

Mandate of the Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, and on the right to non-discrimination in this context

REFERENCE:
AL OTH 53/2019

25 November 2019

Dear Mr. Thiam,

I have the honour to address you in my capacity as Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, and on the right to non-discrimination in this context, pursuant to Human Rights Council resolution 34/9.

As an independent human rights expert appointed and mandated by the United Nations Human Rights Council to report and advise on the human right to adequate housing, I am sending to you this letter under the communications procedure of the Special Procedures of the United Nations Human Rights Council to seek clarification on information I have received.¹ Special Procedures mechanisms can intervene directly with Governments and other stakeholders (including companies) on allegations of abuses of human rights that come within their mandates by means of letters, which include urgent appeals, allegation letters, and other communications. The intervention may relate to a human rights violation that has already occurred, is ongoing, or which has a high risk of occurring. The process involves sending a letter to the concerned actors identifying the concerns, the applicable international human rights norms and standards, and questions of the mandate-holder(s), and a request for follow-up action. Communications may deal with individual cases, general patterns and trends of human rights violations, cases affecting a particular group or community, or the content of draft or existing legislation, policy or practice considered not to be fully compatible with international human rights standards.

In this connection, I would like to bring to your attention information I have received concerning the adverse human rights impacts that may be caused by **the intended demolition of the Brunaupark housing complex in Zürich, owned by the Credit Suisse Pension Fund, which has reportedly been planned without transparency or consultation with affected residents, and which is to lead to their eviction from their homes, without any offer for adequate compensation or proximate relocation. I am also concerned about similar threats to the affordability of housing for tenants living in housing units owned by a Credit Suisse real estate investment fund in Schorenweg in Bale.**

According to the information received:

The development of Brunaupark

¹ Further information about the communication procedure is available at:
<http://www.ohchr.org/EN/HRBodies/SP/Pages/Communications.aspx>

Mr. Tidjane Thiam
Chief Executive Officer
Credit Suisse Group

In 1970 the pension fund of Credit Suisse, purchased 10 hectares of land in the Wiedikon area in order to construct an administrative headquarters for its business activities. According to a zoning agreement concluded between Credit Suisse and Zürich City Council, in 1973, Credit Suisse was obliged to assign 37.5 % of the office space to be constructed to housing. 15 % of this residential share is designated for commercial use, for businesses such as pharmacies and supermarkets. The complex was constructed in four stages (1980, 1983, 1993 and 1996), with the housing completed being subject to affordable rent for a period of 30 years after construction. The first two of these affordable rent periods expired in 2010 and 2013 respectively. The final two are due to expire in 2023 and 2026. The rental properties on the site are run by Wincasa AG on behalf of Credit Suisse. Wincasa was established by Credit Suisse in 1999 and since 2012 belongs to Swiss Prime Site.

Between 2009 and 2011, pursuant to the introduction of the altered Building and Space Regulations in 1999, and the completion of an agreement between Credit Suisse and Zürich City Council, Credit Suisse initiated expansion of its administrative headquarters on the site, adding 65,000m² to its area. However, despite this substantial increase in the size of the office space on the site, the terms of the agreement did not require Credit Suisse to set aside any amount of this for residential purposes. As such, no further housing was constructed. It is understood that this agreement is currently subject to investigation by the City's Commission for Auditing (Geschäftsprüfungskommission).

Brunaupark is today recognised as a close-knit, peaceful community, with residents from numerous different social, economic and religious backgrounds. The community includes around 100 children, and 15-20% of residents are over 65. Many families rely on the amenities, such as schools, kindergartens and day-care centres which are located in or near to the complex. There is a synagogue close by to which some residents have a longstanding attachment.

The planned demolition of Brunaupark

In the summer of 2018, there were reports that the pension fund of Credit Suisse was to initiate plans to demolish Brunaupark and replace the current housing with high-density, upper market apartments. In response to these rumours, Wincasa AG, sent brief letters to all tenants reassuring them that only minor modifications to the commercial area and other parts of the site were planned and that further information about the plans would be provided in due course. Various telephone enquiries by tenants also elicited the same response.

No further information was received by tenants until 27 March 2019 whereupon the residents of all but one block on the site, totalling 240 households, were handed notices of the termination of their leases. These terminations will become effective over the period from 30 June 2020 to 30 June 2023, meaning within four years all will have been evicted from the site. This is despite the fact that many of these evicted tenants will still be under the affordable rent schemes promised upon initial construction, some of which are effective until 2026.

On 17 April 2019, subsequent to the termination notices being sent to tenants, but before the pension fund of Credit Suisse had filed their application for a building permit with the City authorities, scaffolding was erected across the entire site in preparation for demolition. This makes the site less safe, prevents children from playing, and forms an unsightly backdrop for all residents. It is understood that the pension fund of Credit Suisse plans to commence demolition in 2021, meaning that many residents will still live on the site whilst it is being demolished and rebuilt – a reality which will cause significant disruption to them, likely lower their quality of life, and could generate safety concerns.

It has since become clear that despite only informing residents about the intended eviction, demolition and redevelopment plans at the end of March 2019, in reality these had been on the table since at least 2017, when the pension fund of Credit Suisse confidentially commissioned proposals for a new development on the site from four architectural firms. Reportedly the redevelopment of the Brunaupark complex – a measure affecting an entire small suburb of Zürich - was approved by the City department for construction of Zürich (Hochbauamt) in 2018 without any consultation of residents living in the area. In addition, it is alleged that the project was approved without discussion or approval by any local parliament, such as the Gemeinderat of Zürich.

According to information received the pension fund of Credit Suisse and Zürich City Council have seemingly attempted to hide their intentions about the redevelopment of Brunapark by keeping all information confidential until the latest possible moment. Furthermore, since being handed notices to vacate their properties, residents have reportedly not received any offer for compensation or for relocation to similar sized apartments in proximity. Nor has in-situ relocation to affordable newly planned apartments in the Brunaupark complex been offered.

