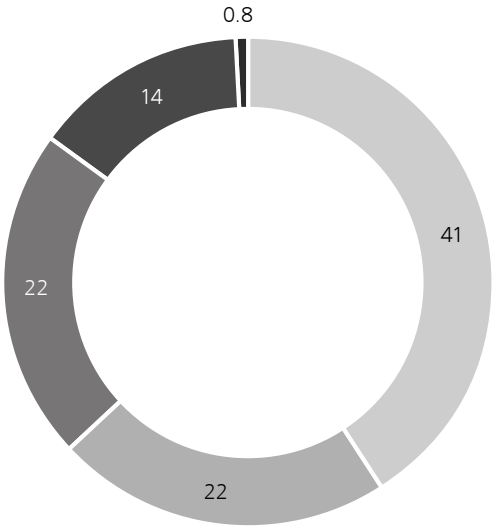
179

properties are certified and 26 pre-certified

Total size of our photovoltaic systems of over

7,500 kWp

Energy consumption by energy source in %



Once again,

33%

of residential tenants were surveyed about their satisfaction

>100

installed photovoltaic systems

Calculation of a

CO_2 emission reduction pathway

at portfolio level

1) See page 8 of the Real Estate Switzerland Sustainability Report 2021/2022 in accordance with GRI standards for precise calculation methodology. The overview shows the consolidated values of UBS «Anfos», UBS AST-IS, UBS AST-KIS, UBS Direct Residential, UBS Direct Urban, UBS «Foncipars», UBS «Sima», UBS «Swissreal» and Residentia. The real estate investment product UBS PF Europe and the mandate were not included in the calculations.

2) Since 2019, UBS has been using natural gas with a biogas content of 5 %.

Investment products [1)]

UBS «Anfos»
Invests in residential real estate in attractive locations in German-speaking Switzerland.

GRESB Rating 2022
Portfolio: ★★★★
Construction: ★★★★★

UBS «Foncipars»
Invests in residential real estate in attractive locations in French-speaking Switzerland. Oldest real estate fund in Switzerland (since 1943).

GRESB Rating 2022
Portfolio: ★★★★
Construction: ★★★★★
Portfolio award:
1st out of 13 in the «Switzerland Residential» category
Construction award:
Global Sector Leader, Residential

UBS «Sima»
Invests throughout Switzerland in residential, mixed and commercial real estate. Largest real estate fund in Switzerland.

GRESB Rating 2022
Portfolio: ★★★★
Construction: ★★★★★

UBS «Swissreal»
Invests throughout Switzerland in commercial real estate.

GRESB Rating 2022
Portfolio: ★★★★

UBS Direct Residential
Invests directly in residential buildings in Switzerland.

GRESB Rating 2022
Portfolio: ★★★★
Construction: ★★★★★
Construction award:
Global Sector Leader, Residential

UBS Direct Urban
Invests directly in residential and commercial properties in urban locations in Switzerland.

GRESB Rating 2022
Portfolio: ★★★★
Construction: ★★★★★
Construction award:
Global Sector Leader, Residential

UBS AST Real Estate Switzerland
An investment group under Swiss law with a mixed portfolio covering the whole of Switzerland.

GRESB Rating 2022
Portfolio: ★★★★
Construction: ★★★★★

UBS AST Commercial Real Estate Switzerland
An investment group under Swiss law with a portfolio covering the whole of Switzerland with focus on commercial properties.

GRESB Rating 2022
Portfolio: ★★★★

UBS PF Europe
Invests in mixed-use buildings in Europe.

GRESB Rating 2022
Portfolio: ★★★★★

Residentia
Invests in residential buildings in Italian-speaking Switzerland.

The fund took part in the GRESB assessment for the first time and received the green star award. [1)]

1) The Residentia fund participated in GRESB 2022 in the form of a test phase (grace period). From next year, Residentia will participate fully in the GRESB assessment, like the other funds, and will present the results.

Sustainability approach

Sustainability has been part of our corporate culture since 2012 and we see it as a central component of successful and responsible real estate management. Setting goals, communicating transparently, comparing, innovating and improving – this is how we optimize our properties for the benefit of the environment, stakeholders and society.

Sustainability strategy – our journey

We first adopted our sustainability strategy over 10 years ago. What was considered new at the time is now actively practiced and firmly integrated into everyday business as a guiding principle. In recent years, we have launched and implemented various sustainability measures. We look back on years full of changes and achievements: from the development of an implementation concept with measurable goals to integration into the process landscape to the development of energy monitoring and an ESG scorecard system. In 2019, we also revised our sustainability strategy and goals. We have defined three strategic pillars on which our long-term sustainability strategy is based.

From the very beginning, we have been working closely with our stakeholders to implement our sustainability strategy (see page 23). Their needs are an important point of reference for setting our objectives. Through adequate management processes, we can only achieve our goal of improving the risk-return profile of our real estate investment products without negatively impairing economic, social or ecological sustainability by consciously living our sustainability strategy and integrating further sustainability topics into our day-to-day processes every year. In recent years, for example, we have increasingly implemented electromobility and biodiversity projects and included social aspects of sustainability. Since 2020, we have also been concentrating on the adequate measurement of climate risks.

Pillars of our sustainability strategy

We ensure the potential of our investment products for **sustainable profitability** by incorporating economic, social and environmental aspects.

Thanks to having **suitable management processes** in place, sustainability aspects can be taken into account in all decisions.

The improved **risk-return profile** of our real estate investment products means increased resilience to future developments.

Materiality analysis

As part of a materiality analysis, we reviewed and redefined the topics that are central to our business activities and reporting in 2021. As a first step, we created a list of potentially relevant topics. Besides our own priorities, we also incorporated industry-relevant topics, the standards of the Sustainability Accounting Standards Board (SASB) and the GRI standards. In a second step, the topics were assessed and prioritized in terms of impact and business relevance. The list of new material topics is listed on page 5 of the Real Estate Switzerland Sustainability Report 2021/2022 in accordance with GRI Standards.

