

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 41 m² 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