

Thinking beyond tomorrow.

Responsible Investing in Real Assets **a proven global track record.**

Edition 2018/2019



The future matters

Sustainability is a key component of successful real asset management.

Climate change, energy needs and water scarcity are counted among the biggest challenges of our century. UBS Asset Management's Real Estate & Private Markets (REPM) business acknowledges that real assets such as properties and infrastructure contribute significantly to CO₂ emissions and the consumption of natural resources.

UBS has established a comprehensive approach to environmental and social factors, and to corporate governance across each of the investment disciplines. At REPM we are committed to acting as responsible investors.

Responsible ownership and operation of real property can have a significant positive impact on the environment and returns for our clients. REPM operates with this in mind while investing both directly and indirectly into real assets.

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.

In order to be able to maximize our results with regards to the implementation of our responsible investment strategy, an integrated approach is required. At UBS and REPM, sustainability plays a major role in corporate, fund and asset-level decisions.



Our mission

We believe that there is a direct link between responsible investment and long-term returns.

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 well-being 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 following our long tradition of supporting worthy causes and working with non-profit and charitable organizations. As such, we also clearly encourage and recognize the social volunteering of our employees

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.

Saubermacher Graz, Austria Environmental services

Ranked #1 globally as Asset Sector Leader
in the 2018 GRESB Infrastructure Asset Assessment

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" (i.e. recycling an ever higher percentage of waste and aiming to reduce total waste material to zero). Saubermacher helps avoid approximately 400,000 tons of CO₂ emissions each year. 282,000 tons of avoided CO₂ 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. Other awards received include TRIGOS Styria 2017 for CSR engagement, and Energy Globe Austria 2017 for research into reuse and recycling of battery systems in electro mobility.





Collgar Wind Farm

Western Australia, Australia

Clean energy

Ranked #1 globally amongst energy generation assets in the
2016 GRESB Infrastructure Asset Assessment

About the asset

Collgar Wind Farm (Collgar) is located approximately 25 kilometers southeast of Merredin in Western Australia. The wind farm site comprises 111 wind turbine generators on approximately 18,000 hectares of private land. UBS acquired a 60% stake in this project on 31 March 2010 and then established the board and management team of Collgar. Construction of the turbines commenced in June 2010 and was completed in October 2011.

Collgar generates and delivers clean renewable electricity into the Western Australian electricity market, displacing electricity which would otherwise have been sourced from the combustion of fossil fuels.

Collgar displaces approximately 480,000 to 660,000 tons of greenhouse gas emissions each year, which is equivalent to taking circa 120,000 to 160,000 cars off the road. To protect flora, fauna and historic heritage as well as minimizing noise and visual impact, Collgar has a detailed Master Environmental Management Plan which is followed throughout the life of the project. In conjunction with development of the wind farm, UBS and its partners also established a fund to support the local rural community. Each year, AUD 100,000 is contributed to the fund and applied to support community projects, community development, local education and training, community health and wellbeing and the local environment.



Walking the talk

UBS is firmly committed to corporate responsibility and actively strives to understand, assess, weigh and address the concerns and expectations of the firm's stakeholders.

Corporate

For a long time, UBS has been helping clients to invest along sustainable and responsible criteria. 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 September 2018, UBS successfully passed its ISO 14001 surveillance audit.

In 2018, for a fourth 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 well-being 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 regard 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 everyday 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 2018 UN PRI Assessment Report, REPM received the top score (A+) in Property and Infrastructure, for the second year running.

We achieved a perfect 100% in Property in the 2018 UN PRI Assessment Report.

REPM is a member of GRESB, an independent organization committed to assessing the environmental, social and governance performance of real estate, infrastructure and debt portfolios. For more information regarding GRESB and REPM's ongoing outstanding results, please consult pages 12-15 of this document.

UBS has obtained LEED certification for over 10 million sq ft of office space.

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, BREEAM, 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 help 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

