

# Promising a future.

Our **commitment** to responsible investing in private markets.



# Contents

## Highlights

### 2020 GRESB Assessments

Following on from previous years' strong results, our sustainability efforts continue to be recognized by the industry, with strong performances across the globe in the 2020 GRESB Real Estate and Infrastructure Assessments despite a new baseline for scoring and a more competitive peer group environment.

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**Darren Rabenou**

Head of Food & Agriculture and  
Head of ESG Investment Strategies

## ESG forms part of our DNA.

At UBS Asset Management, Real Estate & Private Markets, environmental, social, and corporate governance (ESG) factors not only form a significant part of our DNA, but they are among the main considerations that form the basis of our investment decisions.

Given our broad engagement across real estate, infrastructure, private equity and food & agriculture, it is our core belief that responsible investment practices can enhance both returns and real-world outcomes – not following the trend but playing a leading role in effecting conscious change going forward, for generations to come.

Our continuous growth and evolution in ESG over the last few years has enabled us to adjust our processes in line with clients' changing expectations. But a responsibility toward our clients is not the only thing that drives us to pursue sustainability – we, too, must increasingly face the consequences that real asset investments have on our environment and our society.

As one of the early adopters of ESG, we fundamentally believe we can serve as an example for those that are just now beginning to look at ESG as a way of managing long-term risk and adding value to portfolios. In the pages that follow, I encourage you to review our efforts in embedding ESG considerations in our investment decisions and our business and hope you will find it useful.

A handwritten signature in blue ink, appearing to read 'Darren Rabenou'. The signature is fluid and cursive, with a large initial 'D' and 'R'.

Darren Rabenou





# The future matters

Climate change, energy needs and water scarcity are counted among the biggest challenges of our century. At UBS Asset Management Real Estate & Private Markets (REPM), we acknowledge that real assets such as properties and infrastructure contribute significantly to CO<sub>2</sub> emissions and the consumption of natural resources.

While the financial objectives of our clients remain the primary focus of our investments, our responsible investment strategy also considers long-term resilience, climate change, environmental, social and governance aspects.

# Sustainability is a key component of successful real asset management.

Therefore, responsible ownership and operation of real property can have a significant positive impact on the environment and returns for our clients. We operate with this in mind while investing both directly and indirectly into real assets.

We have established a comprehensive approach to environmental and social factors, and to corporate governance across each of our investment disciplines as part of our commitment to acting as responsible investors.

Sustainability plays a major role in our corporate, fund and asset-level decisions. Combined with the expertise of our specialist teams from across our business globally, we're able to generate and share innovative ideas globally to help our clients meet their sustainable investment goals. This integrated approach enables us to maximize our results in the implementation of our responsible investment strategy.

## **Our mission**

We believe that there is a direct link between responsible investment and long-term returns. Taking a longer-term horizon and systematically adopting a sustainability lens to all our investment decisions is integral to our approach when investing in real assets.

Our corporate policy focuses on increasing the value of our investments for our investors and tenants and ensuring that our assets and funds remain secure, resilient and profitable today and in the future.

Our mission consists of the following major principles, which we seek to apply in our own funds and encourage in the funds in which we invest:

- delivering superior risk-adjusted investment performance by integrating sustainability considerations into our investment processes;
- implementing sustainable practices and promoting health and wellbeing through innovation and the sharing of best practices;
- being a responsible investor, developer and operator by addressing environmental impacts while enhancing property operations and values; and
- placing a strong emphasis on social responsibility for the benefit of occupiers and the communities in which our assets are located.

## **The value added**

Our integrated approach enables us to harmonize financial goals with environmental and social challenges.

One consequence of climate change and population growth has been an increased focus on preserving natural resources. This has led to new laws, regulations, price changes, incentives and technologies which must be analyzed and incorporated into our investment strategies.

We are committed to reducing the environmental impact of our real assets by conserving resources, which, in turn, reduces the operating costs of our properties, assets and funds.

Responsible investment aims to add value to an investment by increasing resilience and limiting the risk of regulatory non-compliance or the erosion of its competitive position in the market, increasing the appeal of a property to tenants and purchasers and, in many cases, reducing expenses and improving returns.



## Case study 1

# A leader in environmental services

Saubermacher – Graz, Austria



Ranked #1 globally in Environmental Services for the third year running

### About the asset

Saubermacher is a leading Central and Eastern European waste management company providing collection, treatment, recycling and disposal of municipal, commercial, industrial and hazardous waste in Austria, Hungary, Slovenia and the Czech Republic. The company is also one of the leading battery recyclers in Europe through its German subsidiary Redux.

Saubermacher pursues the concept of 'Zero Waste' (ie. recycling with the aim to reduce total waste material to zero). Saubermacher helps avoid approximately 400,000 tons of CO<sub>2</sub> emissions each year. 282,000 tons of avoided CO<sub>2</sub> result from the production of 290,000 tons of refuse derived fuels.

Saubermacher and Redux invest heavily in research and development to produce new innovations in hazardous waste treatment and the recycling and reuse of batteries, particularly lithium batteries.

