

... *Sustainability*
covers all economic,
environmental
and sociocultural
requirements of
our activities ...

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Munich-based UBS Real Estate Kapitalanlagegesellschaft mbH (UBS Real Estate KAG mbH) is part of UBS Global Asset Management's Global Real Estate business. UBS Global Asset Management is a wealth manager with well-diversified business activities, both geographically and in terms of investment solutions and distribution channels.

UBS Real Estate KAG mbH funds at a glance:

UBS (D) Euroinvest Immobilien

This open-end real estate fund invests in high-quality office properties in European and regional capitals. Its target group comprises institutional investors with a long-term investment horizon.

UBS (D) 3 Sector Real Estate Europe

This open-end real estate fund invests in office, retail and logistics properties in Europe.

ERGO Trust Logistikfonds Nr. 1

This open-end real estate fund ("Immobilien-Spezialfonds" as per the German Investment Act) invests in leased logistics properties with excellent access to transportation that allow third-party use, preferably in Germany and Austria.

Dear readers,

Real estate has always played a key role in stabilizing and driving the long-term appreciation of investment portfolios. However, to retain this role in the future, it has to meet standards that are much higher today than several years ago.

The concept of value has experienced a paradigm shift in the real estate industry. The one-sided, often short-sighted fixation on profit has given way to a comprehensive approach in which the topic of sustainability is a major focus.

Property managers and investors increasingly realize that the real estate industry can play a critical role in devising answers to humankind's major challenges in the 21st century: from climate change and its consequences to dwindling natural resources and demographic change.

At the same time, regulations for existing properties and new buildings are becoming ever stricter. In this environment, it is the job of an investment company to take timely, suitable action to maintain the value of individual properties and thus the entire fund.

At UBS Real Estate KAG mbH, we have long been convinced that integrating sustainability into our strategy is the only way to successfully preserve the long-term value of our properties and maintain stable returns from our funds.

We can only generate sustainable returns for our investors if we offer tenants attractive, user-friendly properties. This requires us to act and think with a view to the future. We will therefore increasingly pursue sustainability in all our business areas and measure and compare our performance in this domain by annually evaluating key indicators for our properties.

This report is the first separate publication to document our sustainability strategy. We will be reporting regularly on our progress in the future. We hope you enjoy reading this publication and invite you to join us on the path to a better tomorrow.

Best regards,



Dr. Christine Bernhofer



Dr. Tilman Hickl

“We want to preserve the long-term viability of our company and funds.”

UBS Real Estate KAG mbH intends to integrate sustainability in all its relevant processes as part of a holistic approach. Managing directors Dr. Christine Bernhofer and Dr. Tilman Hickl explain their motives, methodology and goals.

Dr. Bernhofer, Dr. Hickl, what prompted you to develop a sustainability strategy?

Bernhofer: Our job as an investment company is to ensure that our investors are financially successful with their investments. Not just today, but also tomorrow and beyond. We are convinced that this can only be accomplished with properties that meet high economic, environmental and social standards.

Hickl: Quality plays a central role in everything we do. We want to offer investors investments that hold their value



over the long term and provide tenants with future-proof properties. Since we mainly pursue core and core-plus strategies, our investments have a horizon of at least eight to twelve years. Long-term thinking has always been part of our business.

So the ultimate goal of your sustainability strategy is to secure returns for investors?

Bernhofer: Of course. That's what our investors have charged us to do. Any commitment that undermines this goal would be doomed to failure. This is not an exercise in greenwashing. We want to preserve the long-term viability of our company and funds.

Hickl: This is why the sustainability strategy is not treated as an abstract set of principles with no relation to our day-to-day business, but is integrated into all our processes and decision-making.

What role do social and environmental aspects play for your investors?

Bernhofer: More and more investors are now selecting wealth managers for their social and environmental responsibility in addition to conventional criteria such as risk, return or transparency. This trend is being driven mainly, but not solely, by church investors and private wealth managers (family offices).

What role does environmental and social responsibility play in the real estate market?

Hickl: The real estate industry has great responsibility in this area. This is particularly true of climate change – building construction and operations account for about 40 % of the world’s carbon dioxide emissions. Apart from the ethics, the economic argument for sustainable real estate investing is becoming more and more compelling. Higher energy prices drive up operating costs, for example, and so utility costs weigh more heavily in decisions.

Bernhofer: Many tenants have already added sustainability to their “must-haves” for rental space. Non-sustainable properties are thus harder to rent out and tend to lose value over the long term. This is becoming an increasingly accepted fact for almost all property owners and investors.

How has the financial crisis changed people’s sustainability awareness? Are social and environmental issues about to be pushed to the back burner?

Bernhofer: That would be a risk if these activities were merely a social or environmental fig leaf. However, sustainability means building and managing properties so that they generate steady long-term returns. To do that, they have to meet social and environmental standards. Demand for such investments that hold their value is higher than ever right now.

