

HIAG

Green Financing Framework



The German version of this document is authoritative.

25.07.2023

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HIAG designs destinations that offer living areas for people and space for the long-term development of companies.

1 HIAG

HIAG is a leading real estate company listed on the SIX Swiss Exchange with an investment property portfolio worth a total of CHF 1.93 billion. HIAG focuses on sustainable development and the active management of its properties. HIAG's market area covers the whole of Switzerland.

HIAG is active in the real estate market in German- and French-speaking Switzerland. Its investment property portfolio consists of numerous sites and a project pipeline with an expected investment volume of CHF 3.1 billion. When it comes to the further development of its portfolio, HIAG relies on its strength as a listed real estate company with a strong entrepreneurial anchor shareholder and its open corporate culture dominated by short decision-making processes and a high level of client orientation.¹

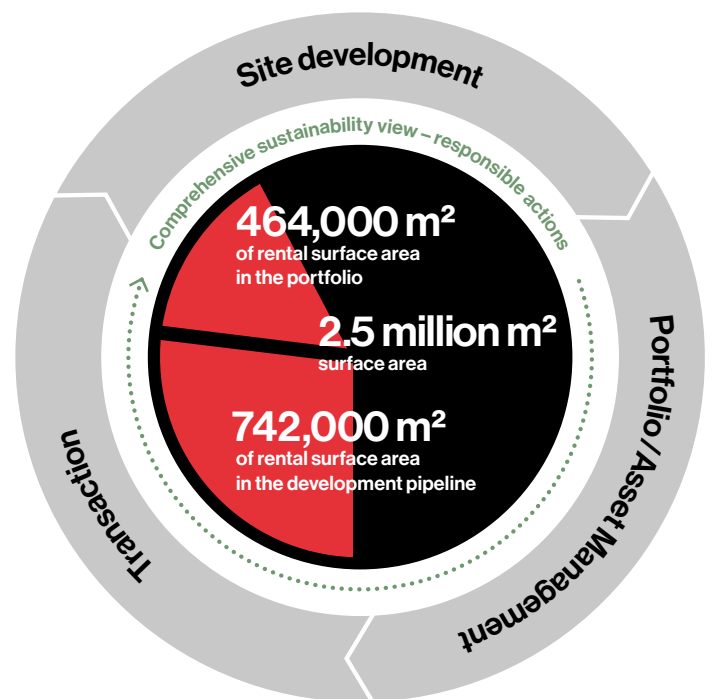
1.1 HIAG's three business areas

Site development

Site development is one of HIAG's core competencies. The focus falls on the long-term development of large former industrial sites. HIAG generates new regional economic power and a direct increase in the value of its own portfolio through higher densities of use and future-oriented utilisation concepts. HIAG's sites often have great local significance. HIAG addresses the associated complexity through integral and dialogue-based development processes. This creates added value for HIAG and all stakeholders involved.

Portfolio/asset management

HIAG attaches great importance to personal contact with tenants, authorities and other stakeholders. Its focus on a predominantly internal management and caretaking approach provides the best conditions for this. Together with a broadly diversified tenant mix, this approach contributes to long-lasting customer relationships and a steady rental income base.



Transactions

HIAG continuously optimises the quality and earning power of its investment property portfolio with targeted transactions. Acquisitions and disposals complement organic growth and contribute to long-term value creation. Proceeds from the sale of properties and development projects are used for value-enhancing investments in the sense of «capital recycling».

¹ The key figures provided in this section refer to 31 December 2022.

1.2 Integrated sustainability strategy

HIAG is convinced that sustainable business conduct is a basic prerequisite for long-term economic success. Consequently, sustainability is a key component of all business activities. The refinement of the sustainability strategy in 2021 further underlined this position.

In this way, the concept of sustainability is integrated in the form of concrete measures into all existing processes along HIAG's entire value chain. This inclusive approach is secured through contractual clauses, codes of conduct, and internal guidelines and requirements, both internally and vis-à-vis contracting partners, and is monitored by HIAG. The potential for optimisation is analysed and addressed in regular reviews.

Comprehensive reporting is used to collect key sustainability indicators and create the prerequisites for further optimisation. The comprehensive data is communicated publicly in the annual sustainability report.

Detailed information on HIAG's current sustainability initiatives can be found in the latest sustainability report. This is available [here](#).

HIAG creates actual added value with concrete initiatives and sustainability goals. The degree to which these goals are achieved is evaluated regularly, communicated within the framework of sustainability reporting, and supplemented by new goals. The implementation of the sustainability agenda is a fundamental element in the calculation of management's remuneration.

HIAG site «The Hive» in Meyrin (GE)





Sustainable building

In its «Sustainable building manifesto», HIAG has laid down the cornerstones of its understanding of sustainability for new buildings and complete renovations. The manifesto summarises the aspects relevant to HIAG in six principles and defines HIAG's certification strategy.

