

Sustainable Investing

Engagement Highlights 2Q22 – Swiss Real Estate Securities



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“10m cubic meters of demolition materials are generated every year in Switzerland. Around 84% of the waste volume is attributable to the construction industry. One way to reduce the waste balance and the resulting environmental impact is the circular economy. In simple terms this means: products and materials are kept in circulation for as long as possible, using fewer primary raw materials. This can minimize or even eliminate material losses. It's a holistic approach that considers not only recycling, but also raw material extraction, design, production and distribution. For this to happen, we need a shift in mindset and effective collaboration between all stakeholders. Another important element is digitalization, which enables monitoring and optimization of processes by networking machines. Several real estate companies are already successfully promoting and implementing the circular economy in construction projects.”

Engagement Highlights 2Q22

Intershop Management AG¹

Creating value for customers, employees, shareholders, the environment, and society is an essential part of the business model of Intershop, Switzerland's oldest listed real estate company.

Intershop's portfolio comprises a heterogeneous range of properties, from renovated investment properties to development sites with historical building substance. For this reason, the company's sustainability assessment and resource optimization are property-focused, taking into account not only the life cycle of the properties, but also the grey energy (i.e. primary energy that goes into the production, transport and storage of materials during construction / refurbishment).

For investment properties, the focus is on the continuation of ongoing operations, and the existing portfolio is constantly analyzed for sustainability-related optimization measures. In the context of upcoming renovations, these are sustainably refurbished, considering use and life cycle. For example, the property at 42/44 Rue de Lausanne in Geneva was extensively renovated and awarded the SNBS "Gold" label. Among other things, the property was extended by three floors and equipped with a new energy supply system using an air-source heat pump and a photovoltaic system.

Measures to improve the sustainability of development properties vary and can include: disposal of contaminated sites, long-term socially-relevant aspects of site developments and certifications of new buildings.

As part of the company's consistent continuation of their sustainability commitment, Intershop issued a Green Bond in 2021. To expand the sustainability report, which has been prepared according to GRI standards for three years, the company plans to define and publish a CO2 reduction path by spring 2023.

Swiss Prime Site AG²

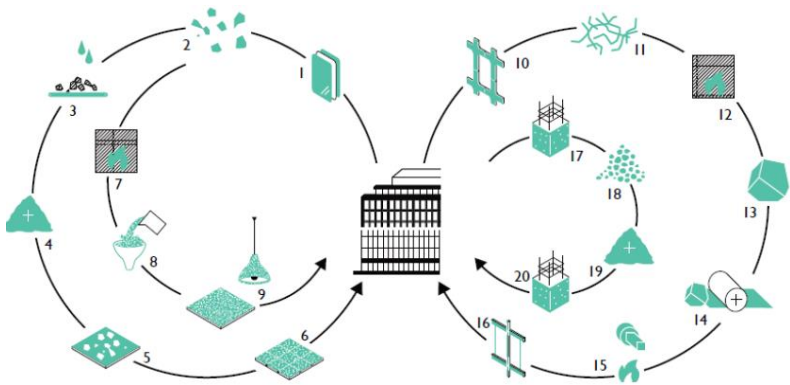
As the largest Swiss listed real estate company, Swiss Prime Site is aware of its role model function for employees, clients, the environment and society and has declared sustainability to be an integral part of its strategy. The company is committed to responsible and ethical management. In addition to compliance with legal requirements and regulatory standards, this also includes the fulfillment of self-defined principles and directives. Furthermore, Swiss Prime Site is increasingly exerting influence on its external value chain. The management is convinced that sustainable, future-oriented corporate management increases resilience thereby enabling value to be created in the long term.

Swiss Prime Site conforms to the energy strategy of the Swiss Confederation, the Paris Climate Agreement and the relevant

Sustainable Development Goals (SDGs) of the United Nations. The focus is on the integration of ESG aspects in the business model and the value chain. Examples include: annual participation in the GRESB Assessments (part of the management's remuneration criteria), corporate financing based on sustainability criteria (including green bonds and loans), certification of the real estate portfolio, expansion of the portfolio of photovoltaic installations, promotion of the circular economy (large-scale project for tenant Google located in Müllerstrasse in Zurich), and minimization of climate risks. The goal is climate neutrality by 2040, in line with the guiding principle "We create living spaces - sustainably, innovatively and passionately."

Recycling cycle, large-scale project Müllerstrasse in Zurich

- | | |
|---|---|
| 1 Removed flat glass | 12 Melting process |
| 2 Broken glass | 13 Raw material |
| 3 Sorting and cleaning | 14 Rolling |
| 4 Cement as binder | 15 Extrusion |
| 5 Finished terrazzo slab / cast terrazzo | 16 Finished aluminum profiles |
| 6 Tile laying/glass-terrazzo | 17 Reclaimed concrete |
| 7 Melting of granules (with residual phase) | 18 RC concrete granules |
| 8 Casting mold | 19 Addition of binders and other primary substances |
| 9 Finished object / tile from removed glass ceramic | 20 Reinsertion of RC-C concrete |
| 10 Aluminum elements | |
| 11 Aluminum scrap / EoL aluminum | |



Source: Swiss Prime Site, 2022

Mobimo Holding AG³

Mobimo's organization and activities are consistently geared towards sustainability in the dimensions of environment, society and corporate governance. Mobimo was one of the first real estate companies to record and systematically reduce the emissions of its portfolio. The audit of energy and emissions data (Independent Limited Assurance) has been carried out for many years by Ernst & Young AG.