Certifications: ISCC (International Sustainability & Carbon Certification), ISO9001 (Quality Management System), ISO14001 (Environmental Management System), OHSAS 18001 (Occupational Health and Safety), Family & Work Life Balance, and the Austrian National Coat of Arms.



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INFRASTRUCTURE  
Most Improved 2020



## Case study 2

# A better future with renewable energy

## Spinning Spur II Wind Farm – Texas, US



Ranked #2 globally amongst onshore wind power generation assets in the 2018 GRESB Infrastructure Asset Assessment.

### About the asset

Spanning over 16,000 acres in the north panhandle of Texas, Spinning Spur II is a wind farm that generates 650,000 megawatt hours of renewable electricity each year. The wind farm utilizes 87 General Electric-designed 1.85 MW wind turbines. A fund managed by REPM acquired a 50% stake in the operational wind farm in July 2014 with management rights.

One of the first projects to use the Competitive Renewable Energy Zone (CREZ) transmission line in Texas, Spinning Spur II interconnects CREZ to the Electric Reliability Council of Texas (ERCOT) through a 40-mile transmission generation tie line.

The wind farm generates and delivers clean, renewable electricity while displacing about 460,000 metric tons of carbon emissions each year. The effect is equivalent to taking 98,000 passenger vehicles off the road every year. It produces enough energy to power approximately 55,000 Texas homes.

The wind farm was designed to maximize the efficiency of the conversion process, transforming harnessed wind power into useable electricity. The model of wind turbines used was selected for its suitability to the nature of the local wind resource, ensuring that electricity generation will remain strong through the long-term.



# Leading the way



We are firmly committed to being a leader in sustainable and impact investing and actively strive to understand, assess, weigh and address the concerns and expectations of our stakeholders.

## **Corporate**

For a long time, UBS has been helping clients to invest along sustainable and responsible criteria. The combined expertise from across UBS has been a driving force for our industry leadership. We embrace our stewardship capital and use our influence at scale to inspire and guide the industry to accelerate positive change.

UBS manages its environmental program through a worldwide environmental management system in accordance with ISO 14001. It was the first bank to obtain that certification back in 1999. The certification covers the entire scope of UBS products, services and in-house operations which may give rise to an environmental impact. In August 2020, UBS once again successfully passed its ISO 14001 surveillance audit.



In 2020, for a fifth year running, UBS was named an industry leader in the diversified financials industry group of the Dow Jones Sustainability Index.

UBS in Society is a cross-divisional umbrella initiative that covers all activities and capabilities in sustainable investing and philanthropy, as well as the firm's community interaction.

Community Affairs is a program developed to positively impact the social and economic wellbeing of our local communities. We do this through building long-term education and entrepreneurship partnerships. By investing our time and resources, we bring tangible benefits to our communities and our business. Community Affairs is part of our broader UBS in Society program and we encourage and recognize the social volunteering activities of our employees.

Our Environmental and Social Risk Management Framework clearly demonstrates our approach to environmental and social risk and our strict standards with regards to such topics as climate change, deforestation, biodiversity and human rights. We aim to integrate societal and financial performance for the maximum and mutual benefit of our clients and our firm as well as to generate a long-term, sustainable and measurable positive impact on our local communities.

**Our goal is to make sustainability the default standard throughout our firm.**

## Funds

Our responsible investment strategy is integrated into the management of our funds and is implemented by all operational functions during the entire ownership cycle of an underlying project, from its development or acquisition to the ongoing asset management, renovation, maintenance, and marketing, through successful sale.

We:

- develop and integrate responsible investment strategies into fund strategies,
- set objectives in order to make achievements transparent and measurable,
- measure performance against objectives,
- report results to investors, clients, and consultants.

In the 2020 UN PRI Assessment Report, REPM received the top score (A+) in both the Property and Infrastructure modules, for the fourth year running.

**In the 2020 UN PRI Assessment Report, REPM received the top score (A+) in both Property and Infrastructure, for the fourth consecutive year.**

REPM is a member of GRESB, an independent organization committed to assessing the environmental, social and governance performance of real estate and infrastructure. For more information regarding GRESB and REPM's ongoing outstanding results, please consult pages 14-17 of this document.

## Real estate and infrastructure assets

We measure the sustainability performance of our individual properties with recognized external benchmarks, such as the GRESB key performance indicators and third-party certifications (LEED, ENERGY STAR, Fitwel, BREEAM, IREM, MINERGIE®).

For infrastructure, we also use the GRESB Infrastructure key performance indicators and benchmark reports for our individual investee companies. Based on these results, we are able to define specific measures to enhance the performance of each property or infrastructure asset.

A holistic approach on sustainability also includes strategic and qualitative objectives. We improve the sustainability performance of our portfolios by implementing action plans and best practice measures.

We are active members of various committees and commissions to enhance our knowledge and contribute to the implementation of sustainability and governance initiatives. Regular and transparent communication and the emphasis on long-term partnerships helps us build lasting relationships with our investors, tenants, and service providers.

## Fund-of-funds

GRESB scores are an important tool in assessing the sustainability performance of our underlying funds on an ongoing basis; while at the inception of an investment, our due diligence process incorporates ESG factors and policies.