Adjustment of fund contracts

The investment objective of the real estate funds is to preserve the substance of the buildings over the long term and to distribute appropriate returns to investors. This should be based on the careful use of non-renewable energies and climate protection. To this end, the fund management company (see page 9 on the sustainability organization) has expanded the investment policy and objectives for the real estate funds and defined the sustainability objectives (known as «target matrix», see page 8) in a binding manner. These goals build on our strategic pillars and help us align our commitment to sustainability with the long-term needs of our stakeholders. With the inclusion of environmental, social and governance (ESG) aspects in the fund contracts of the Swiss UBS real estate funds in August 2022, we sent another strong signal on the way to climate neutrality of our real estate investment products.

Target matrix in fund contracts

Indicator	Goal
Greenhouse gas intensity (kg CO_2e/m^2/year)	–50 % by 2030 (vs. 2019)
Energy intensity (kWh/m^2/year)	–30 % by 2040 (vs. 2019)
Share of renewable energy	Min. 50 % by 2040
Data coverage	Close to 100 % by 2030
Building certification or GEAK	Min. 90 % by 2030
Climate neutrality	100 % by 2050

To achieve our goals, we are concentrating, in particular, on replacing fossil heating systems and improving energy efficiency in our existing properties. We plan and implement our construction projects in accordance with established sustainability standards (see page 25 on building certificates). As a result, sustainability aspects are incorporated into the entire investment process and implemented throughout the life cycle of the properties – from acquisition and new construction to refurbishment and ongoing operations.

Sustainable development goals

To make our contribution to the global agenda for sustainable development, our sustainability strategy is based on the 17 Sustainable Development Goals (SDGs) of the United Nations and focuses on the eight goals that we can positively influence through our activities. The 17 SDGs form the core of the sustainable development agenda through to 2030. The goals were adopted by all UN member states in 2015 and take into account the economic, social and environmental dimensions of sustainable development. The global partnership of all countries, as well as the contribution of the private sector and non-governmental organizations, are crucial to achieving the SDGs.

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

Well-being has priority
We ensure greater satisfaction in our properties: we take our clients' concerns seriously, promote additional services, ensure better air and light quality, reduce noise and safety-related risks and provide places to meet.

Water is a valuable asset
We reduce water consumption in our properties with water-saving fittings. Only energy- and water-efficient models are used for the appliances.

Only renewable energies are sustainable
Photovoltaic systems on the roofs of our properties produce electricity that can be used by our tenants. Our efficiency measures reduce energy consumption and also incidental expenses.

Innovation drives us forward
To meet the most important needs of our customer groups, we take advantage of the possibilities and opportunities offered by new technologies. For example, we promote digital communication channels, modern mobility concepts and electronic parcel boxes and create recycling opportunities.

Certificates set standards
All new buildings are planned and constructed in accordance with the latest sustainability standards. In this way, we optimize processes, quality and efficiency. The building materials used are aimed at maximum recyclability and a reduction in pollutant emissions.

Moving away from fossil fuels
By using only renewable energies in new buildings, we can continuously reduce the CO_2 emissions of our properties. Existing fossil fuel plants are being gradually replaced.

Greater density rather than sprawl
By developing existing properties, we rely on greater density internally and can, therefore, minimize the use of additional land. When designing the surroundings, we pay attention to a nature-focused design that promotes biodiversity and increases the quality of life.

Maintaining partnerships
To achieve our sustainability goals, we depend on close cooperation. We do not only rely on existing partners who share our goals and values, but also on new partnerships that give us access to further expertise.

Source credits: United Nations, Sustainable Development Goals

Stakeholder engagement

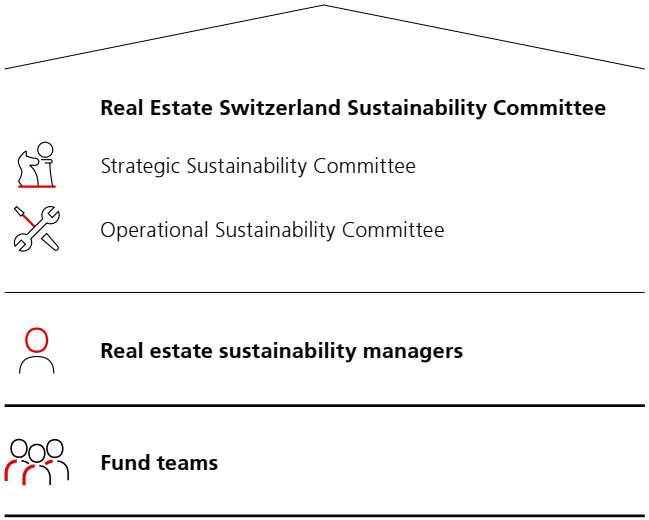
Thanks to a large network of stakeholders, we work with one another to implement our sustainability strategy. The most important stakeholder groups for us are investors, analysts, sales partners, tenants, managers, planners, construction companies, architects, general contractors and brokers. In addition, we rely on close collaboration with civil society organizations. We actively participate in various associations, exchange ideas with stakeholders from politics and authorities on an ongoing basis and, of course, also engage in dialog with residents from neighboring properties.

It is very important to us to make an impact. This is why we actively contribute our know-how, which has grown over the years, to our partnerships, because this is the only way we can achieve social goals. As we want to promote transparency, we are part of the working group of the Swiss Finance Sustainable Score. We were also actively involved in the working group on the development of AMAS industry standards. Moreover, we were represented on the board of the Real Estate Data Association (REIDA), which aims, among other things, to make environmental indicators in the real estate industry comparable.