How did you develop your sustainability strategy? Were you inspired by other examples?

Hickl: The initiative came from our employees. They have their finger on the market’s pulse and are the best judges of how our clients’ and partners’ needs and expectations are changing. And so we began thinking about sustainability in 2007.

Initially, we looked at whether it would make sense to certify our buildings to LEED, BREEAM or similar standards. We soon realized, though, that we wanted to address sustainability in its entirety.



Bernhofer: Plus, our parent company, UBS, had already developed a sustainability strategy several years previously. A number of British real estate fund managers have made exceptional progress in sustainability. We used this best practice as a guideline and hired international advisors with many years of relevant experience.

What role does UBS’s commitment play?

Hickl: UBS adopted responsible investment principles about ten years ago. Our parent company’s know-how and experience proved extremely valuable to us. Furthermore, UBS’s commitment adds even more credibility and heft to our own activities.

You intend to reduce the CO₂ emissions of the complete portfolio by 20 % and the consumption of primary energy by 10 % by 2015. How would you classify these goals?

Hickl: They are ambitious, yet realistic. After all, our portfolio mainly consists of properties that meet high energy standards.

Bernhofer: We want stakeholders to see that we take sustainability seriously. This also means that we should be measured by our own standards.

Big challenges – holistic approach

Our real estate funds can only achieve steady, profitable performance over the long term if we address not just economic aspects, but also environmental and social concerns in all our business processes. This is why we have expanded UBS Real Estate KAG mbH's strategic approach. Through forward-looking action, we aim to preserve the value of our real estate, improve our funds' performance and thus add lasting value for investors.



Reto Ketterer,
Chairman of the Supervisory Board,
UBS Real Estate KAG mbH

“To us, sustainability means looking at the whole picture. Acting efficiently and responsibly – that is our definition of integrated management. As wealth managers, our primary responsibility is the success of our investors. We are convinced that our expanded strategy will add value for them over the medium to long term.”

Our top priority is to preserve the value of our properties and the stability of our funds. We intend to monitor risk more closely in our portfolio and enhance the overall quality of our property management. We are keen to lower costs and become more innovative through resource conservation. Forward-looking management and active, transparent communication are integral to our corporate identity.

For these reasons, we have incorporated sustainability in UBS Real Estate KAG mbH's corporate and fund strategy. This is our way of living up to our responsibility to investors, tenants, employees and the public.

Our approach covers the entire lifecycle of a real estate investment: from the development or acquisition of a property to asset management, marketing, maintenance, renovation and sale. We consider the needs and interests of the funds' various stakeholders at every stage. They are pivotal for our commercial success and the successful implementation of our sustainability strategy.

Different people define sustainability in different ways. Our first step was thus to set out our understanding of the term so it could be practically applied to our business and processes.

We were guided by the declaration made by the German Council for Sustainable Development (RNE): “We have to leave our children and grandchildren an intact ecological, social and economic system.” Another guideline was provided by the widely accepted definition of the United Nations World Commission on Environment and Development (WECD) presented in 1987: sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

This is the foundation underpinning UBS Real Estate KAG mbH's sustainability approach: sustainability covers all the economic, environmental and sociocultural requirements that our products have to meet to ensure the present and future financial success that we owe our investors.

From this basis, we have developed criteria and a system for measuring the sustainability performance of the properties in our portfolios. This enables us to compare, evaluate and continually improve individual properties. We have already conducted an initial sustainability assessment of our existing properties for the open-end real estate fund UBS (D) 3 Sector Real Estate Europe. The evaluation will be extended to all the properties in our portfolio before the end of the year.

UBS Real Estate KAG mbH's sustainability approach was developed in conformity with UBS guidelines. UBS adopted a clear sustainability stance early on. For over ten years, it has been actively involved in environmental policy, is a founding member and signatory of the United Nations Environmental Program Finance Initiative (UNEPFI) and has deeply integrated the Principles for Responsible Investment (PRI) in its processes. The UBS Global Real Estate business area also has a sustainability working group that promotes the exchange of experiences and the transfer of knowledge between the individual units in Global Real Estate.

We are convinced that investors and tenants will be more interested in properties with good sustainability performance. In the future, these properties will be easier to market than less sustainable ones, run a lower risk of vacancy and have higher appraised values. This will improve financing conditions, insurance rates and other factors.

Aligning our strategy and processes with changing conditions early on lets us preserve our portfolio's long-term earning power and protect it from possible drops in price.