## Case study 3

# Innovation in sustainable building design

The Flow – Amsterdam, The Netherlands



WELL Platinum, BREEAM Excellent and WiredScore Gold certified.

### About the asset

Designed by renowned MVSA Architects, the Flow is an innovative project fully focused on performance, wellbeing and the combination of work and relaxation.

### Mobility

- Bike storage facilities, showers and changing rooms
- Cycling routes to Amsterdam's historical city center
- Easily reachable by car through its close proximity to the ring road
- Three electrical vehicles available to all tenants

### Energy efficiency

- Aquifer Thermal Energy Storage system (ATES) heating and cooling provision
- Domestic hot water provided by boilers
- LED lighting
- Photovoltaic panels on the roof with 56.8 kWp capacity
- Awarded: WELL Platinum; BREEAM Excellent; WiredScore Gold; and won the Futureproof, Smartest Building 2020 award by Real Estate Futureproof

### Workspace environment

- Air quality and temperature monitoring via personal devices
- Lighting based on anti-dazzle technology, abundance of natural daylight for healthy cardiac rhythm
- Outdoor terrace on every floor; large roof terrace
- 360-degree boardroom
- Fully equipped company kitchen; bar with state-of-the-art sound equipment
- Fitness and sauna facilities

### Urban environment

- One of the biggest redevelopment projects in Amsterdam and a former loading dock for wood trade as well as a city harbor
- Area known for its successful transformation into a mixed-use destination for businesses and residential apartments

### Materials / resources

- Glazed aluminum composite panels for façade
- Fully insulated roof and façade
- Triple glazing and bamboo flooring on ground floor

\* Image source: Ronald Tilleman

**3** GOOD HEALTH  
AND WELL-BEING



**7** AFFORDABLE AND  
CLEAN ENERGY



**11** SUSTAINABLE CITIES  
AND COMMUNITIES



**12** RESPONSIBLE  
CONSUMPTION  
AND PRODUCTION



## Case study 4

# Elevating health and wellbeing

455 Market Street – California, US



Obtained LEED-ARC Platinum and Fitwel certifications in 2019 and the new Fitwel Viral Response certification in 2021.

### About the asset

455 Market Street (first LEED certified in 2009 and renewed in 2014 under the EBOM – Existing Building Operations and Maintenance rating system) obtained Platinum certification under the new LEED-ARC Certification in 2019 and was recertified Platinum in 2020.

What is Arc? Arc Skoru Inc. is a new digital platform that uses data to help measure and improve sustainability performance across the built environment. It is a technology company created by Green Business Certification Inc. (GBCI) and the US Green Building Council (USGBC) which helps buildings and places collect, manage and benchmark data.

The building obtained Fitwel certification in 2019 and the new Fitwel Viral Response certification in 2021.

What is Fitwel? Fitwel is a certification system for optimizing buildings to support health and wellbeing. The certificate was developed by the Center for Disease Control and Prevention alongside the General Services Administration.

Fitwel seeks to accomplish seven goals:

- impact community health,
- reduce morbidity and absenteeism,
- support social equity for vulnerable populations,
- instill feelings of wellbeing,
- provide healthy food options,
- promote occupant safety,
- increase physical activity.





# Corporate dedication

Determined to deliver the transparency needed to support meaningful actions on responsible investment.



### UBS responsible investing memberships

UBS Asset Management is committed to supporting the sustainable investing industry through commitments to organizations which educate and promote sustainable and impact investing. The list below includes some of our key memberships and commitments.

#### UBS key commitments:

- Net Zero Banking Alliance (founding member),
- CDP: Included in the CDP A List for Climate Change Action in 2018,
- Global Reporting Initiative,
- Taskforce on Climate Related Financial Disclosure (TCFD),
- Global Impact Investing Network,
- Roundtable on Sustainable Palm Oil,
- United Nations Environmental Programme (UNEP) – Finance Initiative,
- Principles for Responsible Banking,
- IFC Operating Principles for Impact Management,
- CEO Alliance on Global Investors for Sustainable Development.

#### UBS Asset Management key commitments:

- Net Zero Asset Managers Initiative (founding member),
- Principles for Responsible Investment (PRI),
- UN Sustainable Development Goals,
- UN Global Compact,
- International Corporate Governance Network,
- Institutional Investors Group on Climate Change,
- Asian Corporate Governance Association,
- UK Investor Forum,
- UK Governance Forum,
- Sustainability Accounting Standards Board,
- GRESB,
- Swiss Sustainable Finance,
- EFAMA Stewardship, Market Integrity and ESG Investment Standing Committee,
- National Association of Real Estate Investment Managers (NAREIM) – Sustainability and Investment Management,
- US Green Building Council (USGBC),
- Workforce Disclosure Initiative,
- Transition Pathway Initiative,
- Farm Animal Investment Risk & Return,
- Investor Statement of the Access to Medicine Index.

We continually review our membership of specific initiatives in relation to environmental, social and corporate governance factors.



*Signatory of:*



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**Sustainability Indices**

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# GRESB



## Sustained strong results for Real Estate & Private Markets for global real asset funds in 2020 GRESB Assessments.

We use GRESB data to assess and benchmark the ESG performance of our real estate and infrastructure investments to make sound, sustainable investment decisions and identify engagement priorities.