Sustainability organization

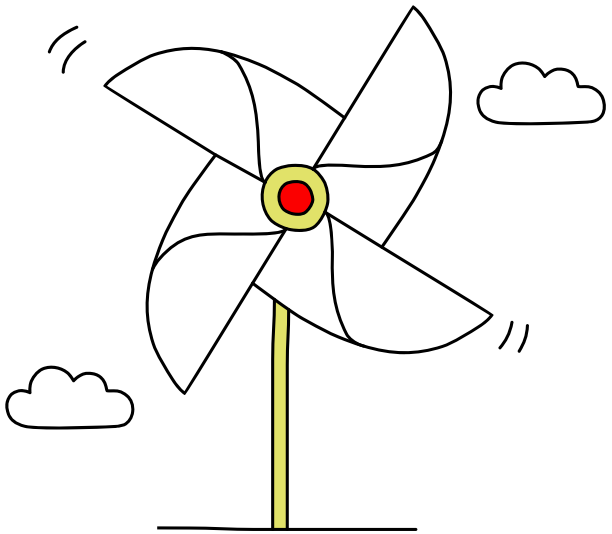
At Real Estate Switzerland, sustainability is not only a specialist domain of one department, but it represents an integral part of the actions of all employees. Sustainability is firmly anchored at every stage – from the respective fund teams to the specific committees:

– The general directions are defined by the Strategic Sustainability Committee, while implementation in the various specialist areas is ensured by the Operational Sustainability Committee.
– The real estate sustainability managers act as the expert interface between the committees and the fund teams. They advise and support the teams in day-to-day business on sustainability issues.
– The fund teams are the key drivers of our commitment to our sustainability strategy and its implementation.



Ecological buildings

Our construction and refurbishment strategy is aligned with Switzerland's net zero target. For many years, the use of renewable energies, increasing energy efficiency and reducing CO_2 emissions have been of central importance in this respect. The focus is increasingly on conserving resources in the construction and operation of our properties.



CO_2 emissions and energy consumption

According to the Federal Office for the Environment (FOEN), buildings cause almost a quarter of all greenhouse gas emissions in Switzerland.[1] This is why improving the environmental footprint of real estate has a significant contribution to achieving the national climate targets. We are aware of this fact and are therefore making our contribution to achieving the national CO_2 reduction target of net zero greenhouse gas emissions by 2050. In our investment planning, the reduction of CO_2 emissions and energy consumption in our properties has become increasingly important.

CO_2 emission reduction pathway

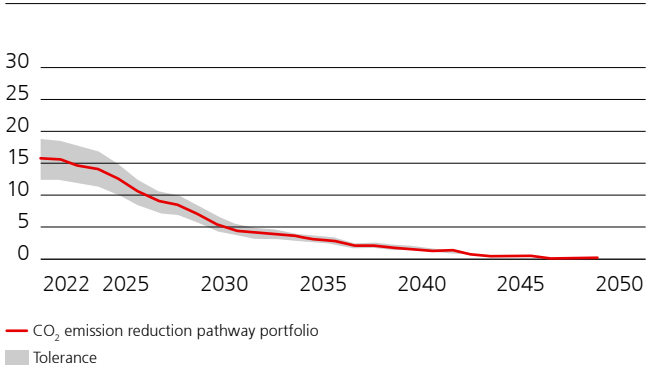
To implement the ambitious sustainability goals in the best possible way, taking into account economic, environmental and social aspects, we have calculated a CO_2 reduction pathway for our properties. The reduction pathway will help us to progressively achieve the CO_2 neutral operation of our properties by 2050. The pathway is not intended to be a one-off analysis, but rather a tool for our real estate strategy.

The results of the emission reduction pathway calculations show that our real estate investment products are well on track to achieve the goals of the Paris Climate Agreement in 2030 and the CO_2 neutral operation of the portfolio by 2050. This result motivates us to stick to our ambitious sustainability goals and to continue to implement the defined measures consistently.

1) Source: https://www.bafu.admin.ch/bafu/de/home/themen/klima/inkuerze.html

CO_2 emission reduction pathway (operating energy)

Greenhouse gas emissions in kg CO_2 e/m²/year



This is an example of an emission reduction pathway for the real estate fund UBS «Anfos». For more information on refurbishment strategies and the calculation of energy needs and CO_2 equivalents, please refer to the annual reports.

Our measures to achieve the net zero target

- Replacing fossil fuels with more sustainable alternatives
- Increasing energy efficiency (e.g. through structural measures such as insulation, ventilation)
- Producing/purchasing renewable electricity
- Reducing embodied energy (circular economy, materialization)

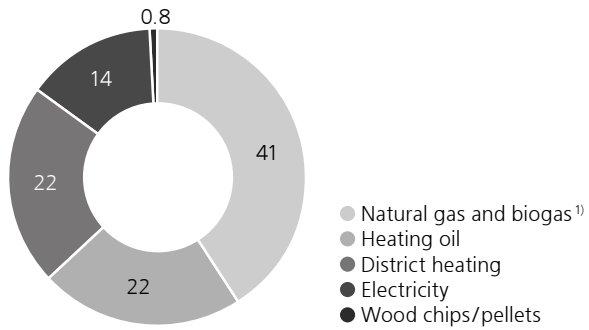
Renewable energy sources

We only use renewable energy sources in our new buildings. We are also guided by climate protection targets when it comes to refurbishments. Our entire real estate portfolio is analyzed to determine where improvements can potentially be made, and the corresponding results are coordinated with investment planning. Our stated aim is to gradually replace heating systems fired with fossil fuels and to rely on renewable energy sources. Where possible, we plan the replacement of fossil fuel heating systems in line with the regular refurbishment schedules of the properties. Converting the entire portfolio to renewable energy sources will, therefore, take several years. In exceptional cases, the replacement of a fossil heating system cannot be realized due to technical and regulatory hurdles.

We currently derive 37 % of the energy needed to operate our properties (electricity for communal areas and heat energy) from renewable energy sources (including district heating). We want to steadily increase this share and have set ourselves the goal of obtaining at least 50 % of the energy used to operate our properties from renewable energy sources by 2040. We buy guarantees of origin from hydropower production and we, therefore, cover the demand for electricity for the communal areas of our properties exclusively from renewable sources.

Energy consumption by energy source

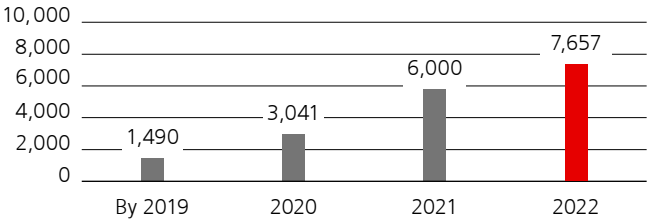
in %



1) Since 2019, UBS has been using natural gas with a biogas content of 5 %.