The six principles of the manifesto are:

- Resilience to the impacts of climate change
- Optimal accessibility and strengthening of sustainable mobility
- High quality of stay and safety
- Energy-efficient and low-emission infrastructure
- High flexibility of use
- Consideration of social needs



You can find more information [here](#).



Code of conduct for business partners

In order to live up to its responsibility as an ethical and honest company, HIAG obliges its business partners to comply with the code of conduct for business partners and their subcontractors. The code describes the expected business conduct and defines the standards that are to be respected and shared. Adherence to ethical standards forms the basis of business relations.

The code of conduct for contracted business partners and their subcontractors is available online.



You can find more information [here](#).



Ethical behaviour

HIAG has high expectations regarding the ethical and sustainable behaviour of its employees. Employees are expected to think and act responsibly in their work environment in the interests of HIAG and its stakeholders.

The internal employment regulations, the code of conduct for employees and HIAG's sustainability guideline serve as the foundation for this.

The sustainability guideline and code of conduct for HIAG employees are available online.



You can find more information [here](#).



Reduction path

The reduction path developed in the 2022 financial year marks a milestone in the further reduction of the greenhouse gas emissions in HIAG's yielding portfolio. For the purposes of further model refinement, the reduction path is reviewed and updated every year. This ensures that new findings and changing circumstances are taken into account in a timely manner.

On the basis of the reduction path, HIAG has set itself the following goals for reducing greenhouse gas emissions in the yielding portfolio (cf. sustainability goal 2022.1):

- The Scope 1 emissions of the yielding portfolio have to be reduced by 85% per $\text{m}^2_{\text{ERA}^*}$ 2035, based on the 2021 values
- The Scope 1 and 2 emissions of the yielding portfolio have to be reduced by 65% per $\text{m}^2_{\text{ERA}^*}$ by 2035, based on the 2021 values.
- By 2050, the Scope 1 and 2 emissions of the yielding portfolio have to be net $0 \text{ kg}/\text{m}^2_{\text{ERA}^*}$



You can find more information [here](#).



Green lease and facility management requirements

In order to comply with the inclusive sustainability approach, HIAG holds its tenants and facility management service providers accountable via corresponding green lease clauses. This type of cooperation in a spirit of partnership creates specific social, economic and environmental added value.

The contents of the green lease clauses are determined in dialogue with the respective contracting partners on the basis of property- and use-specific features. This results in efficient and targeted measures.

* Energy reference area (ERA)

2 Green Financing Framework

The construction and real estate sector plays a decisive role in achieving national and international sustainability goals. The Swiss building stock is responsible for around one-third of national CO² emissions². With 15 million tonnes of construction waste per year, the sector is also responsible for over 65% of the national waste volume³. It has a strong impact on social and ecological systems through the transformation of habitats and thus not only shapes our quality of life, but also affects biodiversity. Accordingly, the construction and real estate industry has significant leverage when it comes to creating positive environmental, economical and societal effects. HIAG wants to face up to this responsibility and set an example. Thanks to future-oriented development projects and a responsible approach to existing properties, HIAG has significant leverage at its disposal to strengthen sustainable settlement development. However, this Green Financing Framework focuses on the environmental aspects of HIAG's activities.

This Green Financing Framework is part of HIAG's corporate strategy and forms the basis for HIAG's green financing initiative. This includes, for example, green bonds and green loans. This Green Financing Framework has been developed in accordance with the Green Bond Principles (GBP) published by the International Capital Market Association (ICMA) in 2021 and the Green Loan Principles (GLP) published by the Loan Market Association (LMA) in 2023. These principles are voluntary guidelines that promote transparency and integrity in green financial instruments. This framework can be downloaded [here](#). In order to ensure the quality, usefulness and compliance of this Green Financing Framework with national and international guidelines,

HIAG has commissioned an independent review (Second Party Opinion, SPO). The Green Financing Framework expands HIAG's room for manoeuvre on the financial and capital markets and thus strengthens its position. In accordance with the GBP and GLP, the Green Financing Framework addresses the following issues: (2.1) Use of proceeds, (2.2) Process for project evaluation and selection, (2.3) Management of proceeds and (2.4) Reporting.










2.1 Use of proceeds

Proceeds from green financing are used by HIAG exclusively for the full or partial financing or refinancing of assets and projects that promote the transition to low-carbon, climate-resilient and sustainable economies. These assets («eligible green assets») must meet the categories and criteria described below. HIAG operates exclusively in the Swiss market. The proceeds from green financing are therefore used exclusively to finance or re-finance assets and projects in Switzerland. Only financing or refinancing of property, plant and equipment (without age restriction and with a development horizon of up to 5 years) is eligible. This development horizon is necessary to ensure the financing of the often complex planning and approval processes in site development. The allocated income cannot exceed the total value of the assets concerned. In the financing process (e.g. in the issuing prospectus or term sheet), investors are informed of the assets taken into account at the time of financing in aggregated form per category. However, it is possible that the composition may change over the term (see chapter 2.3 Management of proceeds).