21 of REPM's real estate equity and infrastructure funds from across the globe – including all of our flagship products – participated in the 2020 GRESB Assessments. The funds submitted this year accounted for 96% of REPM's total assets under management<sup>1</sup>. 100% of REPM's previously submitted real estate funds achieved a Green Star rating and were awarded either 4-star or 5-star ratings reflecting upper quintile performance compared with the entire universe of participants. This continues our consistently strong and improving results over the past eight years.

### Real estate Assessment

Globally, seven real estate funds achieved 5-star status, the highest recognition available. In particular:

- our open-end core German logistics fund ranked first in its peer group in the Germany Industrial Tenant Controlled category,
- our open-end core UK commercial property fund retained its leadership position in the UK Diversified category for the fourth year running,
- our second open-end core Swiss diversified fund topped its Swiss Diversified peer group for the second year running,
- our closed-end core Japanese industrial and infrastructure fund also ranked first in its peer group in the Japan Diversified Listed category.

### Infrastructure Assessment

Our two global infrastructure funds once again delivered strong results both achieving 5-star ratings.

- The Saubermacher asset held by our first closed-end global infrastructure fund retained its 'Overall Asset Sector Leader' status in Environmental Services for the third consecutive year,
- Saubermacher was awarded 'GRESB Most Improved' in its peer group in Diversified and Other (including Environmental Services).

"Our sustained strong GRESB results are testament to our industry leading ESG policies, practices and performance and confirms our commitment to sustainably operate the real assets in our portfolio."

Joseph Azelby  
Head of Real Estate & Private Markets



### GRESB Assessments

GRESB assesses the sustainability performance of real asset sector portfolios and assets in public, private and direct sectors worldwide. It offers ESG data, Scorecards, Benchmark Reports and portfolio analysis tools.

In 2020, GRESB assessed 1,200 real estate funds and property companies, 107 infrastructure funds and 393 infrastructure assets.

In 2020, REPM submitted data for 21 real estate and infrastructure funds representing USD 66.7 billion<sup>2</sup> of assets under management, all of which achieved either 4-star or 5-star ratings<sup>3</sup>.

The *GRESB Real Estate Assessment* collects information regarding the sustainability performance of property companies and funds, including information on performance data, such as energy, GHG emissions, water and waste. The assessment also covers broader sustainability issues such as resilience, climate change, sustainability risk assessments, performance improvement programs and engagement with employees, tenants, suppliers and the community. GRESB's global benchmark uses a consistent methodology across different global regions, investment vehicles and property types.



The *GRESB Infrastructure Assessment* provides systematic assessment, objective scoring and peer benchmarking of the ESG performance of infrastructure companies, operators and funds. It provides two levels of assessment. The Fund Assessment contains 10 indicators focused on management and investment processes. The Asset Assessment addresses asset-level plans and policies, on-the-ground actions and operational performance.

<sup>1</sup> Of assets under management for all funds eligible to participate in the 2020 GRESB Assessments. <sup>2</sup> Assets under management stated on gross asset value basis, reflecting property values as at 31 December 2020, where available. Excludes assets held in multi-manager solutions and real estate securities as well as segregated mandates. Includes assets managed by our joint venture with Mitsubishi Corporation, Japan. <sup>3</sup> The core Japanese residential strategy, scoring 1-star, participated for the first time in 2020 with limited performance data due to legal constraints.

## UBS-AM 2020 GRESB Assessment results

Fund description	Management Score <sup>1</sup>	GRESB Rating (1-star = Lower quintile; 5-stars = Upper quintile)	Peer group leader (Ranked 1 <sup>st</sup> in its peer group)/Sector Leader
<b>Real estate equity fund</b>			
<b>US</b>			
Open-end core US equity diversified	30/30	4-stars	
Open-end value add US tactical	30/30	4-stars	
<b>UK</b>			
Core UK commercial property	30/30	4-stars	✓ 1 <sup>st</sup> in group <sup>2</sup>
<b>Switzerland</b>			
Core Swiss diversified I	30/30	4-stars	
Core Swiss diversified II	30/30	5-stars	✓ 1 <sup>st</sup> in group <sup>2</sup>
Core Swiss diversified III	30/30	5-stars	
Core Swiss residential I	30/30	4-stars	
Core Swiss residential II	30/30	4-stars	
Core Swiss residential III	30/30	4-stars	
Core Swiss retail I	30/30	5-stars	
Core Swiss retail II	30/30	4-stars	
<b>Germany</b>			
Core European office and retail	30/30	5-stars	
Core European office	30/30	5-stars	
Core German logistics	30/30	5-stars	✓ 1 <sup>st</sup> in group <sup>2</sup>
<b>Italy</b>			
Closed-ended core eurozone office fund	30/30	4-stars	
<b>Japan</b>			
Core Japanese industrial and infrastructure	28/30	5-stars	✓ 1 <sup>st</sup> in group <sup>2</sup>
Core Japanese retail	28/30	4-stars	
Core Japanese office	28/30	4-stars	
Core Japanese residential <sup>3</sup>	30/30	1-star	
<b>Infrastructure equity funds</b>			
Global infrastructure fund I	30/30	5-stars	✓ 1 <sup>st</sup> in group; Overall Asset Sector Leader; GRESB Most Improved (Saubermacher)
Global infrastructure fund II	30/30	5-stars	