Corporate dedication

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

- UBS is a founding member and signatory of the United Nations Environmental Program Finance Initiative (UNEP FI) since 1992.
- UBS is a signatory to UNEP Finance Initiative and is a member of FTSE4Good Index series.
- In 2018, UBS was named an industry leader in the diversified financials industry group of the Dow Jones Sustainability Index.
- UBS was the first bank to obtain ISO 14001 certification for worldwide environmental management system in banking business. In 2018, UBS obtained ISO 14001 re-certification.
- UBS is listed in the Carbon Disclosure Project's Carbon Performance Leadership Index (CPLI) for 2010. UBS is a member of the United States Green Building Council (USGBC).
- UBS is a member of the European Association for Investors in Non-listed Real Estate Vehicles (INREV).
- UBS signed the Principles for Responsible Investment (PRI) in 2009. In the 2018 PRI Assessment Report, UBS received A+ grades for Property and Infrastructure.
- UBS is a founding signatory to the Carbon Disclosure Project and member of International Corporate Governance Network.
- UBS has been a member of GRESB since 2012 and has seats on the GRESB Advisory Board and the GRESB Benchmark Committee.
- UBS has been an active member of the UNEP FI - Property Working Group since 2009.
- UBS was recognized as a Premier Member of the ENERGY STAR Certification Nation by the US Environmental Protection Agency.



UBS responsible investing memberships



GRESB

Real Estate & Private Markets
sustains market leading
position for global real
asset funds in 2018
GRESB assessments.



21 of REPM's real estate equity, real estate debt and infrastructure funds from across the globe – including all of our flagship products – participated in the 2018 GRESB assessments. 100% of REPM's real estate equity funds achieved a Green Star rating, and seven real estate equity funds were awarded 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 seven years. The funds submitted this year accounted for 96% of REPM's total assets under management¹.

Real estate assessment

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

- our German logistics fund retained its 'Sector Leader' status amongst its European and global industrial non-listed real estate peer groups,
- our Japanese retail fund was also named 'Sector Leader' in the listed Asia retail segment,
- our UK commercial property fund retained its top position for the second consecutive year amongst its 72-strong UK diversified peer group

Debt assessment

REPM's UK and US real estate debt funds, which have both participated in the GRESB assessment since the survey's inauguration, achieved outstanding results. Our UK fund achieved second place in its peer group.

"Our 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

Infrastructure assessment

REPM's two global infrastructure funds once again delivered strong results. Our first global infrastructure fund achieved the highest GRESB assessment rating in the globally diversified infrastructure funds peer group, and REPM's second global fund came in third.

¹ Of assets under management for all funds eligible to participate in the 2018 GRESB Assessments.



GRESB assessment

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 2018 GRESB assessed 903 real estate funds and property companies, 75 infrastructure funds, 280 infrastructure assets and 25 debt portfolios.

GRESB Real Estate 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 Debt assessment is specifically tailored to the functions and processes of real estate lenders and debt portfolio owners, and is designed to capture sustainability engagement and performance metrics on a worldwide basis. The scores are based on five key sustainability factors: Management, Policy & Disclosure, Due Diligence, Monitoring and Opportunities.

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.

UBS-AM 2018 GRESB assessment results

Real estate equity fund	Green Star (No. of Stars, Max 5)	GRESB Rating (1-star = Lower quintile; 5-stars = Upper quintile)	Peer group leader (Ranked 1 st in its peer group)/Sector Leader
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Japan

Open-end core Japanese industrial and infrastructure	Green Star	4-stars	
Open-end core Japanese retail	Green Star	5-stars	✓ Sector Leader
Open-end core Japanese office	Green Star	5-stars	

Switzerland

Open-end core Swiss diversified I	Green Star	3-stars	
Open-end core Swiss diversified II	Green Star	2-stars	
Open-end core Swiss diversified III	Green Star	3-stars	
Open-end core Swiss residential I	Green Star	4-stars	
Open-end core Swiss residential II	Green Star	4-stars	
Open-end core Swiss residential III	Green Star	3-stars	
Open-end core Swiss retail I	Green Star	2-stars	
Open-end core Swiss retail II	Green Star	3-stars	

Germany

Open-end core European office and retail	Green Star	5-stars	
Open-end core European office	Green Star	5-stars	
Open-end core German logistics	Green Star	5-stars	✓ Sector Leader

USA

Open-end core US commercial property	Green Star	5-stars	
Open-end value add US diversified	Green Star	4-stars	

UK

Open-end core UK commercial property	Green Star	5-stars	✓ 1 st in Peer Group
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Debt

Closed-ended UK debt fund	Green Star	4- stars	
Open-ended US debt fund	Green Star	4- stars	

Infrastructure global

Closed-end global infrastructure fund I	Upper quintile	5- star equivalent ²	✓ Sector Leader
Closed-end global infrastructure fund II	Upper quintile	5- star equivalent ²	

Source: GRESB Real Estate, Real Estate Debt and Infrastructure benchmark reports 2018.

² The 2018 GRESB Infrastructure Assessment does not award 5-stars. The upper quintile performance of REPM's funds reflects the equivalent of 5-stars.