Stakeholders of UBS Real Estate KAG mbH

Investors, tenants, service providers and employees – our company's stakeholders are at the focal point of our enhanced strategy. They have a material impact on our business success. The sustainability strategy has the following implications for stakeholders:

Investors

- More thorough and transparent dialog
- Investor reports now also address sustainability

Tenants

- Tenant guidelines to improve the sustainability performance of existing buildings
- Proactive communication with tenants, measurement of tenant satisfaction

Service providers

- Selection, ongoing direction and training of service providers in conformity with our sustainability criteria
- Contract includes binding provisions on sustainability

Employees

- Involvement of employees in the (further) development of our sustainability strategy
- Implementation of regular training and professional development programs

The public

- Proactive communication of our commitment

Sustainability strategy model



- 1st level - Stakeholders
- 2nd level – The three pillars of sustainability
- 3rd level – Key areas

Measure quality - improve profitability

Far-sighted, forward-looking management is the secret to success in dynamically evolving markets. Trends have to be identified early on and the portfolio strategy adjusted accordingly.



Karsten Müller-Uthoff,
Managing Director
Ärzteversorgung Niedersachsen

“Our main obligation is to provide a secure retirement for our retirement plan members and retirees. As a result, we focus on investments that offer a healthy current return and steady, attractive performance at the same time. We are convinced that we can meet these criteria particularly well with real estate investments that meet high sustainability standards and consider both rental demand and current environmental requirements such as the German Energy Savings Regulation.”

We believe active portfolio management provides the foundation for stable fund performance. That is why we have long pursued a forward-looking strategy in developing our portfolio. Our overriding goal is to generate stable long-term returns.

Sustainable real estate is becoming more and more attractive since its higher energy efficiency and smaller resource footprint translate into lower operating costs. Demand for these products has grown dramatically, particularly among multinational companies and public-sector tenants.

If investors and owners can meet this demand, they will increase occupancy rates and thus returns over the long term. For investors, this tilts the field in favor of real estate funds that invest mainly in sustainable properties. Current market trends have revealed a direct relationship between the terms “security” and “sustainability”. More and more investors are focusing exclusively on sustainable investments since they promise stable performance.

The sustainable property trend also informs fund companies’ real estate management processes. Sustainable property management is increasingly seen as a seal of quality sought and highly regarded by analysts, rating agencies and other outside observers.

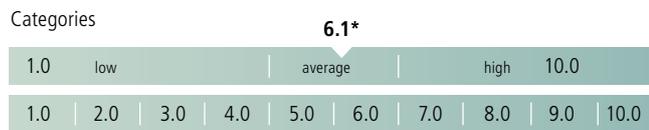
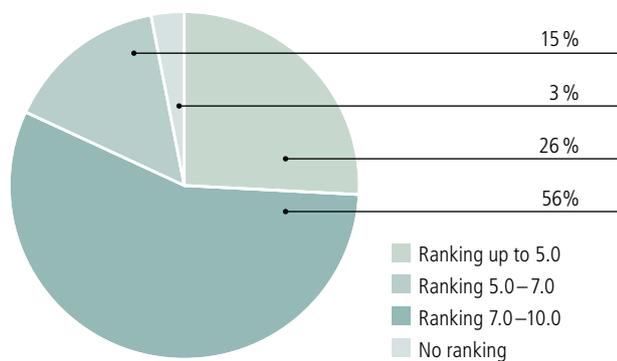
That is why we have incorporated sustainability into our fund strategy. We want to enhance our portfolio’s sustainability in order to keep fund returns strong and stable. In the years to come, we will take specific, measured steps to enhance the sustainability performance of individual properties and our portfolio as a whole.

To support our sustainability efforts, we have developed a rating system. This internal benchmark for building and portfolio sustainability performance enables fund managers to develop tightly focused action plans. The rating system utilizes criteria that reflect our definition of sustainability (p. 6/7).

We plan to disclose the ratings to our partners. They will become an integral part of our communications with investors and tenants, who will be kept fully informed about our sustainability strategy and progress made in implementing individual measures.

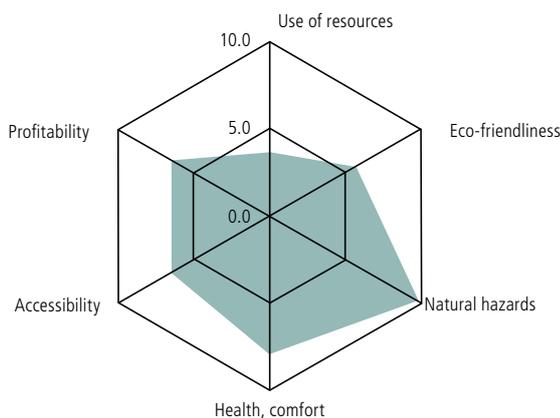
Results of the sustainability assessment of UBS (D) 3 Sector Real Estate Europe

Distribution within the portfolio



* Average rating of all properties

Evaluation of the UBS (D) 3 Sector Real Estate Europe portfolio



0.0 = Low sustainability performance
 5.0 = Average sustainability performance
 10.0 = High sustainability performance

All data as of August 2010

The rating system of UBS Real Estate KAG mbH

We test our funds' sustainability using a procedure of our own devising. It covers approx. 80 economic, environmental and social criteria that we evaluate for each property in our portfolio. The criteria include:

Economic aspects

- Flexibility
Rental units can be flexibly partitioned.
- Space efficiency
The building has a high proportion of useful area.
- Ease of maintenance
Technical building facilities can be easily accessed for maintenance and inspections.