Source: GRESB Benchmark Reports and UBS Asset Management, Real Estate & Private Markets (REPM); February 2021

Note: UBS-AM has historically submitted data for two real estate debt funds (in the UK and US) to GRESB's Real Estate Debt Assessment, which has been discontinued in 2019. **1** The 2020 GRESB Assessments have been calculated using both Management Scores and Performance Scores as core components in this year's Assessments. **2** Ranked first amongst listed Japanese, Swiss, German and UK funds in their respective diversified peer groups. **3** Strategy participated for the first time in 2020 with limited performance data due to legal constraints.



# Longstanding performance

113

funds rated  
Green Star since 2012

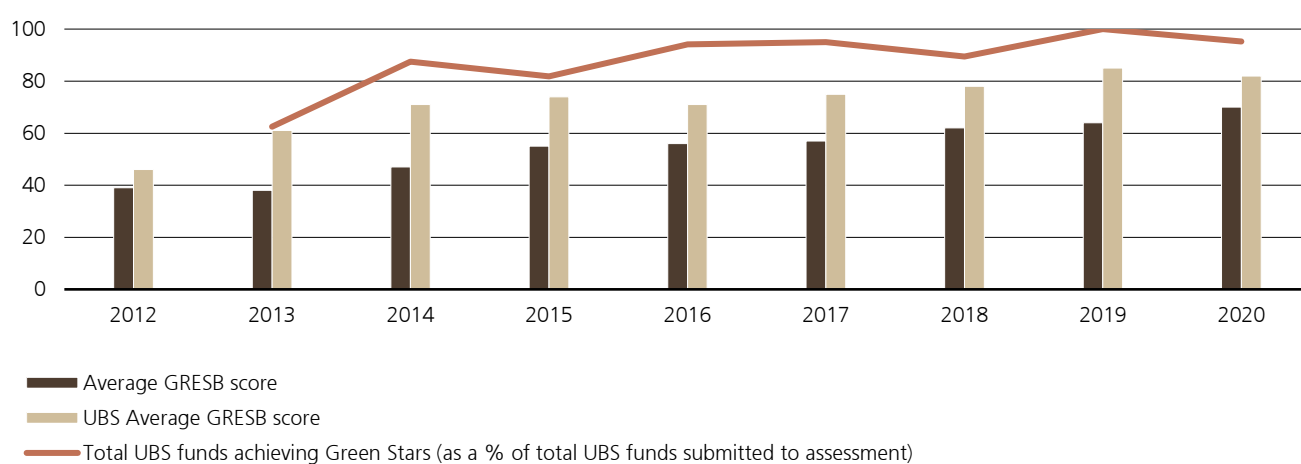
50

funds rated  
5-star since 2016



	Total funds submitted	Average GRESB score <sup>1</sup>	5-stars	4-stars
2012	9	46	n/a	n/a
2013	12	61	n/a	n/a
2014	12	71	n/a	n/a
2015	13	74	n/a	n/a
2016	16	71	9	6
2017	22	75	10	3
2018	21	78	7	6
2019	20	85	15	5
2020 <sup>2</sup>	21	82	9	11

## Absolute improved performance year after year



Source: Scores based on 2012-2020 GRESB Assessment data.

<sup>1</sup> Denotes average GRESB score for both Real Estate and Infrastructure Assessments, the latter introduced in 2016. <sup>2</sup> In 2020, the GRESB Assessment structure and scoring fundamentally changed, establishing a new baseline for measuring asset and fund performance.



# Covering much ground

Our Multi-Manager (indirect) businesses combine the expertise of Real Estate, Infrastructure and Private Equity into a single integrated business. ESG considerations are integrated within the entire investment process, including due diligence of new investments and ongoing ownership of existing investments. Our responsible investment strategy is embedded throughout the ownership cycle of a Multi-Manager investment because we believe that a significant positive impact is also possible indirectly, on society, the environment, and in the returns generated for our clients.



## Integrating ESG throughout the indirect investment process.

### Multi-Managers Real Estate

Buildings, by their nature, are energy intensive, which is why we've established a systematic and informed approach to identifying and managing ESG issues across the real estate funds in which we invest. We fundamentally believe that ESG will materially impact future results of our indirect real estate investments, combined with an overarching fiduciary duty both to manage risk for our clients but also to act responsibly as investors.

Our goal is to identify all the ESG risks and opportunities within any indirect real estate investment, and in turn, use the skills of our team of global specialists to meet the increasingly diversified needs of our clients to generate long-term growth, to enhance returns, and to reduce volatility. Our responsible investment strategy is embedded into every stage of the Multi-Managers Real Estate (MMRE) investment process, including the ownership cycle.