Longstanding performance

75

funds rated
Green Star since 2013

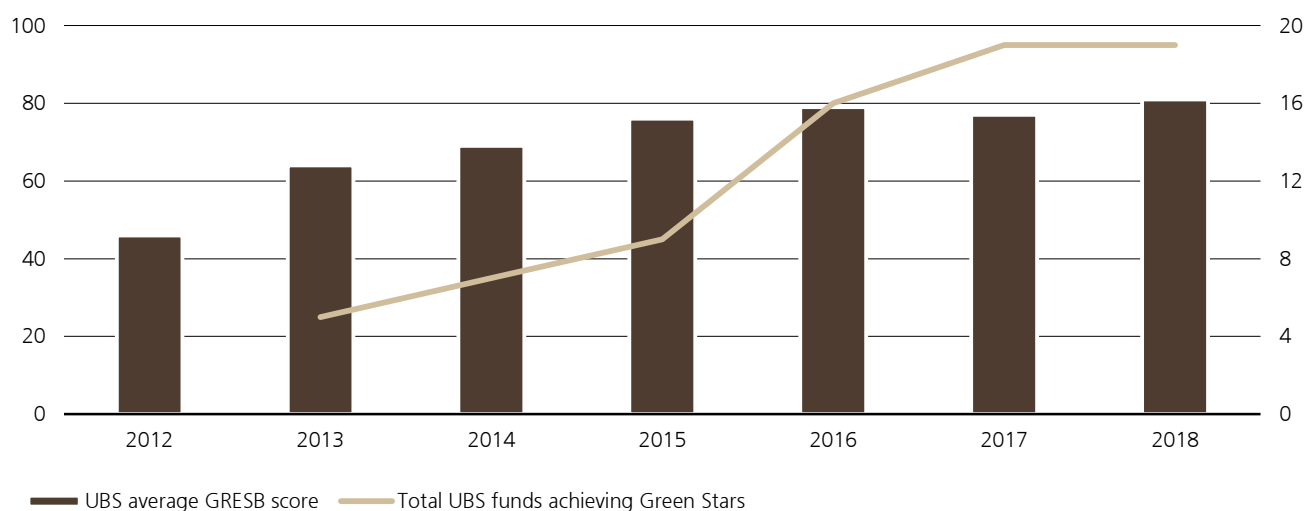
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funds rated
5-Star since 2016



	Total funds achieving Green Stars	Average GRESB score	5 Stars	4 Stars
2012	n/a	46	n/a	n/a
2013	5	64	n/a	n/a
2014	7	69	n/a	n/a
2015	9	76	n/a	n/a
2016	16	79	9	6
2017	19	77	10	3
2018	19	81	7	6

Absolute performance has improved year after year



Source: Scores based on 2012-2018 GRESB Assessment data
Note: 4/5-Star ratings were not used in 2012-2015 GRESB assessment data

Teamwork

A holistic approach

Working together to help our clients invest along sustainable and responsible criteria, is our competitive advantage.

REPM Sustainability Workgroup

The REPM Sustainability Workgroup was established to develop a responsible investment policy and identify and implement industry-leading strategies. The workgroup sets strategies and objectives at a global level and ensures our sustainability objectives are incorporated into all of our fund's investment strategies and property operations, with appropriate variation by country due to different certification and legislative requirements.

The workgroup seeks to maximize best practice sharing globally as some technologies and policies which begin in one country are then adapted by other countries. In addition, the workgroup measures the progress of the businesses and reports regularly to the REPM Management Committee.

The workgroup comprises professionals from several countries and disciplines including, engineering and construction, operations, research, asset management, fund management as well as business management and has regional representation from the following countries: United Kingdom, Switzerland, Continental Europe, Japan and the United States. Representatives from both direct and indirect investment into real estate, infrastructure and private equity sit on the workgroup.

The result of this team approach is consistently excellent UN PRI and GRESB scores in multiple global regions over a number of years.