Unaffordable Rent Increases

The current situation of eviction faced by the tenants of Brunaupark is exacerbated by the lack of affordability offered by the new housing proposed by Credit Suisse. In other words, even if some of the current tenants wish to stay on the site by renting new apartments there, many would be unable to afford to do so. This reality means that under Credit Suisse's plans current residents will have little choice, but to leave the area for good.

In general, current rents in Brunaupark range from CHF 1,200 for a 3.5 room apartment under and affordable-economic rent scheme, to CHF 3,500 for a 5.5 room apartment at market rent (additional costs excluded). The development plan published suggested that rental prices for a 3.5 room apartment built to replace that which has been demolished may likely cost between CHF 2,200 and 2,650, whilst rents for 4.5 room apartments will range from CHF 2,700 and 3,200 (without additional costs). It should be noted that the project description for Brunaupark mentions that these are only preliminary figures that may change depending on construction costs and interest rates. Given that currently newly built apartments in Zürich of about 100 square metres are hardly available below CHF 3000 it is questionable whether such rent levels will actually be maintained.

In order to facilitate relocation of residents, Wincasa has started to publish regularly a list of vacant housing under its administration in Zürich. A list dated 12 August 2019 is indicative about the actual pricing for any alternative accommodation on the market. 2.5 room units are not available below CHF 2000, 3.5 room units range between CHF 2.540 and CHF 5.490, while rental prices for 4.5 room apartments range between CHF 3715 and CHF 4230.² In summary, alternative accommodation in other areas of Zürich is not only difficult to find, but also unaffordable for most residents living at Brunaupark. Support provided to residents above 65 years of age is reportedly strongly geared at providing incentives to older persons to move to an old ages home, however, most older persons want to continue to live independently in a standard apartment in the area as long as possible.

There is also mistrust by residents about future indicated rental prices, because during the last years the pension fund of Credit Suisse has significantly increased rents for homes in Brunaupark. When the first two 30-year periods under rent control ended in 2010 and 2013 respectively, the pension fund of Credit Suisse initiated various renovations to the properties, including fitting new windows, adding new kitchen equipment, and creating new bathroom areas. Subsequent to the conclusion of these renovations, rents for the renovated apartments were increased by approximately 60 percent or more, making them unaffordable for several tenants.

² https://brunaupark.ch/wp-content/uploads/2019/08/Verfuegbare_Wohnungen_Wincasa_Zuerich_190812.pdf

Residents of Brunaupark have mobilised against the evictions, forming an organisation called 'Interessengemeinschaft Leben im Brunaupark'. They have collected 5,700 signatures on a petition against the plans. Reportedly the majority are formally challenging their eviction notices. However, as yet no tangible results have been achieved to prevent the eviction and demolition, or to ensure in situ-resettlement to affordable housing units.

Impacts

The impact of these plans on individual residents and the community as a whole has been severe. People living in Brunaupark are deeply shocked at the prospect of losing their homes, with older residents and those with children being placed under extreme mental pressure resulting from them facing the reality of having to leave the place they live and find new houses, new communities, and new resources and support networks. The eviction of such a large number of tenants will also cause major issues for them finding new, affordable accommodation, as Zürich is already faced with an affordable housing shortage. Many of the older residents have lived in Brunaupark for decades, their children grew up there, and they fully expected to live out their lives there. Several older tenants live close to their children and grandchildren who visit frequently. If they were to have to move, this would disrupt family life and decrease the support they derive from each other. In some cases, families having to move from Brunaupark would be disconnected from religious institutions with which they have a long standing relationship.

According to recent official data, only 0.2 per cent of all housing units for rental are vacant in the City of Zürich, meaning that there is hardly any alternative housing at offer on the rental market, in particular affordable housing for low-income households.³ Switzerland-wide, households with revenues below CHF 4,000 pay more than 35 per cent of the income for housing, indicating a serious housing cost overburden rate for low income households, which is even more acute in large cities.

While Switzerland witnessed hardly any inflation (the consumer price index increased by only 2 per cent between 2005 and 2018), rents for newly rented apartments have increased in the City of Zürich by 22 per cent during the same period.⁴ Nationwide rents of housing units have increased by over 17 per cent between 2005 and 2018.

As there is currently a housing shortage in Zürich, the idea to build additional housing units in central locations is understandable and generally desirable. However, reportedly the only social measure offered by the pension fund of Credit Suisse was that 16 of the new apartments would be offered at below market

³ Quelle: Bundesamt für Statistik, Leerwohnungszählung Juni 2018

⁴ Abschlussmietpreisindex, Mietpreisabschlüsse, Daten: WuestPartner 2005 bis 2018

value. This offer by the pension fund was conditional that the City Council would approve the early demolition of 170 housing units that are currently still subject to rent control until 2023 and 2026. Reportedly the City Council refused to agree to such a deal.

After urban renewal Brunaupark is expected to have a total of 500 housing units. The construction of 16 units under rent control would mean that only 3 per cent of the total housing stock would be reserved for low income households. According to official statistics, 7.7 percent of the population in the Region of Zürich currently lives in income poverty (defined as having an income below CHF 2259 for single person household and below CHF 3990 CHF for a household with two adults and two children). It is therefore obvious that offering only about 3 per cent of all planned housing units below market value, would be inadequate and not respond to the actual housing needs of the local population. It is reasonable to conclude that the entire project – if implemented unchanged - would rather shrink the number of affordable housing units in the city and thus undermine the realization of the right to adequate housing in Zürich.