Installed capacity for the production of solar power

in kWp



Photovoltaic systems are making a significant contribution to the shift towards renewable energies. We successfully achieved the target set in 2018 of 100 installed photovoltaic systems by the end of 2022 (see page 12, «Making an impact with renewable energies»). Currently, more than 100 systems are in use and the construction of further plants is already planned for the following years. Real Estate Switzerland also operates solar thermal systems on several properties.

Making an impact with renewable energies

A key measure to achieve our net zero target by 2050 is to invest in renewable energy. To implement this measure in a structured manner, we launched a major project for the planning and construction of photovoltaic systems on our roofs several years ago and set ourselves some ambitious targets. We have achieved our first target this year – the construction of 100 plants.

Our photovoltaic project started in 2017 with the construction of three photovoltaic systems. This led to the launch of a large-scale roll-out across our entire Swiss portfolio in the summer of 2018. The identification of potential projects, evaluation and realization of new opportunities is an ongoing process.

Large-scale roll-out of photovoltaic systems

2018:
Goal: installation of 100 photovoltaic systems by the end of 2022

→

From 2018:
Large-scale roll-out

→

2022:
Target of 100 plants achieved with further projects already in the implementation phase

«At UBS AST-IS, we have doubled solar power production annually in the past years. By the end of 2023, we will have more installed capacity ready for operation than at the AlpinSolar power plant at Muttsee. This is another contribution towards the transition to renewable energies.»

Roman Weiss, Project Manager Construction & Development, UBS AST-IS

Improved energy efficiency

In our investment planning, the reduction in CO_2 emissions and energy consumption in our properties has become increasingly important. Real Estate Switzerland improves the energy efficiency of buildings, for example through insulation measures and the installation of intelligent and energy-saving components such as LED lights and sensors. Thanks to lower operating costs, our tenants also benefit from these climate protection measures.

Our development potential: implementing demanding refurbishments

By preparing the CO_2 emission reduction pathways, we have integrated the planned refurbishment measures into our investment planning. However, the conversion of the entire portfolio to renewable energy sources will take several years. Due to technical issues, the replacement of the heating systems is not always possible without obstacles. In challenging cases, our innovative strength is particularly in demand.

Resource-efficient construction and operation

Both the construction of new and the operation of existing properties require valuable resources such as land, building materials and water. We strive to minimize this consumption in all areas.

Using creativity to preserve resources

To minimize the use of new land as much as possible, we concentrate on the further development of our properties – for example by adding more floors to buildings. We work with low-emission and recyclable building materials and increasingly rely on wood as an alternative building material. Together with other industry representatives, we are working to make construction processes more resource-efficient.

Circular economy has potential

We engage with the topic of the circular economy not only for environmental reasons but also in view of the rising prices of building materials. We are promoting the circular economy through innovative ideas in our projects. In addition, we seek dialog with specialist partners on the topic of circular economy. During refurbishment, we are often faced with the decision of whether something needs to be replaced or can be reused. Although the first pilot tests in the field of the circular economy have already been initiated, we would like to continue to strengthen our efforts to promote the circular economy. However, we depend on the market accepting recycling and reuse to a larger extent than before.

Economical use of water

When constructing and operating our properties, we take care – with the use of technical and planning measures – to use water responsibly as a valuable resource. It makes both ecological and economic sense to use less water and reduce the amount of wastewater. In residential buildings, around one third of the energy is needed to heat water. If less water is used overall, less water needs to be heated. For these reasons, only water-saving fittings are used in our properties. New tenants receive a fact sheet with valuable information on the economical use of water together with their lease agreement.

Our development potential: commitment to the circular economy

The recycling of materials contributes to energy-efficient and resource-saving construction. But it poses challenges: for example, a large proportion of today's standard building materials are not reusable and recycling building materials is costly. New building materials and components are often cheaper and also preferred by tenants. This shows that there must continue to be a reassessment of recycling and the circular economy in the construction industry.

Our achievements

- CO_2 emission reduction pathway created at portfolio level
- Inclusion of sustainability goals in fund contracts
- Target of 100 installed photovoltaic systems achieved by 2022, over 30 of them last year alone

Conversion project in Winterthur, UBS AST-KIS

Replacing fossil heating systems with renewable alternatives in our existing properties is a key measure for achieving the net zero target. For example, UBS AST-KIS is currently completely renovating its property in Winterthur for a cantonal school as a new tenant. As part of this complete refurbishment, the heat supply through an old oil heating system will also be replaced by a connection to the district heating network of Stadtwerke Winterthur. The district heating network of Stadtwerke Winterthur is characterized by its efficient heat generation with a waste incineration plant. In addition, we also use the energy from the waste heat of the waste incineration plant in summer by cooling the property for our tenant with the help of an absorber. This results in heated and cooled classrooms on an absolutely sustainable basis for the benefit of our tenant.

Photovoltaic project in Lugano, UBS AST-IS

Creativity and multi-year planning are required to take the most resource-saving measures for our properties today. An important criterion is the consideration of the different service life of the components. For example, UBS AST-IS already planned a space for the installation of heat pumps on the roofs when building a photovoltaic system in Lugano, so that the gas heating systems that are still in place can be replaced when their service life comes to an end by 2030.

Powerful photovoltaic system on logistics property in Emmen (LU), UBS «Swissreal»

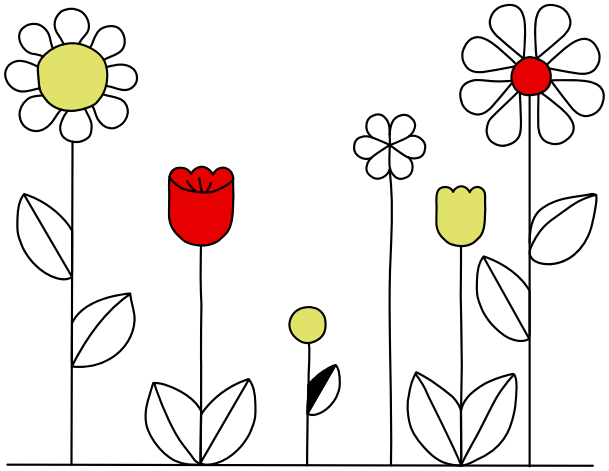
Since its construction in 2009, the logistics property in Emmen (LU) has been part of UBS's Swissreal portfolio. Last year, in collaboration with the long-standing single tenant, a large-scale photovoltaic system with a module area of around 4,000 m² and a system output of around 840 kWp was installed. Commissioning took place in October 2021. The project confirms that solar power systems can make an important contribution towards the transition to renewable energies in Switzerland and simultaneously increase the property's attractiveness for tenants. Commercial tenants obtain the electricity for their own use and benefit from lower prices and at the same time improve their climate footprint.