Investment Decisions (Acquisition and Disposition)

- incorporate environmental, climate change and social risks into the evaluation criteria when making investment decisions at both an asset level and fund level,
- identify responsible investment strategies for fund-of-fund investments and consider these in the investment decision-making process,
- integrate responsible investment strategies, but not at the expense of long-term client financial performance

Development and Refurbishment (Engineering/Construction and Development)

- incorporate responsible investment, climate change and resilience strategies into the design and financial analysis of all new developments, property renovations and infrastructure projects,
- evaluate obtaining certifications applicable for each property type and location to expedite approval process and maximize occupancy, rental rate, tenant quality, occupier wellbeing and value,
- engage with planners, developers and other external project partners and consultants to achieve objectives,
- implement energy saving devices/upgrades or improve operations of inefficient equipment



Operations and Maintenance (Asset Management)

- define and implement best practice measures to improve energy efficiency, water conservation and waste management to promote sustainable practices, reduce operating expenses and increase asset values,
- evaluate green building certifications applicable for each investment type and location to enhance the investment's competitive position, maximize occupancy, rental rate, tenant quality, occupier wellbeing and value,
- monitor changes in regulations and laws in order to adopt and implement responsible investment strategies, collaborate with tenants, property managers and suppliers of services and materials to achieve objectives, measure energy consumption and monitor energy performance,
- ensure infrastructure assets have in place and are in compliance with all environmental and operational permits,
- monitor fund performance in GRESB and green building certification progress in fund investments for fund-of-fund products



LEED Gold pioneer

Cornerstone Business Park Barcelona, Spain

Cornerstone - the first office development in
Barcelona to achieve LEED Gold status

About the property

Cornerstone Business Park is a leading office renovation of Project 22@Barcelona. Launched in 2000, Project 22@ converted the former industrial area of Poblenou into the city's technological and innovation district.

Mobility

Showers and changing rooms, bicycle storage, preferred parking for electric vehicles with free charging, Metro, tram and bus services within 150m.

Energy and Water

- European Energy Performance Certificate level "A", connected to District Energy System,
- Low-flow taps and waterless urinals,
- Lighting control system for the control of electronic ballasts, transformers, LED's, emergency lights and exit signs in an easy to manage digital lighting control system,
- Intelligent Building Management System to control installations, and on site renewable energy generation

Workspace Environment

Opening casement windows, humidity control, a direct outside view (more than 90% of workstations) and a private open plaza for communal use.

Urban Environment

Reflective roofing to reduce heat island effect, reduced light pollution, and landscaping to assist storm water drainage.

Materials and Resources

Locally sourced materials (more than 30%), Forest Stewardship Council certified product (greater than 50%), dedicated recycling areas in each building, and low emitting materials.



"Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

Brundtland report of 1987: Our Common Future

Let's tackle it!

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




Real estate targets

Reducing energy consumption is one of the major quantified objectives, with a goal of reducing energy consumption by 10% over the next five years.

REPM's quantitative and qualitative goals for properties benefit our investors and our tenants. Only if we live up to our promises, can we reduce our impact on the environment and improve the economic aspect of our assets. Our goal is to reduce greenhouse gas emissions and operating costs by 10% over the next five years.

In conjunction with this strategy, we aim to increase our share of renewable energy in the energy mix of our suppliers and implement various property-specific improvements.

Our quantitative goals include the reduction of residual waste, increasing the recycling rate to 50% over the next five years and reducing the water consumption of our direct investments by 10% through monitoring and developing water saving measures.

	Real estate targets (rolling 5 years)	Progress against our targets ³ (4 year period)	Current achievement (4 year period)
	Reduce by 10% energy consumption	Electricity to power 15,500+ houses	-13.3%
	Reduce by 10% water consumption	Water to fill 466 Olympic swimming pools	-14.0%
	Reduce by 10% operating costs	USD 27.6m Estimated electricity and water cost savings ⁴	-13.4%
	Reduce by 10% greenhouse gas emission	22,000+ cars taken off the road	-17.4%
	Increase to 50% recycling rate	50,000+ tons of waste diverted ⁵	49% diverted ⁵

³ Based on UBS-AM 2018 Global Real Estate Assessment Report, Like-for-like Change data

⁴ Based on average estimated electricity cost of USD 131.9 per megawatt and average water cost of USD 2.8 per cubic meter

⁵ Recycling rate based on measurable data as at 2017

170 South Main Salt Lake City, Utah

As part of our continued focus on resilience, 170 South Main in Salt Lake City was the first building in the State of Utah to officially implement the award-winning BORP program which was first established by the San Francisco Department of Building Inspection. The program allows building owners to arrange post-disaster building inspections by individuals who are pre-certified by the building department to conduct emergency inspection and post legal building occupancy status in a disaster situation.



Kawasaki Science Center Japan

We remain focused on improving the environmental efficiency of our assets. Kawasaki Science Center in Japan ranks “A” in the Comprehensive Assessment System for Building Environmental Efficiency (CASBEE), which is a method for evaluating and rating the environmental performance of buildings and the built environment. CASBEE has been designed to both enhance the quality of people's lives and to reduce the life-cycle resource use and environmental loads associated with the built environment.



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