Concerns relating similar business practices by Credit Suisse controlled companies and investment funds in Bale

Regrettably Brunaupark appears not to be an isolated case in which enterprises belonging or mandated by Credit Suisse appear to be engaged in business conduct undermining the right to adequate housing. This stands in contradiction to the official commitment by Credit Suisse to respect international human rights standards in its policies and operations.⁵

For example, plans have been reported to renovate in Bale in Schorenweg two high rights complexes with 192 tenants which are owned by Credit Suisse and one of its Zug based Real Estate Investment Funds. The affected units reportedly received new bathrooms in 2002 and appear overwhelmingly to be in good condition. After the proposed modernization the relatively affordable units with rents of 1,000 to 1,700 CHF for two to three rooms are expected to rise significantly and will be unaffordable to many of the current tenants. While Wincasa has reportedly offered some support to tenants to find alternative accommodation, tenants have not received any guarantee to continue renting their apartments or a similar sized apartment in the complex at affordable pricing after completion of the modernization.⁶

Overall, the modernization project at Schorenweg appears not to be motivated to improve or expand affordable housing in urban areas in Switzerland, but instead to ensure higher returns on the real estate portfolio of Credit Suisse by evicting

⁵ See <https://www.credit-suisse.com/about-us/en/our-company/corporate-responsibility/banking/human-rights.html>

⁶ See Ralph Hug, “Was gilt bei der Credit Suisse der Volkswille? Mieten + Wohnen, Nr. 2, April 2019, p.10-11.

tenants and offering renovated units at much higher price to new tenants.⁷ While tenant unions have demanded that the Canton of Bale should acquire the housing complex and hand it over to a social housing provider, it appears unclear whether there is sufficient political will at cantonal level to ensure a solution that would fully respect their right to adequate housing for the affected tenants.

While I do not wish to prejudge the accuracy of these allegations, I would like to express my sincere concern about the planned eviction of the Brunaupark residents that has been planned with insufficient consultation with those affected, and appears not to include any compensation or offer for proximate relocation to homes affordable to current residents. The planned urban redevelopment project will displace hundreds of people, including older persons and children. The rents for the new housing expected to be constructed are feared to be largely unaffordable for those evicted, resulting in their displacement to locations at the periphery of Zürich far from work and other services. Instead of increasing the number of housing units for low-income households in Zürich, the Brunaupark project appears rather to reduce this offer. Similar concerns relate to the planned modernization of high rise buildings at Schorenweg in Bale owned by an investment fund managed by Credit Suisse.

In the light of the above information, I am concerned that Credit Suisse and its pension and investment funds have so far given insufficient attention to adverse impacts of their activities and investments on the right to adequate housing. The same applies to Wincasa that has been mandated to manage real estate owned by pension and investment funds related to the Credit Suisse Group.

In connection with the above alleged facts and concerns, please refer to the **Annex on Reference to international human rights law** attached to this letter which cites international human rights instruments and standards relevant to these allegations.

It is my responsibility under the mandate provided to me by the Human Rights Council, to seek to clarify all cases brought to my attention. I would therefore be grateful for your observations on the following matters:

1. Please provide any information and/or comments you might have on the above-mentioned allegations.
2. Please provide information on any human rights due diligence that may have been undertaken by your company to prevent, identify and remedy adverse impacts caused by your company on the enjoyment of the right to adequate housing in accordance with the UN Guiding Principles on Business and Human Rights.
3. Please provide more details when and in which form residents living in Brunaupark or at Schorenweg have been informed and consulted about the

⁷ See “Massekündigung am Schorenweg: Sammelklage eingereicht, Häuser “in gutem Zustand”, BZ, 29.4.2019.

planned renovation, redevelopment and demolition of housing requiring relocation and eviction of tenants.

4. Kindly inform us whether any social or human rights impact assessment of the planned development and modernization projects at Brunaupark in Zürich or Schorenweg in Bale have conducted. If yes, could you kindly share the respective assessments.
5. Please provide more information about current rents in Brunaupark and at Schorenweg and about potential measure taken by your company to ensure that after the planned redevelopment or renovation, current tenants will be able to continue living in the respective housing complexes at rents affordable to them, if they wish so.
6. Please provide details whether alternative accommodation has been offered to tenants living at Brunaupark, the location of alternative accommodation, and to whether alternative housing units offered would have resulted in increases housing or mobility costs for the affected tenants.
7. Are tenants that are relocated, entitled to return to Brunaupark after completion of the redevelopment project? If yes, to what extent would they have to pay significant more rent for a similar sized apartment?
8. Please provide more information whether residents living in Brunaupark in Zürich or at Schorenweg in Bale have taken legal recourse against the termination of the lease contracts, against expected rent increases or their planned relocation and eviction? If yes, what have been the results of such litigation.

I would appreciate to receive a response within 60 days. Passed this delay, this communication and any response received will be made public via the communications reporting [website](#). They will also subsequently be made available in the usual report to be presented to the Human Rights Council.

While awaiting a reply, I urge Credit Suisse to take all necessary interim measures to prevent that the right to adequate housing of affected tenants is being violated. Furthermore I urge you to engage in meaningful consultation with all affected tenants, to undertake human rights due diligence and with the aim to prevent, identify and mitigate any adverse human rights impacts caused by the redevelopment or modernization plans in Brunaupark in Zürich and at Schorenweg in Bale. This should including a social and human rights impact assessment to ensure that the planned development and modernization projects at these locations become fully compliant with the human rights standards mentioned in the annex.

Please be informed that a similar letter has been send to the Pension Fund of Credit Suisse, to Wincasa AG, and to the Government of Switzerland to receive observations from federal, cantonal and local authorities.

Yours sincerely,

Leilani Farha

Special Rapporteur on adequate housing as a component of the right to an adequate standard of living, and on the right to non-discrimination in this context

Annex

Reference to international human rights law

In connection with the above alleged facts and concerns, I would like to draw your attention to the Article 11 of the International Covenant on Economic, Social and Cultural Rights, and General Comments No. 4 , 7 and 24 of the Committee on Economic, Social and Cultural Rights relating to the right to adequate housing and the obligations of businesses under the Covenant. Business entities also have direct human rights responsibilities to respect and fulfil human rights, including the right to housing. This means that Credit Suisse, its Pension Fund and Wincasa should refrain from taking any actions that will cause harm to tenants as well as taking positive steps to ensure the realization of the right to housing.

