

Thinking beyond tomorrow.

Responsible Investing in **Swiss Real Estate Securities**



Dalibor Maksimovic,
BBA, CFA, Head of
Swiss Real Estate Securities

“Although responsible investing has been on agendas for quite a while in the Swiss Real Estate segment (e.g. Swiss Minergie Certification), it is still developing and is increasingly gaining importance as new benchmarks like the GRESB Assessment and the SSREI Index are establishing.

We think it is vital to understand the long-term sustainability goals of the companies in which we invest, especially those that do not yet participate in a reference benchmark.

Therefore, we proactively monitor their sustainability efforts and regularly address and emphasize its importance in our due diligence meetings. These discussions are often of a qualitative nature but will gradually become quantitative in the future.”

Measuring sustainable engagements

GRESB¹

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 2020 GRESB assessed more than 1,200 real estate funds and property companies, 118 infrastructure funds, and 426 infrastructure assets globally with over USD 4.8 trillion in institutional capital.

A total of 38 Swiss real estate companies and funds participated in the GRESB Real Estate Assessment this year and the number of participants is growing.

Swiss Sustainable Real Estate Index (SSREI)²

The SSREI index was launched in June 2020 by MV Invest 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.

Engagement Highlights

UBS Fund Management (Switzerland) AG³

Real Estate Switzerland’s comprehensive sustainability report meets the standards of the Global Reporting Initiative (GRI), a framework for transparent sustainability reporting (www.globalreporting.org). In addition to Real Estate Switzerland's sustainability report the individual real estate funds also publish detailed fund specific information on the topic of sustainability in their annual reports.

This year, Real Estate Switzerland's investment products once again participated in the GRESB sustainability benchmark and consistently achieved excellent results with 4-star and 5-star awards in the assessment of existing properties. For the category of construction projects, all eight products attained a remarkable 5-star each. In addition, all products were awarded with 'Green Star'.

- For the second consecutive year, UBS Direct Urban ranked #1 in its peer group in the 'Switzerland Diversified' category.
- UBS AST Commercial Real Estate Switzerland improved on last year’s result and achieved 5-stars, highest recognition available reflecting top quintile performance.

2020 GRESB Real Estate Assessment

Product	Rating of existing properties
UBS «Anfos»	★★★★
UBS «Sima»	★★★★★
UBS «Foncipars»	★★★★
UBS «Swissreal»	★★★★
UBS Direct Urban	★★★★★
UBS Direct Residential	★★★★
UBS AST-IS	★★★★
UBS AST-KIS	★★★★★

Helvetia Asset Management AG⁴

The commitment to sustainability is embedded in Helvetia Group's corporate culture; a corporate responsibility (CR) strategy has been in place for many years and an annual CR report is being published.

The Group is a member of United Nations Global Compact and therefore committed to their 10 principles in the areas of human rights, labor, environment and anti-corruption.

The sustainability goals for the group's investment business, Helvetia Asset Management, were developed based on the group's strategy and their real estate strategy towards long-term and sustainable investing.

For the Helvetia Swiss Property Fund, a sustainability strategy based on the following six sustainability targets has been developed and is integrated in the investment process; increasing user satisfaction, optimizing stakeholder communication, reducing greenhouse gas emissions, reducing energy requirements, expanding environmentally friendly mobility as well as reducing operating costs. One concrete example of how these goals are implemented is that consistent energy aspects are taken into account in large-cycle renovations.

Helvetia Asset Management AG is currently analyzing their real estate portfolio in order to compare it with the determined sustainability goals and define target values as well as measurement parameters. While the choice of the reporting standard is still open, the Global Reporting Initiative (GRI) framework will be the minimum standard.

Realstone Group⁵

Realstone Group has always been sensitive to the preservation of resources and the optimization of ecological processes. In April 2020, Realstone Group formally committed to making the ten Principles of the United Nations Global Compact part of their strategy. They built a working group to set and monitor their sustainable objectives and a yearly sustainability report to document these actions will be published for the first time at the end of 2020.

The group's Realstone Development Fund includes ESG guidelines that follow this approach. With an average CO₂ emission of 18.7kg/sqm and an energy consumption of 250 MJ/sqm for residential buildings, the fund is amongst the leaders and already achieved the 2030 target set out by the Federal Council (30 kg/sqm). In comparison, the average CO₂ emission produced by a building in Switzerland is 35kg/sqm and the average energy consumption adds up to 486 MJ/sqm. Based on these values, Realstone Development Fund is labeled 'B' for the emission of carbon dioxide and energy consumption.

Following the Federal Council, Realstone Group aims for the net-zero carbon emission target by 2050 and the '2000-Watt Society', a model developed by the Swiss Federal Institute of Technology (ETH) in Zurich.

Edmond de Rothschild REIM (Suisse) SA⁶

Edmond de Rothschild Real Estate SICAV (ERRES) was the first company to be listed on the Swiss Sustainable Real Estate Index (SSREI). The portfolio which consist of 75 properties was evaluated according to the predefined requirements formulated in the SSREI portfolio-evaluation-tool and verified by Société Générale de Surveillance (SGS). This achievement is part of the deployment of the ESG policy initiated by the manager in 2018 and demonstrates a pragmatic and transparent orientation taken to address sustainability issues.

Sources: **1** GRESB, UBS Asset Management Switzerland AG, November 2020. **2** MV Invest AG, June 2020. **3** UBS Fund Management AG, November 2020. **4** Helvetia Group, May 2020. **5** Realstone Group, April 2020. Data as per 31 December 2019. **6** Edmond de Rothschild Real Estate SICAV (ERRES), March 2020



For more information, please contact:

UBS Asset Management

Real Estate & Private Markets (REPM)

Dalibor Maksimovic

Head of Swiss Real Estate Securities

Tel. +41-44-234 25 67

dalibor.maksimovic@ubs.com

www.ubs.com/realestate

For marketing and information purposes by UBS.

For qualified investors only.

Only tax-exempt occupational pension schemes under pillar 2 and pillar 3a domiciled in Switzerland and patronal welfare funds (in accordance with BVG) are authorized investors in the UBS Foundation for the Investment of Pension Fund Assets investment groups.

The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith, but is not guaranteed as being accurate, nor is it a complete statement or summary of the securities, markets or developments referred to in the document. UBS Asset Management and / or other members of the UBS Group may have a position in and may make a purchase and / or sale of any of the securities or other financial instruments mentioned in this document.

The information mentioned herein is not intended to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units. Commissions and costs have a negative impact on performance. If the currency of a financial product or financial service is different from your reference currency, the return can increase or decrease as a result of currency fluctuations. This information pays no regard to the specific or future investment objectives, financial or tax situation or particular needs of any specific recipient. The details and opinions contained in this document are provided by UBS without any guarantee or warranty and are for the recipient's personal use and information purposes only.

This document may not be reproduced, redistributed or republished for any purpose without the written permission of UBS Asset Management. Source for all data and charts (if not indicated otherwise): UBS Asset Management. This document contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations. More explanations of financial terms can be found at ubs.com/glossary. Data as at November 2020

© UBS 2020. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.