Complete refurbishment in Dietlikon, UBS «Anfos»

With every complete refurbishment, our goal is to increase energy efficiency through our refurbishment measures and to replace existing fossil fuel heating systems with sustainable alternatives. UBS «Anfos» was able to replace the old oil heating system in an existing property in Dietlikon with an energy-efficient heat pump based on borehole heat exchangers. To cover the electricity consumption, additional photovoltaic systems were installed on both roofs. In addition, an energy-saving facade and flat roof refurbishment was carried out to increase the energy efficiency of the property and also to optimally design the necessary size of the heat pump, including borehole heat exchangers for the property.

Building for tomorrow

We build with the future in mind and create attractive living spaces in the long term. For this reason, we closely monitor social trends, demographic developments and the effects of climate change. The aim is to increase the well-being of tenants.



Forward-looking infrastructure
Our primary goal is to provide forward-looking infrastructure and attractive spaces. As our time horizon for building is 80 years, today we are already dealing with the trends of tomorrow. We respond to social developments and strive to make sensible use of new technologies and state-of-the-art mobility concepts.

Changing demands
The COVID-19 pandemic changed the way we live and work. Many spend more time at home, so a pleasant living environment has become even more important. At the same time, the trend towards working from home means that living close to the city center no longer has the same appeal as before the pandemic. In urban areas, small, innovatively equipped apartments are currently in demand. We take this trend into account in new construction projects.

Tenants value digital communication
A growing number of tenants want to handle as many matters as possible online. We are responding to this demand with modern communication services such as our tenant app. The app enables uncomplicated and efficient communication between tenants and building management. The parcel boxes available in the properties can also be operated with the app. We also use the app to ensure that facility management is always easily accessible.

Interest in sustainability is growing
During the pandemic, Real Estate Switzerland has increasingly sought contact with commercial tenants to find out more about their needs. Similar to us, commercial users are increasingly pursuing sustainability interests. For commercial tenants, our energy-efficient or photovoltaic-equipped properties are, therefore, particularly attractive.

E-charging infrastructure is growing
The trend towards e-mobility for cars and bicycles continues. Our mobility guideline, which was developed at an early stage, ensures that we approach the topic in a structured manner and include e-charging stations in every new construction or purchase. If tenants of our existing properties wish to install charging stations, we examine the possibilities of retrofitting and implement them accordingly. Using the tenant app, users can access information about their e-mobility electricity consumption.

We are also open to other mobility concepts, such as car sharing or bike stations. We already offer the necessary infrastructure at various locations. In addition, we are continuously improving public access to charging networks in car parks.

There is a lot going on when it comes to e-mobility. We are constantly on the lookout for new solutions and services and include the latest developments in charging infrastructure and battery distance ranges in our planning.

Our development potential: securing sustainable infrastructure

The design of a sustainable infrastructure requires foresight. It is difficult to predict what needs will shape our society in 80 years and beyond. When introducing new technologies, we must always take into account the future security of building technology. We are currently working on retrofitting charging stations for electromobility. The market is still very dynamic and at the moment we are mainly concerned with the questions of the future charging infrastructure and the battery distance range.

Climate-adapted environmental design

Green spaces are worth protecting for many reasons. They are good for our well-being, improve the quality of life, preserve biodiversity and mitigate the effects of climate change. Only sufficient green spaces ensure that rain can percolate away, and trees provide a cooling shade in hot temperatures.

Preserving and creating green spaces

We at Real Estate Switzerland see it as our mission to preserve as many green spaces as possible and create new ones. Percolating-promotion measures, the nature-focused design of the living environment and biodiversity with a focus on native plants are an integral part of our building specifications and are factored in all projects.

Greater density rather than sprawl

We look for innovative solutions to the conflict of interest that arises when the preservation of open spaces competes with the demand for new living space. According to our motto «greater density rather than sprawl» we focus on growth from within the existing portfolio, rather than use of additional land. At the same time, we pay attention to a nature-focused design to protect biodiversity. When it comes to climate-adapted design, we seek to collaborate with the municipalities and cantons, because many areas already have adopted regulations to protect open spaces. In addition, we achieve the greatest impact through holistic solutions coordinated with stakeholders.

Open spaces are valuable

We convey to our investors that open spaces have an economic value, because they significantly improve the quality of life and therefore add value to locations. In addition, green spaces help to mitigate climate risks and minimize costs.

Our development potential: open space protection becomes standard

We continue to work on innovative solutions to protect open spaces and at the same time meet the demand for additional living space, especially in urban areas. In the future, we want to approach climate-adapted environmental design in an even more structured way and integrate it into our standard processes.

Well-being of tenants

We have a duty of care towards our tenants and the satisfaction of our tenants is our top priority, irrespective of whether they are residential or commercial tenants. We take the concerns of our tenants seriously and see their feedback as an opportunity to continue improving. We design our properties as if we would be moving into them ourselves – this aspiration is reflected in the solid performance of our funds.

Close contact with our tenants

Because of the COVID-19 pandemic, there was a need for more communication and this has fostered closer contacts with tenants. We benefit from this closer relationship because we receive valuable suggestions and feedback. We intend to continue to cultivate these contacts in the future. A separate internal team deals with the needs of commercial property tenants.

Positive results of a tenant survey

Every year, we conduct a satisfaction survey among one-third of our residential tenants. The survey is conducted online. The survey revolves around the residential property, services and condition of each property. The response rate of the tenant survey in 2022 was encouraging at 44 % and the feedback was generally very positive. For example, around 85 % of respondents rated the property management and maintenance as friendly. The floor plans and apartment layouts were largely rated as very satisfactory.