I welcome in this context that Credit Suisse has adopted a Statement on Human Rights in which the corporation commits itself to respect human rights in its policies and operations in line with the UN Guiding Principles on Business and Human Rights. I also note with appreciation that Credit Suisse refers in its Statement explicitly to the international bill of human rights, which includes the International Covenant on Economic, Social and Cultural Rights.

The United Nations Guiding Principles on Business and Human Rights, which were unanimously endorsed by the Human Rights Council in its resolution (A/HRC/RES/17/31), after years of consultations involving governments, civil society and the business community, have been established as the global authoritative norm for all States and companies to prevent, mitigate and address the negative business-related impacts on human rights. The responsibility to respect human rights is a global standard of conduct applicable to all companies, wherever they operate. It exists regardless of the ability and / or willingness of States to meet their own human rights obligations and does not reduce those obligations. "The responsibility to respect human rights requires that business enterprises: (a) Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur; (b) Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts."(Guiding Principle 13).

Furthermore, I would also like to bring to your attention that in order to exercise human rights due diligence, the UN Guiding Principles require business enterprises to engage in meaningful consultation with affected groups and other relevant stakeholders (Principle 17) and to conduct human rights impact assessments (Principle 19).

I also wish to draw your attention to the Basic Principles and Guidelines on Development-based Evictions and Displacement (A/HRC/4/18, Annex), which provides that where development of housing areas takes place, and prior to eviction notices being issued, "[a]ll potentially affected groups and persons, including women, indigenous peoples and persons with disabilities, as well as others working on behalf of the affected, have the right to relevant information, full consultation and participation throughout the entire process, and to propose alternatives that authorities should duly consider." (para.

38) Equally, the Basic Principles hold that where evictions must take place as a result of development, the Government, or other parties responsible for that eviction, must provide “just compensation and sufficient alternative accommodation, or restitution when feasible...” (para. 52). Furthermore, they note that evictions should never render anyone homeless, or leave them exposed to other violations of their human rights. When evictions do take place due to development, States should utilise the maximum of their available resources to ensure that other adequate housing is made available to those evicted. This “should be situated as close as possible to the original place of residence and source of livelihood of those evicted.” (para. 43) The Basic Principles and Guidelines also underline that transnational corporations and other business enterprises must respect the human right to adequate housing, including the prohibition on forced evictions, within their respective spheres of activity and influence (para. 73)

I further call your attention my recent report on the financialization of housing and the right to adequate housing (A/HRC/34/51) which contains several recommendations to address increased unaffordability and displacements of residents caused by investments into residential real estate.

The full texts of the human rights instruments and standards recalled above are available on www.ohchr.org or can be provided upon request.

Ms. Leilani Farha
Special Rapporteur on adequate housing
Special Procedures Branch
OHCHR
Palais des Nations
1211 Geneva

OHCHR REGISTRY

Zurich, January 27, 2020

- 3 FEB 2020

Recipients : *SPB*

Your letter of November 25, 2019, regarding the right to adequate housing

Dear Ms. Farha

We are writing with reference to your letter of November 25, 2019, to Mr. Tidjane Thiam, CEO of Credit Suisse Group AG, and Mr. Philip Hess, Chairman of the Board of Trustees of the Pension Fund of Credit Suisse Group (Switzerland) (the "Pension Fund").

The «Brunaupark» and «Schorenweg» properties have different owners and stakeholders. The role of the Credit Suisse branded entities in these construction projects is also different as is their legal, operational and strategic idiosyncratic independence. As a consequence and to avoid misunderstandings, the Pension Fund and Credit Suisse Asset Management (Schweiz) AG are replying separately, and we have the pleasure to remit to you attached hereto their letters.

The owner of the «Brunaupark» property is the Pension Fund, a foundation providing employee benefits insurance. This insurance establishes the second of Switzerland's three pillar pension system for employees and their respective dependents. In accordance with Swiss law, corporate pension funds as the Pension Fund are managed and supervised by a board of trustees, consisting of an equal number of employer and employee representatives.

The owner of the «Schorenweg» project in Basel is SIAT Immobilien AG, a real estate company belonging to the publicly listed Real Estate Fund SIAT (the «REF Siat Fund») which is managed by Credit Suisse Asset Management (Switzerland) Ltd. («CSAM»). We understand that a significant part of the REF Siat Fund is held by pension funds, which pursue the same objectives as the Pension Fund of Credit Suisse.

We would like to highlight that, through its active engagement in the «Thun Group of Banks»¹, Credit Suisse as a group at an early stage has shown its support for the UN Guiding Principles on Business and Human Rights and the related corporate responsibility to respect human rights.

¹ The Thun Group is an informal group of banks who work together with the purpose of understanding how human rights can best be respected and promoted across the breadth of different banking activities. The Thun Group paper of 2013 can be found [here](#), a current description of the Thun Group is provided [here](#).

As expressed in the Thun Group's «Discussion Paper for Banks on Implications on Principles 16-21» of the UN Guiding Principles on Business and Human Rights (UNGP), published in October 2013, Credit Suisse considers respecting human rights, including the right to adequate housing, as *«the right thing to do»* and an integral part of responsible business conduct (Thun Group paper, p. 3). In this regard, risk-based human rights due diligence as outlined in UNGP 17-21 and the OECD Guidelines for Multinational Enterprises is key.

Accordingly, Credit Suisse operates an internal center of expertise which can assist in advising the different parts of the group in conducting risk-based human rights related due diligence.