We regularly collect information on each target fund's ESG policies and efforts as part of our rigorous due diligence process during our underwriting. We review the target fund's ESG policies, and consider how it incorporates these policies into its strategy, how it reports its ESG strategy to its investors, what relevant laws and regulations impact the fund, and any sustainability initiatives the fund is already participating in. We also review the ESG scores achieved by the target fund, at the property, fund and company levels (e.g., LEED certifications, GRESB scores, UN PRI assessment, other environmental accreditations). We believe such scores may indicate risks and opportunities that could impact current and future investment returns and liquidity.

## Multi-Managers Infrastructure

Whether investing into infrastructure directly or indirectly, ESG issues are important considerations for investors given the long-term time horizon and often relatively significant financial investment required. Sustainable infrastructure investments play a driving role in decarbonization, improving livelihoods and economies. We firmly believe that through integrating ESG factors into our investment process we can achieve positive and lasting outcomes as the demand for global infrastructure investment continues to grow.

Our Multi-Managers Infrastructure (MMINFRA) business factors-in ESG at all stages of the investment process, including the investment case and the evaluation methods used prior to making investment decisions. Conducting early screening and exclusion of investment opportunities based on ESG merits and risk considerations is a crucial step in our responsible infrastructure investment process.

We report regularly to our clients on the ESG dimensions of their respective portfolios. Our objective is to provide a comprehensive overview of how the underlying fund managers address and implement ESG in both their investment strategy and asset management. We achieve this through maintaining an active dialogue with fund managers in order to encourage the broader adoption of ESG principles, limit and reduce the exposure to investments with higher environmental risks and promote good governance objectives. We have added the systematic collection of information on our target funds' ESG policies and ESG practices to our investment process in order to thoroughly consider how managers incorporate ESG policies into a firm and fund's strategy.

However, ESG considerations are not limited to the due diligence and the investment phase but are considered throughout the entire lifecycle of our investment process. ESG is monitored and reviewed alongside regular investment monitoring through quarterly fund reports, manager calls and onsite-meetings, advisory board sessions, annual sustainability reports, etc. with any findings and deviations addressed with the fund managers.

## Multi-Managers Private Equity

Private equity investments naturally consider future trends where value can be generated. This is why our Multi-Managers Private Equity (MMPE) portfolio reflects our and our clients' vision for our future which means investing to address the environmental and social crises we face as a society today. We fundamentally believe that integrating ESG in the investment process can help better manage risk and can enhance performance, while aligning the broader interests of our investors and managers.

MMPE has a long history of considering ESG in its investments; since 2012, we have conducted exclusion screening of investments and continuously refined the standards since then. Our investment process integrates ESG throughout the entire investment lifecycle from sourcing, investment due diligence, to the ongoing monitoring and reporting. ESG factors are considered early on during market screening and sourcing activities and we apply filtering and exclusion of investment opportunities based on ESG merits and risk considerations.

We thoroughly assess the ESG information provided by managers through dedicated reports and cover a number of ESG areas including: ownership; past and current litigations; firms' governance model; firms' ESG policy and principles; past and present investment activity in restricted or sanctioned countries; past or present investment activity in controversial sectors etc. And, together with partners, we have also launched dedicated products in that space, e.g., the UBS Oncology Impact Fund which, until today, is the largest dedicated fund in the private markets space dedicated to finding cures for cancer.





## Case study 5

# Encouraging biodiversity

Rue de la Morâche – Vaud, Switzerland



Enhancing biodiversity through real estate and improving real estate through biodiversity

### About the asset

Biodiversity and ecosystems provide us with our life support systems and add value to the economy. For us, the chance to enhance biodiversity and ecosystems hand in hand with the provision of real estate development is a cost-effective and scalable way to improve our planet's resilience to temperature rises, natural disasters and other climate extremes. In addition, we aim to contribute to the well-being of tenants in today's changing climatic conditions and more compact living spaces.

Natural landscaping in real estate has a positive effect on productivity, recreation and people's well-being. In view of climate change, the creation of new green spaces is becoming increasingly important in urban areas.

- Natural landscaping in dedicated green spaces promotes biodiversity and enhances the quality of the building
- The design incorporates high-quality outdoor spaces with dedicated pedestrian zones and green areas
- Plants positively influence the microclimate and help to ensure a high level of comfort for tenants and occupants – even on hot summer days

# Governance

A holistic approach



ESG interwoven into our thinking and organizational DNA.

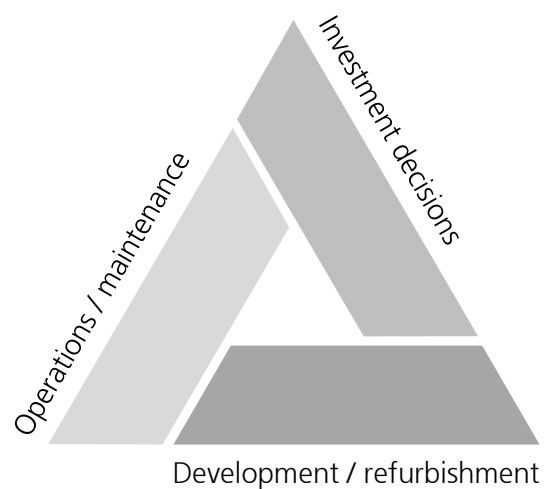
Our robust ESG governance and organizational structure has clear responsibilities and incentives, which are designed to integrate sustainable and responsible criteria into our clients' investments. We have a clear focus on continuously refining and implementing our responsible investing strategies and enhancing ESG integration across our real estate, infrastructure, private equity, and food & agriculture business areas.