Safety and comfort are priorities

One challenge is to cater to the sometimes very different interests of tenants. We also try to accommodate «small» requests from tenants, such as the wish for better lighting in the stairwell. This commitment goes a long way towards fostering good tenant relations. In addition, we bundle requests and prioritize and take care of particularly frequently mentioned concerns. Key factors in achieving a high level of tenant satisfaction include a pleasant living environment, comfort and high safety standards. We meet these requirements, for example, by offering additional services such as cleaning services, which, in some properties, can be booked through the tenant app. We review the safety and general condition of our properties every three years. In this way, any deficiencies can be detected at an early stage, which helps us safeguard the quality and attractiveness of our properties.

Tenants value sustainability

Already during the planning of buildings, we attach great importance to sustainable conditions such as optimal use of daylight, natural ventilation and sun protection devices. In office buildings, we optimize indoor air quality and sound levels. These efforts are highly appreciated by our tenants.

Our development potential: more transparency in energy matters

We are committed to the transition to renewable energies. In the future, we want to be able to demonstrate to our tenants in even greater detail that we are handling the issue of energy responsibly and achieving savings through intelligent energy purchasing and operational optimization.

Our achievements in the 2021/22 financial year

- Integration of sustainability issues into the annual residential tenant survey
- Continuous optimization of tenant-oriented infrastructure
- Update of the e-mobility guide and installation of additional charging stations

Installation of e-mobility charging stations in Pilatusmarkt, UBS «Sima», UBS «AST-IS», UBS «Swissreal»

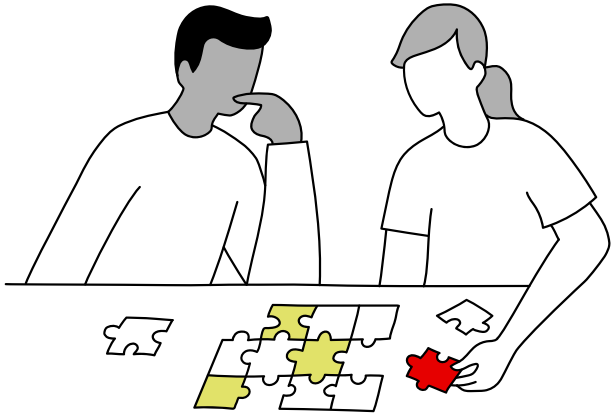
The Pilatusmarkt Kriens is a shopping center in Central Switzerland, which offers a variety of shopping and leisure opportunities. By the end of September 2022, twelve Superchargers and further charging stations were opened in the shopping center.

Nature in residential areas – new replacement building in Zurich, UBS «Sima»

In a replacement construction project by UBS «Sima», more than 100 apartments are being built in line with the motto «Sustainable into the future». In urban areas, attention is paid to a variety of plant species as well as green facades. Green facades offer a valuable habitat to a wide variety of insects and additional benefits such as a cooling effect on hot days and tropical nights, effective noise protection and protection against external influences. This innovative project has been pre-certified by the Stiftung Natur & Wirtschaft (foundation for nature & business).

Resilient investment portfolios

Thanks to the holistic sustainability strategy, specialized and agile fund teams and the disciplined application of a risk-conscious investment approach, our real estate investment products have been delivering competitive returns for years. At the same time, thanks to constant innovation in construction, they meet all the key sustainability criteria.



Profitability and earnings security
Real Estate Switzerland ensures that returns are optimally proportionate to risk. In this way, we ensure that our investment products remain attractive in the long term. We continuously review and adjust this risk-return profile – taking into account financial, economic, social, regulatory and reputational aspects. Our multidisciplinary fund teams ensure responsible property management and systematically compare our performance with that of other real estate fund providers.

Satisfied tenants and low vacancy rates
High occupancy rates and long-term leases are safeguarding our returns and profitability. Through active tenant management and good contacts with tenants, we know their needs and achieve a high level of tenant satisfaction. We strive to continuously reduce vacancy rates by promoting conversions and offering high quality standards. As tenants like to live and work in our properties, the demand is high.

We have a strong presence in sought-after urban locations. To this end, we focus on greater density that is both profitable and sustainable. This creates new possibilities for use while taking up as little additional land as possible.

Innovative, sustainable products
Meeting regulatory requirements is increasingly part of our day-to-day business. We actively monitor this dynamic process so we can be prepared for new requirements. However, not only do we want to keep pace with developments, we also want to take on a pioneering role. In this way, new regulations create opportunities to strengthen our market position. We continue to develop our portfolio systematically and with foresight. Our Research & Strategy department is constantly developing innovative products and enhancing the future viability of our offering.

Responsible real estate management

With an «add value by valuing others» approach, we ensure that our funds remain profitable in the future. We are convinced that long-term success is only possible if we include social and environmental aspects in our decision-making along with economic aspects. Sustainability criteria are integrated into the entire life cycle of the properties (see schematic diagram below).

Integration of sustainability along the life cycle of properties

1. Sustainability checklist
for due diligence:
– Risk analysis
– Sustainability assessment of the property
– Identification of potential optimizations

2. Construction and development
Sustainability standards are defined as follows:
– All new construction projects are certified
– All complete refurbishment projects improve efficiency
– No investment in fossil heating systems

3. Portfolio maintenance
Identification of optimization measures:
– By recording and analyzing energy and water consumption
– By conducting tenant surveys
– By collaborating with our managers, facility managers and tenants

Our development potential: improved planning to meet price increases

In the coming years, we will continue to improve our process organization. In view of rising construction prices, it is becoming even more important to consider investments carefully, review renovation cycles, and purchase and use energy responsibly – not least to keep costs under control for tenants.

Innovation in construction

In addition to innovative materials and new focal points, sustainable construction also requires a change in processes: as the resource-efficient buildings of the future will be much more complex, closer cooperation between all stakeholders is required in addition to comprehensive technical expertise. Digitization makes an important contribution to ensuring that the individual stakeholders in a construction project can communicate and collaborate better and that workflows become more transparent and secure. Many general contractors have already adapted to the changing requirements.