As emphasized by the author of the UNGP, Prof. John Ruggie, it is important to keep in mind, that there is no one-size-fits-all approach to due diligence. Human rights due diligence should be *commensurate with the human rights impacts and risks present*. In the current context this implies that CSAM and the Pension Fund have not just to consider the impact of the projects on the tenants' right to adequate housing, but also on the rights of the respective stakeholders of the Pension Fund and the REF Siat Fund, such as the rights to an adequate standard of living and social security. In addition, in a complex environment such as the housing situation in the cities of Zurich and Basel, the property owners are operating in a web of conflicting interests between tenants, stakeholders and legal building/construction regulations. Their leverage to mitigate adverse impact may thus be less than commonly believed.

Specifically with regard to institutional investors, the OECD report on «Responsible Business Conduct for Institutional Investors» on the application of the OECD Guidelines for Multinational Enterprises outlines the expectation towards enterprises to prioritize their due diligence efforts using a «risk-based approach», i.e. to prioritize due diligence based on the significance of risk and the severity of the impact. Prioritization is therefore crucial to identify general areas where the risk of adverse impact is most significant.

In the context of both the Pension Fund and CSAM, the focus of environmental and human rights due diligence is on investments in projects where the potential severity of an adverse impact is high in its scale, scope, and inability to be restored. As Switzerland has an established rule of law and a strong legal protection of tenants' rights, the primary focus of the due diligence in the context of these two projects is on compliance with all relevant legal aspects, in particular tenancy law and building law, complemented by environmental and human rights considerations.

During that process, a number of potential human rights impacts have been identified that could arise from the development of both projects, such as involuntary relocation, difficulties in finding accommodation in the city and loss of social network. In order to address and mitigate these issues for the affected people and vulnerable groups (such as elderly people) in particular, various measures that go beyond Swiss legal requirements have been initiated. The Pension Fund and CSAM will highlight these measures in their respective answer letters.

Based on the attached replies of the Pension Fund and CSAM we are of the opinion that both have exercised adequate due diligence in accordance with the UNGP. They have implemented comprehensive measures to mitigate adverse impacts on the affected parties. In our view, the criticism you have received on how these projects have been handled does therefore not appear to be justified.

If you consider it helpful, we would be most happy to arrange meetings with the Pension Fund and CSAM to address any remaining questions you may have. Please let us know at your earliest convenience.

Yours sincerely

Credit Suisse Group AG

A handwritten signature in black ink, appearing to read 'M. Rybach', with a stylized, flowing script.

Manuel Rybach
Head Public Affairs and Policy

A handwritten signature in black ink, appearing to read 'M. Ruffieux', with a stylized, flowing script.

Michel Ruffieux
General Counsel International Wealth Management

Ms. Leilani Farha
Special Rapporteur on adequate housing
Special Procedures Branch
OHCHR
Palais des Nations
1211 Geneva

Zurich, January 27, 2020

Your letter of November 25, 2019, regarding the right to adequate housing

Dear Ms. Farha

We refer to your letter dated November 25, 2019, to Mr. Tidjane Thiam, CEO of Credit Suisse Group, which has been forwarded to us for direct reply. Reference is also made to the cover letter from Credit Suisse Group AG which sets the organizational context and describes the respective owners general approach to human rights due diligence. The explanations provided in the cover letter will not be reiterated here unless required for the understanding of the context.

The «Schorenweg» property in Basel mentioned in your letter is owned by SIAT Immobilien AG, a real estate company that belongs to the publicly listed Real Estate Fund Siat («CS REF Siat»). The CS REF Siat is managed by Credit Suisse Asset Management (Switzerland) Ltd. («CSAM»). It invests primarily in multi-family dwellings in large and mid-sized urban centers, as well as their metropolitan areas. The fund has both institutional and private investors. At Credit Suisse alone, more than 2300 clients hold units in the CS REF Siat which represent about 38.5% of the fund's total market capitalization. The remaining 61.5% unitholders are clients of other banks. From the 38.5% held by Credit Suisse clients, more than 78% are held by institutional investors (pension funds, insurance companies, health insurance companies and fund of funds) (figures as per September 30, 2019).

General Remarks

The housing situation in the city of Basel differs from the situation in other larger Swiss cities, especially in the region of Zurich. The vacancy rate, i.e. the relative amount of vacant apartments, in Basel stands at 1%, which is ten times higher than in the city of Zurich. According to the Federal Office of Housing, a vacancy rate of 1% implies that there is no housing shortage, even if the limit of a functioning housing market of 1.5% has not yet been reached.

The Schorenweg buildings are situated in the Hirzbrunnenquartier, which is characterized by other high-rises and multi-family homes.

At the launch of the Schorenweg project, 50% of the tenants were below the age of 65, 10% between 65 and 75, and 15% over 75. However, we became aware that we lack statistical data

for tenants with older leases, some of which date back more than 30 years. In the interest of these tenants and for practical reasons, we included these 25% of tenants in the group of vulnerable residents of our buildings when conducting our due diligence.

Definition of the project scope

The two high-rise buildings on Schorenweg were built almost 60 years ago in 1961. Following a comprehensive technical review of the condition of the buildings the conclusion was reached that material structural measures, in addition to the renovation of the façade, were essential to comply with today's fire and earthquake safety requirements. The option to perform the renovation without vacating the buildings was seriously explored but, unfortunately, had to be rejected due to the deepness of the structural measures required which would have put the security and health of the tenants and the public in general at risk. Furthermore, the emissions would have created unacceptable burdens on tenants living in the buildings.

Apart from the clearly established need for substantive, comprehensive measures with a view to comply with current safety standards, more future oriented considerations played an important role in the design of the envisioned measures: with a view to increasing societal expectations regarding sustainability and in anticipating future regulation on building safety, the refurbishment of the façade and windows does not stop at complying with existing law but will comply with the «Minergie standard» (an official Swiss construction standard for new and refurbished buildings characterized by an elevated living comfort, very low energy consumption and the highest possible proportion of renewable energies).

