Think beyond Tomorrow.

Responsible Investing in Real Assets
a proven global track record.
Climate change, energy needs and water scarcity are counted among the biggest challenges of our century. UBS Asset Management’s Real Estate & Private Markets business (REPM), created by the consolidation of real estate and infrastructure, 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.

Sustainability is a key component of successful real asset management.
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 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 activities 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.
Clean energy
Collgar Wind Farm

Western Australia, Australia

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 March 31, 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 be 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 2017, UBS successfully passed its ISO 14001 surveillance audit.

In 2017, for a third year running, UBS was named a leader in the diversified financials industry group of the Dow Jones Sustainability Index.

UBS and 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 and Society program.

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 every-day standard throughout our firm.
Comprehensive implementation throughout all operational functions

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 2017 PRI assessment report REPM scored A+ for both Property and Infrastructure assessments.

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 8 - 10 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, 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.
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 UN Global Compact; only Swiss bank included in “The A List: The CDP Climate Performance Leadership Index 2014”
- UBS is a member of FTSE4Good Index series and included in Dow Jones Sustainability Indices
- UBS was the first bank to obtain ISO 14001 certification for worldwide environmental management system in banking business. In 2017, 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 2017 PRI Assessment Report, UBS received A+ grades for both 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](https://www.gresb.com)
- [CDP](https://www.cdp.net)
- [PRI](https://www.un PRI.org)
- [UNEP Finance Initiative](https://www.unepfi.org)
Real Estate & Private Market sustains market leading position for global real asset funds in 2017 GRESB assessments

A record 22 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 2017 GRESB assessments, with seven funds ranking first in their respective peer groups across a range of real asset strategies. This continues our consistently strong and improving results over the past seven years.

The funds submitted this year accounted for 88% of REPM’s total assets under management\(^1\), with all bar one fund being awarded a Green Star.

**Real Estate assessment**

In the 2017 GRESB Real Estate Assessment, eight of our real estate equity funds, spanning every region we operate in, were awarded 5-star ratings, reflecting upper quintile performance compared with the entire universe of participants.

Four of our non-listed real estate equity funds came top of their respective peer groups. Most notably, our German logistics fund ranked first out of all industrial funds globally.

**Real Estate Debt assessment**

UBS-AM’s two real estate debt funds in the UK and US continued to produce excellent results, with both achieving a GRESB rating of 5-stars and ranking first in their respective peer groups.

**Infrastructure assessment**

In the GRESB Infrastructure Assessment, REPM’s two global infrastructure funds achieved strong results, taking the top two spots in their peer group of globally diversified non-listed infrastructure funds.

Two of our underlying infrastructure assets ranked first and third out of 160 assets globally.

---

\(^1\) Of assets under management for all funds eligible to participate in the GRESB Assessments
GRESB assessment
GRESB is an investor-driven organization that has transformed the way environmental, social and governance performance of real estate, debt and infrastructure funds are assessed globally. 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.

850 property companies and funds, jointly representing more than USD 3.7 trillion in assets under management, participate in the GRESB Real Estate Assessment. The Infrastructure Assessment covers 64 funds and 160 assets, and 25 portfolios complete the Debt Assessment. GRESB is an independent organization not connected to UBS.

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.

Participants’ scores are based on seven detailed aspects – Management, Policy & Disclosure, Risks & Opportunities, Monitoring & EMS, Performance Indicators, Building Certifications & Energy Ratings, and Stakeholder Engagement.

Starting in 2015, GRESB began gathering information regarding the sustainability performance of companies and funds specializing in real estate debt. The GRESB Real Estate 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 ten indicators focused on management and investment processes. These indicators address foundational ESG plans and policies, leadership and accountability, engagement strategies, communications processes and other factors. The Assessment is organized around eight core aspects, addressing asset-level plans and policies, on-the-ground actions and operational performance.

“We recognize our responsibility to reduce environmental impacts, improve tenant wellbeing and set high standards for corporate governance. This contributes to a better environment and creates long-term value for clients.

Our continued success in the GRESB assessments is testament to our long-standing efforts in this regard and, crucially, to the efforts of our teams on the ground globally that oversee the consistent implementation of our responsible investing policies.”

Thomas Wels, Head of Real Estate & Private Markets
**UBS-AM 2017 GRESB assessment results**