The REPM ESG Management Committee (ESG MC) provides a forum for structured engagement on ESG initiatives. Comprising experts from multiple countries and disciplines, the ESG MC oversees implementation of decisions and recommendations channeled through REPM's various specialist ESG Working Groups (ESG WGs). The ESG WGs streams include representatives from both our direct and indirect investment areas, as well as a Working Group focused on regulatory & reporting, and are responsible for generating diverse and innovative ideas, while ensuring our sustainability objectives are incorporated into all of our funds' investment processes and strategies, and property operations. In addition, the ESG WGs measure the progress of the various business areas and reports regularly to the ESG MC.



To supplement this approach, the ESG MC reports to the REPM ESG Steering Committee which works closely with our partners from across UBS, to support our ongoing commitment to ESG – developing, planning, implementing, and monitoring initiatives, while providing strategic guidance regarding our ESG capabilities.

This integrated approach details our firm-wide commitment to integrate ESG information into our investment processes, reflects the diversity of clients we serve, and the breadth of our offerings and investment strategies.





## Case study 6

# Sustainable and healthy office buildings

Pleyad Campus – Paris, France



A future-proof prime business campus, reflecting sustainable development in the world's largest infrastructure project.

### About the asset

- Construction of the Pleyad 4.1 project was completed in 4Q19
- The property forms part of the Pleyad Campus, which consists of the assets Pleyad 1, 2, 3, as well as Pleyad 6/7, with an additional 35,000 to 39,000 sqm allowed for future construction
- Pleyad 4.1 is a prime business center with flexible office space, including integrated meeting rooms, a restaurant and brasserie
- The entire campus (Pleyad 1-7) is registered for Ecojardin
- Additionally registered for BREEAM Excellent certification and NF HQE EXCEPTIONNEL, BiodiverCity

### Energy efficiency

- Onsite solar/photovoltaic panels generate part of the energy consumed by the building
- Property adheres to Réglementation Thermique – RT2012 (with the aim of surpassing the threshold by 40%)

### Materials / resources

- French labeling A+ for inside materials (HQE and BREEAM)
- PEFEC or FSC required for all wooden materials
- Agreement for low impact construction signed by the general contractor
- Minimum of 75% (by mass) earmarked for waste recovery

### Mobility

- Campus provides unique micro location and a major new transport hub, with excellent local public transport facilities following the opening of new train station, Pleyel
- Campus forms part of the huge infrastructure project associated with the Paris 2024 Olympics

### Health / wellbeing

- Biodiversity facilities promote outdoor activities
- Zero use of herbicides and any phytosanitary product in this garden for three years post completion
- 75% of the flora in Pleyad 4.1 reflect local species
- Every floor provides a terrace
- Vast number of amenities provided, including fitness facilities and locker rooms

\* Image source: Architekten ECDM / Bléas et Leroy / L'Autre Image





## Case study 7

# Measuring social value

Springfield Outlet Center – Spalding, United Kingdom



Pilot initiative seeks to assess and improve the social value of our real estate assets

### About the asset

While environmental considerations have started to become mainstream in assessing real estate and infrastructure, the 'S' in ESG has been traditionally harder to measure. We recognize that property assets – offices, shopping centers, industrial estates – benefit local communities even though it may not be obvious at first sight.

To assess and seek to improve the social value of our property assets, we recently commenced a pilot within our core UK real estate fund. We commissioned a third-party, the Social Value Portal, who use an independent measurement framework, to collect data and generate the social, economic and environmental value of a property.

We worked with tenants and our property and facilities management teams onsite to understand and measure things like local employment levels, traineeships, jobs for young offenders, community events held at the property and volunteering.

The first assessment started in early 2019 with Springfields Outlet Centre, a leading retail and leisure destination in the east of England, and has since been extended to office and industrial assets, with student accommodation to follow.






Further properties in Europe will also be piloted, with the aim of having a social value across the UK portfolio as well as for other properties held by REPM globally.

The social value produced reflects the property's value to the community as well as the financial return to investors, and is used to measure our contribution to the United Nations' Sustainability Development Goals (SDGs), 17 global goals set in 2015 aiming to achieve 'a better and more sustainable future for all' and which includes goals covering poverty, inequality and climate change, amongst others. Springfields' social value – GBP 4.3 million – was mapped to multiple SDGs, most notably to the 8<sup>th</sup> and 9<sup>th</sup> SDGs for 'Decent work and economic growth' and 'Industry, innovation and infrastructure', respectively.

# Let's tackle it!



A clear goal towards delivering sustainable and ultimately, better-performing assets for our investors.