Due Diligence

CSAM as investment manager of the CS REF Siat has considered all interests at stake in the Schorenweg project very carefully and took into account the social, economic and political reality in Switzerland and the region of Basel.

We support the UN Guiding Principles on Business and Human Rights (UNGP) and the related corporate responsibility to respect human rights. The UNGP outline the expectation towards enterprises to apply a «risk-based approach» in conducting their due diligence, i.e. to prioritize measures based on the significance of risk and the severity of the impact. This prioritization allows to identify general areas where the risk of adverse impact is most significant.

Switzerland having an established rule of law and a strong legal protection of tenants' rights, the primary focus of the due diligence in the context of the project Schorenweg was and is on compliance with all relevant legal aspects, in particular tenancy law and building law, complemented by additional environmental and human rights considerations that go beyond what is required by Swiss law.

Risk assessment

When conducting our due diligence process, we identified a number of potential negative human rights impacts for the tenants. These include, among others, involuntary relocation, difficulties in finding new accommodation in the same city and the loss of social network. We identified elderly tenants as a particularly vulnerable group. In order to address and mitigate these issues for the affected people and vulnerable groups in particular, various measures that go beyond Swiss legal requirements were initiated after concluding that vacating the property was unavoidable (as mentioned above):

Early Information

Tenants and key stakeholders were informed about the project at an early stage. The termination of the rental agreements was given with a notice period of 12 months (for building 1) and 24 months (for building 2) and therefore well in advance of the statutory notice period of three months. The aim of this early communication was to give all tenants sufficient time to find alternative suitable options.

Support to tenants

All tenants were offered comprehensive support in the search for new housing and many made use of this offer.

This support consisted, amongst other things, in assisting in the application process for other apartments, in issuing – upon request – reference letters, in making recommendations to other property managers and landlords.

Furthermore, tenants wanting to move out before the final date of the rental agreement were allowed to do so with just a notice period of 30 days (instead of 3 months) to the end of any month; this gave them larger flexibility when finding a new apartment and allowed them to reduce costs that could otherwise have resulted.

Tenants were also proactively given a one-off payment to compensate for the inconveniences while moving out (for 1.5-room apartments: CHF 400; 2.5-room apartments: CHF 500; 3.5-room apartments: CHF 750; 4.5-room apartments: CHF 1,000).

Two additional measures were taken for tenants over the age of 65: (i) establishment and funding of an independent advisory service specializing in age issues with regular office hours and (ii) connecting our tenants with «Älter Basel» (www.aelterbasel.ch), a recognized public-private partnership supporting the needs of elderly people in the region of Basel, to support elderly tenants in the search for a new apartment.

Applications of current or former tenants for moving back into one of the apartments once the renovation work is completed will be reviewed with priority. The target rents will be aligned with local rents in the surrounding residential areas.

The effectiveness of these support measures is proven by the fact that to date 107 out of 196 tenants were able to find alternative housing and have already moved out of the Schorenweg buildings. 76 of these tenants have found an alternative apartment in the city of Basel, 8 of them found a new dwelling in neighboring communities. 35 of the aforementioned 107 tenants could accept an offer for an apartment in our existing real estate portfolio in the city of Basel.

Our support measures remain in place for all tenants who did not yet find new housing.

Legal proceedings

Switzerland has a well-developed rule of law that protects the rights of tenants and homeowners, and gives them access to fair legal proceedings in case of disputes. A range of tenants have made use of these options. Based on all ongoing and taken measures minimizing and mitigating adverse impact and the level of our diligence, we are confident that the courts will support our position. Of course, our main goal remains to find an acceptable settlement for all parties.

Conclusion

As outlined above, we consider that CSAM has exercised an adequate level of due diligence in «Schorenweg» renovation project which is in accordance with the UNGP. Comprehensive measures to effectively mitigate and reduce human rights risks for the affected parties have been implemented and we will continue our efforts to support tenants in finding adequate solutions.

Yours sincerely

Credit Suisse Asset Management (Switzerland) Ltd.



Raymond Rüttimann
Managing Director
Head Real Estate Switzerland



Silvio Preisig
Managing Director
Head Real Estate Asset Management

Ms. Leilani Farha
Special Rapporteur on adequate housing
Special Procedures Branch
OHCHR
Palais des Nations
1211 Geneva

January 27, 2020

**Your letter of November 25, 2019,
regarding the right to adequate housing**

Dear Ms. Farha

We refer to your letter dated November 25, 2019, to Mr. Philip Hess, Chairman of the Board of Trustees of the Pension Fund of Credit Suisse Group (Switzerland). Reference is also made to the cover letter from Credit Suisse Group AG which sets the organizational context and explains the general concept of due diligence applied by the respective owners. Unless required for the understanding of the context, we therefore do not reiterate information already provided in the cover letter.

The owner of the «Brunaupark» property is the Pension Fund of Credit Suisse Group (Switzerland) (the «Pension Fund»), an autonomous occupational pension scheme organization providing employee benefits insurance. According to Swiss Federal Law, employee benefits insurance in Switzerland is jointly financed and managed by employees and employers and provides benefits in the case of retirement, disability, or death to supplement the benefits paid by public law pension institutions (Federal Old Age and Survivors' Insurance (AHV)/Federal Disability Insurance (IV)). In other words, employee benefits insurance comprises all collective measures that allow older people, surviving dependents, and persons with a disability to maintain their accustomed standard of living at an adequate level should an insured event occur ("(retirement, disability, or death of an income-earning family member). These measures apply in combination with benefits paid by the state-run social insurance schemes (AHV/IV).

The Pension Fund therefore makes an important contribution to ensuring that its members enjoy an adequate standard of living in the case of retirement or disability. These pensions are a key factor in safeguarding the right to social security and an adequate standard of living pursuant to Articles 22 and 25 of the Universal Declaration of Human Rights, as well as Art. 11 of the UN Covenant on Economic, Social, and Cultural Rights.