Environmental aspects

- Resource use
Ability to store and use rainwater for irrigation; meters installed in every rental unit for heating, hot water, air-conditioning and lighting.
- Natural hazards
The building is located in an area with a low probability of natural hazards.
- Environmental friendliness
Use of green materials for redevelopment and alteration.

Social aspects

- Health and comfort
Tenants can individually control heating, air-conditioning and ventilation.
- Lighting
All building sections are equipped with user-operated sun protection systems. Lighting intensity can be individually controlled based on usage zones.
- Accessibility
There is at least one wheelchair-accessible entrance. Public transport is within walking distance (in a radius of 300 m).

“We want to show that we mean business.”

Axel Trescher, Portfolio Manager of UBS (D) 3 Sector Real Estate Europe and Christian Paul, Portfolio Manager of UBS (D) Euroinvest Immobilien, talk about their experience with sustainability in portfolio management.

Sustainability has arrived in the real estate industry. How important is sustainability for your investors?

Paul: Our main investors are insurers, pension funds or other institutional investors who are committed to sustainability. Particularly family offices and church investors are already investing up to 20 % of their assets in sustainable funds. These investors expect us to proactively expand our strategy while keeping our performance stable.

Trescher: We received a very positive response to our presentation of the sustainability strategy in the investment committee meeting. However, we were not asked to satisfy



Axel Trescher, Portfolio Manager of UBS (D) 3 Sector Real Estate Europe

any concrete requirements. This may be because UBS (D) 3 Sector Real Estate Europe mainly attracts funds of funds that tend to take a 10,000-foot view of the fund and the aggregate figures.

Why do you think sustainability will play a major role in the future in portfolio and property valuation?

Trescher: One important aspect that comes to mind is that more and more companies are making sustainability part of their real estate strategy. This has fueled demand for certified space in some market segments and added sustainability to tenants' lists of requirements. Landlords who

can offer sustainable units can improve their marketing situation and tenant retention rates. That affects marketing periods, length of tenancy, vacancy rates and rent levels. And these parameters are what drive the property's market value.

Paul: Another factor is that fossil fuels are becoming scarcer and thus more expensive. Properties with an innovative energy scheme or good access to public transport enjoy a competitive advantage that should not be underestimated. And they also tend to be valued higher due to the lower operating costs.

What would you say if someone accused UBS Real Estate KAG mbH of just trying to greenwash its image?

Trescher: Many of our investors have had negative greenwashing experiences. They have seen companies present a sustainability strategy with great fanfare and then do nothing. It is up to us to prove to them that sustainability is truly integrated in all our business areas by communicating our progress on a regular basis.

Paul: We want to show our investors that we mean business with concrete measures and objectives. And that means using important tools such as measuring portfolio sustainability and communicating our findings to investors.

How do you implement the sustainability strategy in the funds you manage?

Trescher: UBS (D) 3 Sector Real Estate Europe invests in office, retail and logistics properties. Shopping centers in particular have plenty of potential for curtailing resource consumption. We plan to exploit it by bringing tenants and shopping center managers on board. As for logistics properties, there are many attractive technical possibilities. You could, for example, install large solar panels on warehouses, which would allow us to use more renewable power and cut energy costs.

Paul: UBS (D) Euroinvest Immobilien specializes in office properties that are fully let with long-term leases in prime European locations. The fund portfolio mainly consists of large properties rented by multinational companies or



Christian Paul, Portfolio Manager of UBS (D) Euroinvest Immobilien

public bodies. Most of these tenants have implemented corporate social responsibility strategies. Environmental and social responsibility is thus already an integral part of their corporate culture. And so sustainability has become increasingly important for them in recent years. They assign a top priority to lowering CO₂ emissions and minimizing the environmental impact of building use. However, these targets cannot be reached by just investing in technical improvements initiated and financed by the owner. Owners, tenants, property managers – they are all in this together. For that reason, we want to get everyone to work together even more closely and actively as equal partners. This is the only way to ensure the buildings in our portfolio stay sustainable for the long term.

Clear criteria - rigorous execution

Our goal is improve the sustainability of our entire portfolio over the medium term. To accomplish this, we intend to look more closely at sustainability aspects for all future property purchases.

Instituting the sustainability strategy across all business areas adds to the requirements that our properties have to meet during acquisition. An examination of a potential property is a thorough, multi-stage process covering a wide range of qualitative and quantitative parameters.

The examination findings are an integral part of the purchase documentation and, ultimately, the investment decision. Environmental and social aspects play a greater role than ever before alongside conventional economic and strategic considerations.