<table>
<thead>
<tr>
<th>Fund description</th>
<th>Award</th>
<th>GRESB Rating</th>
<th>Peer group leader</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real estate equity funds</strong></td>
<td></td>
<td>(1-star = Lower quintile; 5-stars = Upper quintile)</td>
<td></td>
</tr>
<tr>
<td><strong>US</strong></td>
<td></td>
<td>(Ranked 1st in its peer group)</td>
<td></td>
</tr>
<tr>
<td>Core US commercial property</td>
<td>Green Star</td>
<td>5-stars</td>
<td></td>
</tr>
<tr>
<td>Value add US diversified</td>
<td>Green Star</td>
<td>5-stars</td>
<td></td>
</tr>
<tr>
<td><strong>UK</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core UK commercial property</td>
<td>Green Star</td>
<td>5-stars</td>
<td>✔</td>
</tr>
<tr>
<td>Value added UK office</td>
<td>Green Star</td>
<td>5-stars</td>
<td>✔</td>
</tr>
<tr>
<td><strong>Switzerland</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Swiss diversified I</td>
<td>Green Star</td>
<td>3-stars</td>
<td></td>
</tr>
<tr>
<td>Core Swiss diversified II</td>
<td>Green Star</td>
<td>2-stars</td>
<td></td>
</tr>
<tr>
<td>Core Swiss diversified III</td>
<td>Green Star</td>
<td>3-stars</td>
<td></td>
</tr>
<tr>
<td>Core Swiss residential I</td>
<td>Green Star</td>
<td>3-stars</td>
<td></td>
</tr>
<tr>
<td>Core Swiss residential II</td>
<td>Green Star</td>
<td>4-stars</td>
<td></td>
</tr>
<tr>
<td>Core Swiss residential III</td>
<td>Green Star</td>
<td>3-stars</td>
<td></td>
</tr>
<tr>
<td>Core Swiss retail I</td>
<td>Green Star</td>
<td>3-stars</td>
<td></td>
</tr>
<tr>
<td>Core Swiss retail II</td>
<td>Green Star</td>
<td>3-stars</td>
<td></td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core European office and retail</td>
<td>Green Star</td>
<td>5-stars</td>
<td>✔</td>
</tr>
<tr>
<td>Core European office</td>
<td>Green Star</td>
<td>5-stars</td>
<td></td>
</tr>
<tr>
<td>Core German logistics</td>
<td>Green Star</td>
<td>5-stars</td>
<td>✔</td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Japanese industrial and infrastructure</td>
<td>Green Star</td>
<td>5-stars</td>
<td></td>
</tr>
<tr>
<td>Core Japanese retail</td>
<td>Green Star</td>
<td>4-stars</td>
<td></td>
</tr>
<tr>
<td>Core Japanese office</td>
<td>Green Star</td>
<td>4-stars</td>
<td></td>
</tr>
<tr>
<td><strong>Real estate debt funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK debt fund</td>
<td>Green Star</td>
<td>5-stars</td>
<td>✔</td>
</tr>
<tr>
<td>US debt fund</td>
<td>Green Star</td>
<td>5-stars</td>
<td>✔</td>
</tr>
<tr>
<td><strong>Infrastructure equity funds</strong></td>
<td></td>
<td>Upper quintile</td>
<td></td>
</tr>
<tr>
<td>Global infrastructure fund I</td>
<td>n/a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global infrastructure fund II</td>
<td>n/a</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: GRESB Real Estate, Real Estate Debt and Infrastructure benchmark reports 2017

This page has been updated since the original publication in January 2016 in order to reflect the most current figures and developments. Data as of September 2017.
A holistic approach

Real Estate & Private Markets Sustainability Workgroup

The Real Estate & Private Markets 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, Singapore, Switzerland, Continental Europe, Japan, Australia 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 that no other firm has consistently achieved such excellent GRESB scores in multiple global regions in the past three years.
Investment Decisions (Acquisition & 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 & Refurbishment (Engineering / Construction & 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 & 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 is the first office development in Barcelona to achieve LEED Gold status

**About the property**
Cornerstone Business Park was completed in 2013 as part of the technology center development in Poblenou, Barcelona. It provides 20,712 square meters (sqm) of highly specified office accommodation divided into three buildings along with an attractive central private plaza of 2,100 sqm for the use and enjoyment of all tenants. The business park is accessible through a grand entrance which leads to the plaza and direct access to the three buildings. Each building can be configured as an independent corporate headquarters, or alternatively structured to provide maximum flexibility to accommodate multiple users.

Cornerstone Business Park is a leading office renovation of Project 22@Barcelona. Launched in 2000, Project 22@ aims to convert the former industrial area of Poblenou into the city’s technological and innovation district offering 800,000 sqm of office space, as well as creating additional leisure and residential spaces. Today, Poblenou constitutes the largest office stock in Barcelona. The 22@ location offers an abundant variety of shops, restaurants and residential space including Rambla de Poblenou, the retail and social artery of the area as well as three shopping centers – Glories, Diagonal Mar and Centre de l’Villa. The property is a short walk to the sea and an assortment of amenities.

**Key sustainability features**
Cornerstone is the first new office development in Barcelona to achieve a LEED Gold Core + Shell certification. Design features include:

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

**Energy & 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 & 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.

Expected positive impacts of these design features include reducing the level of operating expenses, attracting higher profile tenants and achieving higher rental levels.
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!

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 by 20% 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 monitoring consumption and developing water saving measures.

Kawasaki Science Center, Japan
Rank “A” Comprehensive Assessment System for Building Environmental Efficiency (CASBEE)
Your contacts

Business Development

Global
Richard A. Johnson
Tel. +41-44-234 71 96
richard-a.johnson@ubs.com

Americas
Thomas O’Shea
Tel. +1-860-616 91 58
thomas.oshea@ubs.com

Asia Pacific
Satyan Sanghrajka
Tel +65-6495 54 89
satyan.sanghrajka@ubs.com

EMEA ex CH
Eoin Bastible
Tel. +44-20-7901 5204
eoin.bastible@ubs.com

Benelux
Fekko Ebbens*
Tel. +31-205 51 01 51
fekko.ebbens@ubs.com

Switzerland, Austria & CEE
Dominic von Felten
Tel +41-44-234 60 21
dominic.von-felten@ubs.com

Private Wealth Clients
Nicki Marco Weber
Tel. +41-44-234 59 75
nicki-marco.weber@ubs.com

Sustainability Workgroup
David Hirst
Tel +44-2079-01 57 83
david.hirst@ubs.com

* Fekko Ebbens undertakes partial business development coverage for Real Estate & Private Markets