Agility and creativity

Increasing sustainability requirements and the current construction cost rises are a strong driver of innovation. To ensure our long-term success, we must remain agile and systematically use approaches to develop new ideas. Important sources for this are, for example, tenant requests and our cooperation with SwissProp Tech, the innovative start-up community in our industry.

Our development potential: mastering complexity in construction

With the increasing importance of sustainability, new topics are constantly emerging that occupy the entire industry. As the density of topics grows, so does the number of standards and regulations. At the same time, we must approach new developments with caution. Due to the long life cycles of our properties, decisions will affect our operations for decades.

Our achievements in the 2021/22 financial year
– More than CHF 26 billion in fixed assets
– Responsible real estate management thanks to multidisciplinary fund teams

Acquisition of a residential property in Cresciano, Residentia

By integrating sustainability along the entire life cycle of a property, sustainability aspects also play a role in any purchasing decision process. With effect from 1 October 2022, Residentia acquired a small property in Cresciano, north of Bellinzona (TI). The property is located in a quiet residential zone on a south-facing slope. It has 13 apartments and 10 indoor and 10 outdoor parking spaces. The heat is generated by a heat pump, and a photovoltaic system is installed on the roof which, i.a. supplies the heat pump with electricity. The property, built in 2018, represents an ideal investment opportunity to optimize Residentia's portfolio thanks to its sustainable energy generation.

Refurbishment and expansion project in Geneva, UBS «Foncipars»

In spring 2022, UBS «Foncipars» concluded an energy saving contract (ESC) for a property in Geneva to make the best possible use of the energy required to operate the property. The ESC is aimed at energy efficiency and cost savings, which guarantee the considerable and contractually defined energy reduction in the long term through suitable efficiency, renovation or modernization measures.

Partnership approach

Constructing and operating real estate in a resource-conserving and energy-efficient way cannot be achieved singlehandedly. This is why it is critical everyone involved pulls in the same direction – from contractors and managers right through to the tenants. We follow a consistent partnership approach throughout our business and work mainly with like-minded people on the issue of sustainability. The key factor behind our success and the link to all our partners are our committed employees.

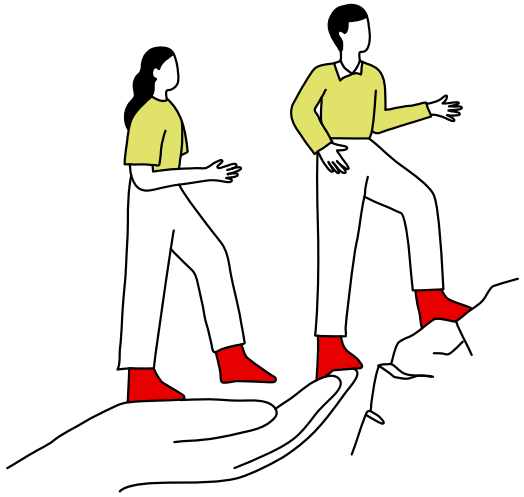
Partnerships and stakeholder dialog
Sustainability and climate protection are overriding goals that can only be achieved through the commitment of all parties involved – from tenants to suppliers. This is why we systematically involve our internal and external partners in our sustainability strategy.

Innovation platform streamlines processes
We are currently setting up a digital innovation platform to exchange views and ideas both internally and externally. This information hub will reduce interfaces, facilitate efficient planning and can be expanded to include new business areas and topics. The implementation phase is planned for next year.

Involvement in associations and working groups
We maintain a dialog with external partners as a member of various associations and working groups, where we seek to exchange views and ideas on structural developments, sustainable property management and plant management. We also cooperate with authorities and political stakeholders and maintain dialog with residents of neighboring properties.

Clear guidelines for business partners
We also maintain an open and continuous dialog with our suppliers. Our requirements applicable to business partners are presented transparently and clearly in the guidelines. Our direct suppliers are bound to the UBS Responsible Supply Chain Standard, which sets out the guidelines on matters such as preventing corruption, human and labor rights, environmental protection and health and safety. Compliance with these requirements is monitored by the Supply Chain Management.

Involving tenants
To reduce resource consumption, we depend on the cooperation of tenants, because their behavior plays a central role in the level of consumption. New tenants receive tips and information, for example, on the economical use of energy and water, with their tenancy agreement. As an incentive to conserve resources in everyday life, our tenant app not only provides tenants with up-to-date data on their energy and water consumption, but also information on sustainable mobility.



Consolidation purchase in Wittenbach – UBS Direct Residential

With a project at Wittenbach station, UBS Direct Residential wants to design a new station district that is connected to public transport and will become part of the new lively center of Wittenbach. The mobility hub on the station site will also be supplemented by residential space. The focus is on attractive small apartments with optimal connections to public transport. The timely collaboration and innovative drive of all those involved contribute to the creation of an integrated, attractive and ecological center for Wittenbach.

Our development potential: contribution to sustainability thanks to stakeholder dialog

For sustainability to be integrated into all processes, all stakeholders must pull together and pursue common goals. To do this, it is sometimes important to reconcile conflicting interests. While we do see great potential in the circular economy for the construction sector, we can only make the transition with the right partners.

Employees

As part of UBS, Real Estate Switzerland is an attractive employer. In a similar way, committed employees are the foundations of our success. We want to create a corporate culture that all employees share with great enthusiasm and motivation. We are convinced that this commitment is reflected in the quality of our work. Therefore, all employees should also know and represent our sustainability strategy.

With conviction, many employees are happy to take on the topic of sustainability. They are the ones who work on achieving our ESG goals in their daily work and also act as ambassadors for our sustainability strategy to the outside world. The role of management is to guide employees toward the areas where they can make a concrete contribution to sustainability in their areas of work.

Continuous improvement of information and training

The communication of our sustainability strategy to our employees is an ongoing task. In this context, it is important for us to keep improving the available information and training on sustainable management and climate protection. For example, we offer internal specialist events and provide information about the work of various committees. Information is also exchanged between the various funds. During «lunch & learn» sessions, our employees can exchange ideas and receive further training on various sustainability themes. In the reporting year, these sessions focused on the topics of energy and mobility.