Building location and access to public transport have always been important criteria in selecting and evaluating properties. As oil reserves diminish and gas prices rise as a result, it will become even more important for a property to be within walking distance of a frequently serviced stop.

Some existing properties do not offer access to public transport. In these cases, we have set up regular shuttle bus services at various locations to improve the situation for our tenants and their employees.

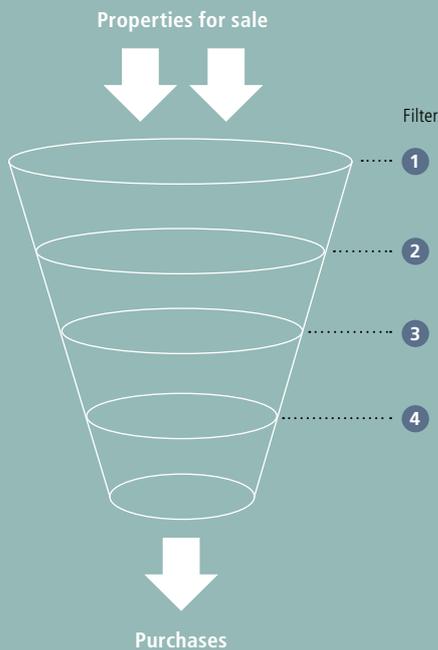
An internal sustainability evaluation is conducted during the technical review to verify that the potential property meets the minimum sustainability standards. The evaluation considers both sociocultural aspects and environmental criteria (energy-efficient operation and green construction materials).

Our pre-acquisition review also includes a careful assessment of whether the properties could be certified to internationally recognized standards and what it would cost to obtain the certification. "When we purchase an existing property, we merely check whether it can be certified. When we develop a new property, we absolutely insist on certification," says Peter Röhrenbach, Head of Acquisition & Disposition Europe.

Environmental and social considerations also play an increasingly important role in the hold-sell analysis. If a property's sustainability performance is significantly below average, for example, its holding period will be given much closer scrutiny.

The acquisition process

A building sustainability assessment is an integral part of every purchase. While we apply a relatively coarse filter during the pre-acquisition phase (for example, reviewing energy certificates), the buildings are examined exhaustively during the technical due diligence. A four-step selection process filters out the purchase candidates from the available offers.



Filter 1

Local agent carries out preliminary inspection, properties are examined for investment potential

Filter 2

Property presentation: properties are checked against fund requirements and presented to the fund management

Filter 3

In-depth investment analysis of the properties

Filter 4

Mailing of a non-binding letter of intent/ purchase examination, drawing up of a memorandum of understanding and start of due diligence

Toulouse, "Cap Constellation": highest honor



The office building in the northwest of the city of Toulouse was certified in 2009 to the French HQE standard (Haute Qualité Environnementale). "Cap Constellation" won the highest certification, THPE (Très Haute Performance Énergétique), for its superior energy performance relative to other properties in France. This makes "Cap Constellation" the first building to receive this recognition in the Midi-Pyrénées region in southwestern France.

Besides energy performance, HQE rates not only water use and air quality but also social criteria such as noise avoidance during construction and the integration of the building into its environment.

"Cap Constellation" was also designed and built to maximize user comfort with such amenities as noise-insulating ceilings and flooring made from eco-friendly materials.

Building: "Cap Constellation"

Location: Toulouse

Year built: 2009

Gross floor area: 12,000 sq. m

Planning: Kohn Pedersen Fox Associates/

Puig Pujol Architects

Sustainability certification: THPE under HQE

Small changes – big impact

UBS Real Estate KAG mbH proactively manages its assets to protect and continually improve returns over the long term. To do this, we maintain close, trusting relationships with tenants as important partners.

We establish lasting tenant relationships by always providing high-quality space that meets tenants' needs. This requires us to engage in close, active dialog with them. "Our tenants are our partners. We value trusting, long-term business relationships with them," says Andreas Hoffmann, Head of Asset Management Europe at UBS Real Estate KAG mbH. "We want to get away from the conventional tenant/landlord model and develop shared goals and ideal solutions for various issues."

Large companies and public sector organizations in particular face stricter pollution limits, tighter regulations and growing reporting requirements. Organizations participating in the Carbon Disclosure Project (CDP), for example, have to file data on CO₂ emissions, climate risks and their own reduction targets every year. To do that, they need relevant information about the properties they occupy.

UBS Real Estate KAG mbH has developed a system of key performance indicators (KPIs) for collecting essential consumption and emissions data on its properties. It covers the buildings' energy, heat and water consumption, CO₂ emissions and waste output. The figures are collected continually and evaluated annually. We provide the data to our tenants.

"La Hulpe", Brussels



We are currently collecting and evaluating the KPIs for the year 2010 for all funds managed by UBS Real Estate KAG mbH. See page 17 of this report for the KPIs for UBS (D) 3 Sector Real Estate Europe properties.