Mobimo's CO2 emissions are to be reduced to 1.5kg CO2 eq/sqm (including tenant electricity), in line with the 1.5-degree Celsius target set by the Paris Agreement. This ambitious target will be achieved with renovations and optimizations to existing buildings, an increase in in-house electricity production using photovoltaics, and the transition of in-house developments into the real estate portfolio. Further highlights of the sustainability performance in the 2021 reporting year were the certification of the popular neighborhood Mattenhof in Kriens as a 2000-watt site and

achieving second place in the prestigious Swiss Employer Award. The award recognizes the attractiveness of Swiss companies as employers. With its Mobimo & Art program, Mobimo has been combining art and architecture for more than 12 years, working together with renowned artists.

Good corporate governance is a central element of Mobimo's management and is designed to ensure that the company continues to live up to its reputation as a responsible and sustainable company. None of the members of Mobimo's Board of Directors have any executive powers, and none have ever previously been members of the company's Executive Board. The quota of women on the Board of Directors was 50% as of the end of 2021.

The annual sustainability report in accordance with GRI standards provides a comprehensive insight into the company's sustainability performance.

Privatbank Von Graffenried AG⁴

A bad or a deteriorating location can hardly ever be improved, but an individual building can be. Sustainable real estate investments are therefore characterized by location qualities that allow decades of demand and use. GR Immobilien Schweiz lives up to this by making all real estate investments in the residential portfolio in the urban environment with good connections to infrastructure such as schools, shopping facilities, train stations and recreational facilities. In addition, the fund focuses on the home market Espace Mittelland and manages all properties within the Group.

As a young real estate fund, the company mainly acquired older portfolio properties with full occupancy after its launch in 2020. These properties bring immediate returns, but are often not up to date with regard to the building envelope and heating system. As a real estate fund, it can quickly make a very big impact on the necessary CO₂ reduction. The company is developing a roadmap to quickly move away from oil and gas heating systems and to be able to offer affordable apartments with a greatly improved ecological footprint. More than 50% of the portfolio will be energetically renovated by the end of 2023. The rapid implementation is more important to the company than the collection of data series of the newly acquired properties. With the new AMAS (Asset Management Assoc. Switzerland) requirements, the CO₂ measurement and reduction targets of real estate funds are now rightly standardized and comparable. In the case of social aspects and governance, however, comparability for investors will hardly be possible in the near future. In urban locations, thanks to good demand for living space and existing district heating solutions, it is almost always possible to reconcile the aspects of *energy-efficient renovation*, *return target* and *offering affordable living space*. The fund benefits from good cooperation between own architecture, management, real estate valuation, real estate law and asset management within the Von Graffenried Group. Decisions regarding ESG measures are taken directly by the Board of Directors and the Executive Board in line with investment and strategy decisions.

Measuring sustainability engagements

GRESB⁵

GRESB is a third party organization which 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. The assessments collect information regarding the sustainability performance of companies, funds and assets, including information on performance indicators, such as energy, GHG emissions, water and waste.

In October 2021, GRESB assessed more than 1,500 real estate funds and property companies and 149 infrastructure funds globally with over USD 5.7 trillion in institutional capital. A total of 39 Swiss real estate companies and funds participated in the GRESB Real Estate Assessment in 2021 and the number of participants is growing.

Swiss Sustainable Real Estate Index (SSREI)⁶

The SSREI was launched in June 2020 with the aim of creating transparency and market comparability of real estate portfolios (real estate funds, real estate corporations, investment foundations and pension funds) with regard to their long-term value. In addition, the SSREI tools also allow an estimation of the potential for improvement and the associated investment needs. This, in turn, should incentivize owners to make their property strategies more time and cost-efficient in line with the increasing relevance of sustainability requirements.

The index is based on a clearly defined grid of requirements, whose structure and content is derived from the Swiss Sustainable Building Standard (SNBS), the official and publicly available standard of SwissEnergy. A verification (External Assurance) by an independent inspection body is required for inclusion in the SSREI in order to guarantee reliability and market credibility. Société Générale de Surveillance (SGS), one of the world's most recognized certification bodies with headquarters in Geneva, has been commissioned for this purpose. As a long-term certification partner for SNBS, SGS has proven experience in the field of sustainable real estate management.

GRESB accepts the SSREI valuation methodology from 2022 in particular as operating green building certification and portfolio analysis as well as for other thematically overlapping requirements.

Sources: ¹ Intershop Management AG, May 2022 ² Swiss Prime Site AG, May 2022 ³ Mobimo Holding AG, May 2022 ⁴ Privatbank Von Graffenried AG, June 2022 ⁵ GRESB, UBS Asset Management Switzerland AG, October 2021 ⁶ MV Invest AG, June 2020.

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