As of September 2019, over 11,000 pension recipients were affiliated with the Pension Fund. Similarly, the Pension Fund also has an obligation to the more than 17,500 Credit Suisse employees who are affiliated with it and who rely on the assets that the Pension Fund invests. All members and their dependents rely on the Pension Fund to invest its assets prudently and diligently to guarantee adequate pension levels in the long term.

The Brunaupark project

The information contained in your letter does not always fully correspond to the facts. We would therefore like to provide you with an overview of our Brunaupark construction project and explain why it is in line with the social, economic, and political reality in Switzerland, and the regions of Zurich, as well as with our corporate responsibility to respect human rights according to the UN Guiding Principles on Business and Human Rights (UNGPR).

The Brunaupark development is located in Zurich, the biggest city in Switzerland. From 1970 to 1999, societal trends caused the population in the city to decline continuously from 422,640 to just 333,486 inhabitants. Since the turn of the millennium, the city's population has been growing again; by the end of 2018 there were already 413,912 people living in the city. A very high standard of living and a strong labor market provide opportunities for economic and social integration to the migrant population in particular; the proportion of foreign residents in the city of Zurich was 32.2% at the end of 2018.

The downside of this trend is that housing in Zurich is becoming increasingly scarce. As a result, many families and individuals that rely on affordable housing are looking for vacant apartments. According to official statistics (s. www.statistik.zh.ch), the vacancy rate in the city of Zurich last year was just 0.13%, corresponding to 306 of the 225,943 apartments available. On the other hand, the rising incomes of households in the city of Zurich in recent decades have also led to a growing consumption of living space. The consumption of living space per person in the city of Zurich has risen from 30 m² to 41m² since 1970. Over the last ten years, an average of just over 2,000 apartments have been constructed in Zurich every year. This is however not enough to keep up with demand. Because many people are forced to commute from outside the city to their place of work downtown, the regional transportation system is being pushed to its limits.

The planned Brunaupark modernization would double the housing stock on the site from 240 to approximately 500 residential units, which can be seen as a considerable contribution to alleviating the housing situation in the city for the above reasons. The higher construction density will also result in less urban sprawl and commuter traffic.

Climate change is a further motivational factor for modernizing a property. The Brunaupark project has sustainable construction at its core. All the buildings will comply with the latest ecological standards, and the heating and cooling systems for the entire site will follow a new concept. A large proportion of renewable energy sources will replace the existing fossil fuel systems: For example, geothermal heating is to be used in the future. Recycled materials will be used for part of the construction. This helps to reduce "grey energy" consumption. The planned mobility concept has also been designed with sustainability in mind, for example, there are plans for car-sharing, charging stations for electric vehicles and e-bikes, and approximately 1,400 spaces for bikes.

When conducting our due diligence process we have identified a number of potential human rights impacts that could arise from the development of the Brunaupark project, such as involuntary relocation, difficulties in finding accommodation in the city, loss of social network, etc. In order to address and mitigate these issues for the affected people and vulnerable groups (such as elderly people) in particular, various measures that go beyond Swiss legal requirements have been initiated.

Communication to tenants

We ensured that information about the project was communicated at an early stage and that key stakeholders were contacted. As you yourself noted in your report, we informed tenants about the termination of the rental agreement well in advance of the statutory notice period of three months. The termination notices were sent out at least 15 months before the termination date, and in most cases even before. Furthermore, as will be mentioned further below, all tenants were offered comprehensive support in the search for new housing, which various tenants also took advantage of.

Support in finding new apartments

We established the «Brunaupark hotline» which tenants can reach whenever they have any questions or need support as of the date when they received the notice.

After two information events held in April and May 2019, we additionally set up a special advisory service for tenants over 65. This service is free of charge and is managed by a specialized independent consultant who provides information and support in individual appointments on all questions concerning the search for suitable solutions.

We offered all tenants our support in the application process for other apartments. Whenever requested, we issue positive letters of reference for tenants and recommendations to other property managers and landlords. In addition, we allow tenants to move out before the final date of the rental agreement with full flexibility, i.e. a notice period of only 30 days to the end of any month applies; this means that tenants do not have to pay two lots of rent if they find a new apartment from an earlier date, as it would ordinarily be the case under Swiss law.

Priority for current and former tenants in the reconstructed buildings

Of course, all current or former tenants have the option to apply for one of the apartments once the reconstructions have been completed. The target rents in our project correspond with local rents in the surrounding residential areas. Applications of former tenants for the new apartments will be reviewed with priority. We estimate that the new rents should be affordable for most of the existing tenants.

Other considerations

In October 2019, the Zurich city government published a report at the request of the Zurich city parliament (the «Sozialbericht Überlandpark»). The report investigated the socio-economic changes and migration from the city in connection with replacement construction projects throughout Zurich. This allowed conclusions to be drawn about how different demographic segments react in this situation. According to the report, around two-thirds of those affected continue to live in the city of Zurich, with one-third of them even finding an apartment in the same district. Only one in three tenants leaves the city after vacating his or her apartment due to a replacement construction project. The report highlights that, in particular, information from the landlord at an early stage and support for tenants – in other words, precisely those measures that we have taken for the Brunaupark project– serve to increase the retention rate. In the case of the one-third of tenants who leave the city following such an event, the report's authors assume that the move out of town is also influenced by other, personal reasons, as 10% of the population move out of the city every year anyway. With regard to persons at the lower end of the income scale, the report notes that there is no evidence of a general displacement effect. In general, such persons also succeed in finding another apartment in the city.

Conclusion

For the reasons outlined, we disagree with the conclusions reflected in your letter that the affected tenants are being forced into social hardship or even homelessness as a result of having to relocate.