We plan to have these annual data for every property in our portfolio in the future. The resource consumption of each property can then be evaluated across the various categories and compared against prior-year performance and other (benchmark) projects. An analysis of data collected so far shows that most of our properties are performing quite well. This has also been documented by the energy certificates that we have issued centrally for all our portfolios.

The consumption figures help us identify concrete ways to quickly reduce the resource impact of building operation with minimal technical input. We manage these best practices centrally. As a result, we can systematically harness each property's potential for optimization and keep technical modification costs relatively low during implementation. We will pay close attention to this aspect in future investments, too.

Constructive working relationships between owners, users and building managers are crucial to capitalize fully on optimization opportunities. Users and managers can have the largest impact by modifying their behaviour. For example, waste management costs can be cut significantly if users sort their garbage for recycling. However, this requires the landlord to provide the necessary facilities through the property manager and to notify tenants about the waste sorting system. Garbage sorting pays off immediately for tenants in the form of lower utility costs.



**Professor Josef Zimmermann,
Director of the Research Group for
Construction Process Management
and Real Estate Development,
TU München**

“Tenant satisfaction is essential for long-term lease agreements and steady returns. It has a positive impact on a property’s market value. “Centro Leoni”, our pilot project with UBS Real Estate KAG mbH, is another excellent example of a productive partnership between science and industry.”

We believe it is our duty as the landlord to advise and assist our tenants in this regard. We intend to sensitize them to the potential for sustainability and proactively show them resource-friendly ways to manage facilities.

To advance these goals, we work closely with the research community. For example, we are collaborating with TU München, a university, to quantify these variables with around 30 indicators from the areas of construction, law, politics, environment and operations that were developed by the Research Group for Construction Process Management and Real Estate Development.

Our internal sustainability rating system also considers soft factors such as user comfort and health. Though known for being extremely difficult to quantify, these issues significantly affect worker productivity and efficiency.

Our property and facility management partners play key roles in all these projects. Tenants turn to them as the local partners who know their needs and can determine if the property meets them. They contribute heavily to improvements in property quality and sustainability performance. Property managers draw on their operational experience and information collected in tenant meetings to ascertain whether investments to enhance the sustainability performance of buildings are possible and economically sensible.

They are contractually required to meet a certain standard of quality in their services. In the end, we can only have a successful long-term business relationship if their understanding fits perfectly with our objectives.

Our service providers' values and identity are just as important as the contractual provisions. "We want property and facility managers who are proactive," says Andreas Hoffmann. We provide the necessary framework through appropriate training. Additional incentives include annual evaluations and a Property Manager Award to honor outstanding performance. Our basic goal is to have long-term, strategic partnerships with service providers and consolidate property and facility management activities with selected partners.



Philippe Couturier,
Président Directeur Général,
Constructa Asset Management,
France

“As property managers, we are aware that we play an extremely important role in ensuring optimal sustainability performance for a property. We have therefore integrated relevant principles in all our processes. We can do our part to make a property sustainable by planning investments as needed, communicating actively with tenants and selecting our suppliers carefully.”

Key performance indicators – status-quo

The first KPIs were evaluated in 2010 for properties in the UBS (D) 3 Sector Real Estate Europe open-end real estate fund. These indicators show the status-quo sustainability performance of eleven office properties in the fund's portfolio. Our comparisons are intended to illustrate the consumption and emissions of older and modern office buildings and the resulting savings potential.

Water consumption

76 thousand cubic meters per year: enough to fill approx. 30.5 Olympic-size swimming pools.



Heat consumption

16.2 million kilowatt hours per year: roughly the same amount consumed by 90.5 one-person households in 100 years.



Waste volume

2.3 million liters per year: this is enough to fill 9,583 standard garbage bins with a capacity of 240 liters. If you stack the bins on top of one another, they will reach a height of more than ten kilometers.



CO₂ emissions

19.7 million kilograms per year: this is equal to the CO₂ emissions produced by flying a single passenger from Berlin to New York and back approx. 4,740 times.



Power consumption

28.2 million kilowatt hours per year: this is enough energy for about 141,000 cooks to cook simultaneously and continuously for one year on separate electric ovens of energy efficiency class "D".



Build sustainably – create lasting value

We emphasize quality when planning and building our properties. We define this as high-quality building fabric, a good location and an optimal usage concept. We also, however, look at the property's entire lifecycle: from design, construction and operation to conversion and demolition.

Our goal is to design, build or convert buildings so they generate steady returns over the long term. To attain this goal, Construction & Development monitors and controls each project development or renovation from the start. We choose our partners carefully and specifically based on whether they meet our quality standards. Sustainability informs all our selection criteria and planning processes.

The planning and construction phases account for a small portion of the property-induced CO₂ pollution generated during the entire lifecycle. However, they set the stage to minimize pollution from building operation later on.