	Real estate targets (rolling 5 years) <sup>1</sup>	Progress against our targets (5-year period) <sup>2</sup>	Current achievement (5-year period)
	Reduce by <b>12.5%</b> energy consumption	Electricity to power <b>16,000+</b> Houses	<b>10.8%</b> reduced
	Reduce by <b>10%</b> water consumption	Water to fill <b>540</b> Olympic swimming pools	<b>12.6%</b> Reduced
	Reduce by <b>10%</b> operating costs	USD <b>37.5m</b> electricity and water cost savings <sup>3</sup>	<b>13.2%</b> reduced
	Reduce by <b>12.5%</b> greenhouse gas emission	<b>30,000+</b> cars taken off the road	<b>22.2%</b> reduced
	Achieve portfolio-wide <b>50%</b> recycling rate	<b>180,000+</b> tons of waste diverted <sup>4</sup>	<b>50.0%</b> diverted <sup>4</sup>

**1** Science-based targets utilizing the absolute-based approach, in line with the Paris Agreement; All targets above are measured over five-year timeframes except for the recycling rate, which is an annual target. **2** Based on the UBS-AM GRESB Portfolio Analysis Report 2020 (for Amalgamated RE); reflects like-for-like change data for the five-year period ended 31 December 2019. **3** Based on an estimated average electricity cost of USD 148.7 (cost as at 2020) per megawatt hour and average water cost (supply and sewerage) of USD 6.5 (cost as at 2020) per cubic meter. **4** Recycling rate metric based on measurable data for the one-year period ended 31 December 2019.





# A greener future



**2** ZERO HUNGER



**3** GOOD HEALTH AND WELL-BEING



**6** CLEAN WATER AND SANITATION



**7** AFFORDABLE AND CLEAN ENERGY



**8** DECENT WORK AND ECONOMIC GROWTH



**11** SUSTAINABLE CITIES AND COMMUNITIES



**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



**13** CLIMATE ACTION



**15** LIFE ON LAND



**16** PEACE, JUSTICE AND STRONG INSTITUTIONS



**17** PARTNERSHIPS FOR THE GOALS







## Contributing towards a more sustainable world for generations to come with Farmland.

As one of the US's leading managers of institutional farmland investment portfolios starting in 1990, we are committed to preserving farmland for the long-term for future generations to come.

Our portfolios are enrolled in the Leading Harvest Farmland Management Standard, a newly developed ESG standard for farmland portfolios designed to optimize sustainable farmland management as part of a comprehensive assurance program. The Standard identifies sustainable farming practices based on 13 Principles, 13 Objectives, 33 Performance Measures and 71 Indicators. It addresses economic, environmental, social and governance issues and includes measures to efficiently use water, agricultural chemicals and energy to grow crops for

useful agricultural products; minimize waste; and conserve soils, water resources and biodiversity. It also takes into consideration the well-being of farmland tenants, employees, contract management company employees, contract farm labor and local communities.

The Standard is designed to grow with agricultural operation over time, providing a framework for continuous improvement. Through the Standard's sound auditing assurance, we can confidently make claims to the market that our farm operations are achieving lasting outcomes for our clients, the communities in which we operate and growing a healthier future for generations to come.



## Case study 8

# Creating impact with renewable energy

## Photovoltaic project – Switzerland



Fostering solar energy on the roofs of our managed buildings for the benefit of our tenants and investors.

### About the project

Working in partnership with the Energie Zukunft Schweiz AG association, we are working towards meeting the electricity needs of our real estate portfolio via renewable energies. The photovoltaic project is targeting to install more than 100 power-generating systems across our Swiss portfolio with an output of around 15 MWp by 2022, enough to supply around 4,000 homes.

This ambitious project was launched in 2017 with the construction of three photovoltaic systems. This pilot stage aimed to demonstrate that these systems are not only technically feasible but also economically attractive, and our experience led to a decision in Summer 2018 for a large-scale roll-out throughout our Swiss portfolio.

Since then, more than 120 potential projects have been identified. Installation is progressing well, with around 40 systems expected to be operating by the end of 2020.

Each individual project aims to offer solar power to tenants at attractive terms, while also creating added value for our investors. Recent projects show that there is a high demand for locally-produced solar power, especially among commercial tenants, demonstrating that these systems can also increase the attractiveness of a property for tenants.



## Case study 9

# Innovative financing with Green Bonds

G-Bldg. Kichijoji 02 – Tokyo, Japan



At the forefront of sustainability innovation, UBS fund pioneers first Green Bond issue in Japan's REIT (J-REIT) market.

In a first for the Japanese J-REIT market, in 2018 our real estate joint venture with Mitsubishi Corporation in Japan issued a highly innovative Green Bond.

Green bonds are a type of fixed income instrument specifically designed to finance climate or environmental projects, including alternative energy, energy efficiency, pollution control, sustainable water, green building and climate adaption.

The Japan Retail Fund Investment Corporation (JRF) issued the five-year bond of JPY 8 billion in 2018 at a lower coupon rate of 0.210%, reflecting a green premium. Following the success of the first Green Bond, JRF issued a second Green Bond in 2019.

The first bond was issued to refinance bank loans originally used to acquire a green building certified asset, the G-Bldg. Kichijoji 02, an urban retail property in Tokyo.

The second bond was used primarily to invest in green initiatives across the portfolio, including at the flagship asset, mozo wonder city (JRF's first asset to be green building certified), where we are taking action to improve the shopping mall's environmental performance as well as to support the local community from a social perspective.



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