Switzerland has a well-developed rule of law that protects the rights of tenants and homeowners, and gives them access to fair legal proceedings in case of disputes. A range of tenants have made use of these options; however, we are unable to provide any further details as the appeals process is still in progress. Based on our current knowledge about preliminary decisions already issued, we are confident that the courts will protect our decisions and handling of the project. It goes without saying that we will accept and implement all final court decisions.

Our comments above show that the Pension Fund has exercised its due diligence in the Brunaupark construction project in accordance with the UN Guiding Principles on Business and Human Rights, and has implemented comprehensive measures to mitigate the human rights risks for the affected parties. In our view, the criticism you have received on how we have handled this project is therefore not justified.

Yours sincerely

Pension Fund of Credit Suisse Group (Switzerland)



Martin Wagner
Chief Executive Officer



Guido Bächli
Chief Investment Officer

Ms. Leilani Farha
Special Rapporteur on adequate housing
Special Procedures Branch
OHCHR
Palais des Nations
1211 Geneva

Zurich, January 27, 2020

Your letter of November 25, 2019, regarding the right to adequate housing

Dear Ms. Farha

We refer to your letter dated November 25, 2019, to Mr. Tidjane Thiam, CEO of Credit Suisse Group, which has been forwarded to us for direct reply. Reference is also made to the cover letter from Credit Suisse Group AG which sets the organizational context and describes the respective owners general approach to human rights due diligence. The explanations provided in the cover letter will not be reiterated here unless required for the understanding of the context.

The «Schorenweg» property in Basel mentioned in your letter is owned by SIAT Immobilien AG, a real estate company that belongs to the publicly listed Real Estate Fund Siat («CS REF Siat»). The CS REF Siat is managed by Credit Suisse Asset Management (Switzerland) Ltd. («CSAM»). It invests primarily in multi-family dwellings in large and mid-sized urban centers, as well as their metropolitan areas. The fund has both institutional and private investors. At Credit Suisse alone, more than 2300 clients hold units in the CS REF Siat which represent about 38.5% of the fund's total market capitalization. The remaining 61.5% unitholders are clients of other banks. From the 38.5% held by Credit Suisse clients, more than 78% are held by institutional investors (pension funds, insurance companies, health insurance companies and fund of funds) (figures as per September 30, 2019).

General Remarks

The housing situation in the city of Basel differs from the situation in other larger Swiss cities, especially in the region of Zurich. The vacancy rate, i.e. the relative amount of vacant apartments, in Basel stands at 1%, which is ten times higher than in the city of Zurich. According to the Federal Office of Housing, a vacancy rate of 1% implies that there is no housing shortage, even if the limit of a functioning housing market of 1.5% has not yet been reached.

The Schorenweg buildings are situated in the Hirzbrunnenquartier, which is characterized by other high-rises and multi-family homes.

At the launch of the Schorenweg project, 50% of the tenants were below the age of 65, 10% between 65 and 75, and 15% over 75. However, we became aware that we lack statistical data

for tenants with older leases, some of which date back more than 30 years. In the interest of these tenants and for practical reasons, we included these 25% of tenants in the group of vulnerable residents of our buildings when conducting our due diligence.

Definition of the project scope

The two high-rise buildings on Schorenweg were built almost 60 years ago in 1961. Following a comprehensive technical review of the condition of the buildings the conclusion was reached that material structural measures, in addition to the renovation of the façade, were essential to comply with today's fire and earthquake safety requirements. The option to perform the renovation without vacating the buildings was seriously explored but, unfortunately, had to be rejected due to the deepness of the structural measures required which would have put the security and health of the tenants and the public in general at risk. Furthermore, the emissions would have created unacceptable burdens on tenants living in the buildings.

Apart from the clearly established need for substantive, comprehensive measures with a view to comply with current safety standards, more future oriented considerations played an important role in the design of the envisioned measures: with a view to increasing societal expectations regarding sustainability and in anticipating future regulation on building safety, the refurbishment of the façade and windows does not stop at complying with existing law but will comply with the «Minergie standard» (an official Swiss construction standard for new and refurbished buildings characterized by an elevated living comfort, very low energy consumption and the highest possible proportion of renewable energies).

Due Diligence

CSAM as investment manager of the CS REF Siat has considered all interests at stake in the Schorenweg project very carefully and took into account the social, economic and political reality in Switzerland and the region of Basel.

We support the UN Guiding Principles on Business and Human Rights (UNGPR) and the related corporate responsibility to respect human rights. The UNGPR outline the expectation towards enterprises to apply a «risk-based approach» in conducting their due diligence, i.e. to prioritize measures based on the significance of risk and the severity of the impact. This prioritization allows to identify general areas where the risk of adverse impact is most significant.

Switzerland having an established rule of law and a strong legal protection of tenants' rights, the primary focus of the due diligence in the context of the project Schorenweg was and is on compliance with all relevant legal aspects, in particular tenancy law and building law, complemented by additional environmental and human rights considerations that go beyond what is required by Swiss law.

Risk assessment

When conducting our due diligence process, we identified a number of potential negative human rights impacts for the tenants. These include, among others, involuntary relocation, difficulties in finding new accommodation in the same city and the loss of social network. We identified elderly tenants as a particularly vulnerable group. In order to address and mitigate these issues for the affected people and vulnerable groups in particular, various measures that go beyond Swiss legal requirements were initiated after concluding that vacating the property was unavoidable (as mentioned above):

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The effectiveness of these support measures is proven by the fact that to date 107 out of 196 tenants were able to find alternative housing and have already moved out of the Schorenweg buildings. 76 of these tenants have found an alternative apartment in the city of Basel, 8 of them found a new dwelling in neighboring communities. 35 of the aforementioned 107 tenants could accept an offer for an apartment in our existing real estate portfolio in the city of Basel.

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Conclusion

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Yours sincerely

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