All existing buildings and new developments are assessed to determine whether it would be possible and useful to certify them under the standard sustainability schemes for the applicable country (such as LEED, BREEAM and DGNB).

Certification is not our exclusive goal, though. We only pursue certification if the environmental, social and economic criteria are balanced and the benefits outweigh the administrative work. We are far more interested in having the building score well in our own sustainability rating process.

"Beatrixpark", The Hague



**“Centro Leoni” in Milan:
first LEED certificate in the portfolio**



The first property in UBS Real Estate KAG mbH’s portfolio to be certified under LEED is “Centro Leoni”, an office building completed in southern Milan in 2006. Sustainability figured prominently in the construction and operation of this project development.

Construction materials were chosen in large part for their eco-friendliness and durability. We have also taken measures to make building operations more sustainable: A shuttle bus runs from the city to make the building more accessible via public transport. Parking spaces have been set aside for alternative fuel cars. A diagram in the entrance area informs and sensitizes tenants and all users and visitors about water, heat and electricity consumption levels every single day.

Building: “Centro Leoni”
Location: Milan
Year built: 2006
Gross floor area: 45,000 sq. m
Planning: Valentino Benati
Sustainability certification: LEED (targeted)

New buildings generally meet rigorous sustainability standards. The improvement of existing buildings, by contrast, can pose a considerable challenge. We check the impact of all maintenance on the building’s sustainability performance. Most of the optimization work is technical, such as improving building technology, making thermal and solar protection more efficient, or increasing the use of rain water.

Maximizing energy efficiency is important for us, but it is not the only thing on our agenda. For example, we always look at third-party uses of existing buildings from the start. Thus every pre-purchase examination considers the property’s flexibility and under what circumstances it could be converted later on.

“We see sustainability as integral to the planning and execution of new buildings and renovations. That means ensuring not just that buildings meet current technical and environmental standards, but also that they can be readily adapted to future use and comfort requirements,” says Michael Loose, Head of Construction & Development Europe at UBS Real Estate KAG mbH.



Massimiliano Tedeschi,
Country General Manager
Lexmark, Italy

“Responsibility and respect for society and the environment are deeply entrenched in our corporate philosophy. These values influence all our products and services. Our buildings and offices should also meet high sustainability standards. Our new “green office” in “Centro Leoni” delivers on this promise – and many more.”

Construction & Development

Certification

We generally have our buildings certified to applicable country-specific standards. They include BREEAM in the UK, LEED in the US, HQE in France and DGNB in Germany.

BREEAM (BRE Environmental Assessment Method) is the oldest and most widely used certification scheme for sustainable buildings (developed in Britain in 1990). Our Atlantis office complex has obtained this certification. The assessment looks at the following basic criteria: project and site management, health, energy use, transportation/traffic development, water usage, materials, land use/ecology and pollution.

LEED (Leadership in Energy and Environmental Design) is a US system for classifying sustainable buildings and was developed in 1998 on the basis of BREEAM. This quality seal has four levels: Platinum, Gold, Silver and Certified. It focuses on assessing environmental and economic criteria (see box on page 19).

France's HQE scheme aims to encourage key decision-makers (clients and developers) to make their construction projects more environmentally friendly. HQE covers three phases: brief, design and construction. The "HF Bâtiments Tertiaires – Demarche HQE" certificate has three different levels: basic, good and very good. The certificate verifies that the building complies with a specific environmental management process, but not special construction standards (see box on page 13).

We believe that the quality seal of the German Sustainable Building Council (DGNB) is ideal for properties in Germany. The DGNB standards went into effect in January 2009 and are mainly geared towards Germany's globally leading construction standards. We have been applying this scheme's criteria to all our renovation and new construction projects in Germany since the summer of 2009.

The DGNB's quality seal is awarded in the following categories: Gold, Silver and Bronze. It assesses the environmental, economic, technical, sociocultural and functional quality of the buildings and their process and site quality.

"Innovum 212", Nuremberg: flexible and cost-effective



The German Sustainable Building Council (DGNB) awarded Silver precertification to the modernization plan for the former SME center in Nuremberg. The award honored the energy design and extraordinary flexibility of the office and service complex.

The property's initial structure from 1956 was flexible enough to convert it from a production facility to an office building. Now transformed into a property with small offices, it has entered its third lifecycle. Through its intelligent floor plan and individual conversion, the space can be adapted to users' changing needs time and again. Tenants at this former Triumph Adler plant on Fürther Straße in downtown Nuremberg also enjoy very low operating costs.

Building: "Innovum 212"

Location: Nuremberg

Year built: alteration in 2010

Gross floor area: 25,000 sq. m

Planning: Architekturbüro Ropee (alteration)

Sustainability certification: DGNB Silver precertificate

“Atlantis” office complex in Brussels: front-runner in Europe



The “Access” and “Bridge” project developments are the first-ever properties in Europe to earn a “very good” rating under the “BREEAM Europe – Offices 2008” standard for sustainable development.