Our development potential: promoting talent, identifying prospects

A recent survey showed that employee satisfaction is very high. 80% of all employees still see themselves at Real Estate Switzerland in five years. Despite this positive result, we want to strengthen our commitment to a pleasant working environment, simplify processes and place even more flexibility and personal responsibility in the hands of our employees.

Our achievements in the 2021/22 financial year

– Involvement in working groups and associations to define industry standards
– Increased awareness among internal and external stakeholders on the implementation of our sustainability strategy

Use of suitable tools

The most important basis for measuring the successes achieved is a valid database. To constantly improve our sustainability performance, we once again placed a clear emphasis on improving our data basis this year. We see an additional incentive in external assessments of our sustainability efforts when participating in benchmarks and sustainability certifications.

Data basis
With our cross-fund greenhouse gas reduction pathway, we have a detailed roadmap that will take us to net zero emissions by 2050. A sound data basis was a prerequisite for the preparation of the reduction pathway. In the future, we will continue to work on the ongoing improvement of data collection and data quality. This will allow us to plan new measures, duly adapt existing ones and to evaluate results. As every property in our portfolio is subject to a sustainability rating, a detailed data basis is also required for this purpose.

Building certificates
Certifications are useful as they make it possible to conduct a transparent and comparable sustainability assessment of real estate. They also contribute to the optimization of life cycle costs of real estate and increase the value of property. Currently, 179 properties in our overall portfolio are certified and 26 properties are pre-certified.

Certification of all new construction projects
We plan and construct all new buildings based on the latest sustainability standards. We systematically evaluate which building certification is appropriate for each building.

In-house certifications for existing properties
We are increasingly carrying out in-house certifications in accordance with the standards of the German Sustainable Building Council (DGNB). In this way, we also meet the wishes of commercial tenants, who are increasingly paying attention to certificates as a quality seal.

Building certificates

Certificate	Number
2000-watt	1
DGNB Gold (SGNI)	3
DGNB buildings in operation	125
LEED Platinum	2
Minergie	41
Minergie-Eco	2
Minergie-P	5
Definitive [1]	**179**
Provisional	**26**

1) Some properties have both a construction and portfolio certificate (DGNB in operation). These properties are listed in both certificate categories.

Cantonal Energy Certificate for Buildings (CECB)
To improve our data basis and to assess the existing properties according to their components, we are gradually issuing a CECB report for all our properties. Currently, almost one third of our properties have a CECB report, which sets out the actual status in terms of energy consumption and CO_2 emissions.

Participation in benchmarks

Global Real Estate Sustainability Benchmark (GRESB)
It is important to us that our funds' comprehensive commitment to sustainability is assessed by external experts. This is why we participate in the Global Real Estate Sustainability Benchmark (GRESB) every year. GRESB analyzes and compares the sustainability performance of real estate investment products. Both existing and development projects are taken into account. It is the leading benchmark for sustainability in the real estate industry and represents over 1,800 real estate portfolios worldwide.

GRESB compares the investment fund to a peer group consisting of members with a similar geographical location, legal form and class of use. First, the evaluation consists of an absolute component, which is reflected in the «GRESB score». The maximum score is 100 points. The GRESB rating also shows how well a real estate portfolio performs relative to all participating portfolios. The highest «GRESB rating» is five stars. As the questionnaire is constantly being refined and new components added, the current «GRESB score» and «GRESB Rating» are not fully comparable with previous year's results.

Paris Agreement Capital Transition Assessment (PACTA)
This year, we submitted data from our portfolios for FOEN's climate impact assessment again. PACTA is a comprehensive test used to analyze financial portfolios for their impact on the climate. Investments and financing are considered to be climate-friendly if they are in line with the internationally agreed climate target of keeping global warming well below two degrees Celsius. For the time being, the implementation of this goal is to be achieved through voluntary measures by the financial industry. Swiss banks, asset managers, pension funds and insurance companies can voluntarily and anonymously have their portfolios reviewed.

REIDA CO_2 benchmark
Launched in 2022, the REIDA CO_2 benchmark aims to promote comparability between peers and within the industry with a CO_2 benchmark on real energy consumption data. An important element of comparability is transparency. This is why it is of key importance for the benchmark to disclose all methodological aspects. To further advance the topic of transparency and comparability, we participated in the REIDA CO_2 benchmark with our products. At the time of writing, however, the evaluations were not yet available.

Regulatory requirements

Real Estate Switzerland has been committed to sustainability for years and is well prepared for the increase in regulatory requirements in this area. The increasing demands for transparency and comparability of the published indicators affect the entire industry and we welcome this, because this has an effect on sustainability and climate protection. We see ourselves not only as pioneers in this area but also as partners. Together we want to set standards, enable comparability and create transparency, because we believe that we should work together rather than compete to emphasize sustainability as a common goal. The environmentally relevant indicators launched by the Asset Management Association Switzerland (AMAS) also reflect the greater sense of responsibility in our business area and the need for sustainability reporting that is comparable across industries.

Our development potential: optimizing data collection
We currently see potential for improvement in the timely collection of energy consumption data in our properties. It is also important to us to publish sustainability data in a manner that is as transparent and comparable as possible.

Our achievements in the 2021/22 financial year
– Continuous improvement of our data quality
– Large-scale creation of CECB reports
– Certification of other existing properties with «DGNB building in operation»

Operating certificates and CECB reports for existing properties, UBS Direct Urban

Since this year, UBS Direct Urban has certified around 40 % of its properties in accordance with «DGNB buildings in operation». The operating certificates help us to optimize existing buildings. In addition, all UBS Direct Urban properties already have a CECB or CECB Plus report, which sets out the actual status and optimization measures in terms of energy consumption and CO_2 emissions. This provides us with a good data basis for planning the sustainability goals in the best possible way, taking into account environmental, economic and social aspects.

Impressive GRESB 2022 results, UBS PF Europe

UBS PF Europe once again participated in the GRESB in 2022 and achieved the highest rating of five stars in the benchmark for existing buildings. This encouraging result confirms that we are on the right track with our latest real estate investment product, UBS PF Europe.

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