As part of the “Atlantis” office complex in Brussels, these two buildings owe their achievement to highly efficient space and energy use, a state-of-the-art building control system and exceptional thermal insulation.

However, the buildings did not enter the certification process until after they were purchased at the initiative of UBS Real Estate KAG mbH. It was only possible to incorporate certification into the planning and execution at this late stage because the project developer had laid a strong foundation in the initial project phase.

Buildings: “Access”, “Bridge”

Location: Brussels

Year built: 2010

Gross floor area: 24,000 sq. m

Planning: DSW Architects/Cerau Architects Partners

Sustainability certification: BREEAM Europe,

Rating: very good



Thierry Behiels,
CEO Codic International,
“Atlantis” project developer

“Sustainability played a key role in every phase of developing the “Atlantis” office complex. We specifically planned the development so we could revitalize this derelict industrial land and provide access to public transport. We began this work early on in the design and planning phase. Our efforts dovetailed perfectly with UBS Real Estate KAG mbH’s strong commitment to sustainability.”

By integrating sustainability early on in the design phase and complying rigorously with UBS Real Estate KAG mbH’s stringent requirements, we were able to officially document the project’s sustainability with a BREEAM certificate.”

Ambitious goals – gradual implementation

We are continuously working to improve the sustainability performance of our portfolios. This section outlines our goals, what measures we have taken, our progress and the deadline for reaching our goals. Our performance can be judged by this yardstick.

Objective	Measure	Deadline	Status
Strategy for UBS Real Estate KAG mbH of Munich			
Develop specific sustainability strategies for all relevant business areas	Develop specific strategies for all business areas with the sustainability officer	1/2010	✓
	Develop and execute a set of measures to improve sustainability performance in UBS Real Estate KAG mbH's business activities		①
	Institute a new printing policy at all workplaces	5/2010	✓
Strategy for UBS Real Estate KAG mbH's open-end real estate funds			
Analyze the sustainability opportunities and risks inherent in the product portfolio	Determine sustainability rating for UBS (D) Euroinvest Immobilien, determine KPIs for UBS (D) Euroinvest Immobilien	11/2010	①
	Improve sustainability rating of UBS (D) 3 Sector Real Estate Europe to 6.5	11/2011	①
Integrate sustainability aspects into the portfolio	Systematically increase the proportion of certified buildings: certification of project developments is generally required for new acquisitions, check certification eligibility when acquiring existing properties, check certification eligibility during renovations and alterations	Ongoing	①
Legal & Compliance, Risk Management, Fund Controlling			
Institute consistent standards in all areas	Align compliance monitoring and anti-money laundering activities with legal and Group requirements	Ongoing	①
	Apply compliance rules when selecting suppliers	Ongoing	①
	Ensure early compliance with new regulations and guidelines	Ongoing	①
	Preventively audit business partners using proprietary UBS tool	Ongoing	①
	Take into account increased risk of environmental and climate change	Ongoing	①
Objective	Measure	Deadline	Status

Stakeholders			
Investors Transparent and targeted communication	Incorporate sustainability report into investor reporting	4/2010	✓
	Systematically optimize investment committee reports to increase communication frequency	11/2010	①
Tenants Long-term partnership, landlord of choice	Annually discuss and document shared goals and measures to improve sustainability	Ongoing	①
Service providers Inclusion in our sustainability strategy	Train property and facility managers regularly; motivate them to be proactive	Ongoing	①
	Integrate sustainability criteria in the service provider selection process	Ongoing	①
	Integrate sustainability criteria in the contract and in evaluation criteria	Ongoing	①
	Long-term partnership with selected partners	Ongoing	①
Employees Proactive employees	Prepare and conduct sustainability training events	Ongoing	①
	Thoroughly sensitize employees with regard to risk prevention	Ongoing	①
The public Actively communicate sustainability activities	Actively participate in the Property Working Group and the University of Stuttgart	Ongoing	①
	Publish the sustainability report annually	Ongoing	①
	Actively cooperate with the scientific and research community on the effects of sustainability on German and international real estate valuation systems	Ongoing	①

Our real estate			
Advocate sustainability principles throughout Europe			
Environmental/climate protection Reduce CO₂ output by at least 20 %	Increase share of renewable energy	2015	①
Energy consumption Reduce energy consumption by 10 %	Produce information brochure for tenants and employees	2012	①
	Adapt lighting designs in renovations	2015	①
Waste Reduce share of non-recyclables in total waste by increasing recycling rate by 50 %	Improve waste separation system and reorganize waste disposal and recycling	2015	①
	Produce guide on sorting waste for real estate locations throughout Europe	2015	①
	Create a waste brochure for property users	2015	①
Use of resources Systematically optimize resource use for the long term	Identify and institute property-specific best practices	Ongoing	①

✓ Goal attained on schedule

① In progress

Last updated: August 2010

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