² <https://www.bfe.admin.ch/bfe/de/home/politik/energiestrategie-2050/erstes-massnahmenpaket/massnahmen-zur-steigerung-der-energieeffizienz.html>

³ Wälti C., Almeida J. 2016: Ent-Sorgen? Abfall in der Schweiz illustriert. Bundesamt für Umwelt, Bern. Umwelt-Zustand Nr. 1615: S.12.

The following table describes the eligibility criteria for the assessment of eligible green assets and projects.

GBP and GLP categories	Eligibility criteria for eligible green assets and projects	Avowed UN Sustainable Development Goals (SDGs)
Green buildings	<p>Financing and refinancing of buildings and sites that meet the following certification criteria, among others:</p> <ul style="list-style-type: none"> – Minergie (incl. the additions A/P and Eco and Areal) – SNBS (Silver, Gold, Platinum and Areal) – DGNB (Bronze, Silver, Gold, Platinum, In Use and Quarter) <p>Financing and refinancing of buildings with an official building energy certificate (GEAK). The following applies: The relevant rating categories at the time of issue may not fall below the rating A for residential buildings. For non-residential buildings, the rating must not fall below B. The heating system used in residential and non-residential buildings must not emit any direct fossil greenhouse gas emissions.</p>	 
Energy efficiency	<p>Financing and refinancing of energy-related renovations and other measures to increase energy efficiency. These must result in an improvement of the efficiency (at least 10%), the U-value (at least 10%) or energy savings (at least 10%).</p>	 
Prevention and reduction of environmental pollution	<p>Financing and refinancing of heating replacement measures (fossil to renewable, with district heating and electrically powered heating systems classified as renewable regardless of their primary energy source).</p> <p>Financing and refinancing measures for the remediation of contaminated sites and building pollutants.</p>	   
Renewable energies	<p>Financing, refinancing and maintenance of infrastructures for the production and use of renewable energy (e.g. solar plants, small-scale hydropower plants (<10 MW), wind turbines, renewable and sustainably operated combined heat and power plants (potentially used fuel wood products must be certified, e.g. FSC, potentially used gas must be biogas certified) as well as infrastructures for the use of waste heat from data centres and other industrial processes).</p>	

It is explicitly not permitted to use the proceeds for the following direct activities of HIAG:

- research and/or development in the field of offensive weapons;
- extraction of potentially environmentally harmful resources (such as rare earths or fossil fuels);
- projects that are realised with child labour, forced labour or other conditions that violate human rights.

2.2 Process for project evaluation and selection

the assessment and selection of eligible green assets, compliance with the above requirements is crucial. HIAG sets itself high sustainability standards when implementing projects. This ensures a careful analysis of the negative effects on people and the environment. This also applies to the acquisition of new properties, for which comprehensive ESG due diligence is mandatory. Internal requirements are set out in regularly updated sustainability guidelines, codes and other comparable documents. The current versions of these documents are available [here](#).

HIAG's CEO, CFO and sustainability officer are responsible for evaluating and selecting suitable projects. They are responsible for maintaining an up-to-date list of eligible projects at all times. They do this as follows:

- Annual review and approval of new eligible assets in accordance with the eligibility criteria set out in this Green Financing Framework.
- Annual review of previously declared eligible assets to confirm ongoing compliance.
- Annual confirmation that eligible green assets comply with applicable environmental and social standards, local laws and regulations, and HIAG's sustainability strategy.

2.3 Management of proceeds

HIAG will maintain a list of eligible green assets and projects for the allocation of proceeds from green financing. The list is intended to ensure that the proceeds from green financing are only used to finance or refinance green assets and projects.

If an eligible green asset or project no longer qualifies as green, or if the underlying project or asset is sold or lost, the corresponding proceeds must be compensated in a timely manner through other eligible green assets or projects. The funds can also be reallocated to other green assets or projects during the term of a green financing initiative.

HIAG's CEO, CFO and sustainability officer are responsible for the compilation and management of the list of eligible green assets and projects as well as the corresponding allocation of proceeds from green financing. They have to keep records of any changes and ensure that the sum of the proceeds allocated to a particular green asset or project from one or more green financing sources does not exceed its value. In this context, all green financing is considered in aggregate within the framework of a portfolio approach. As long as the list shows a positive balance of eligible assets and projects, the net proceeds can be used in accordance with the existing sustainability goals and eligibility criteria set out in this Green Financing Framework. Temporary excess proceeds must be used in accordance with this Green Financing Framework and in coordination with HIAG's liquidity and cash management. The listed exclusion criteria must be observed.

2.4 Reporting

As part of its annual sustainability reporting, HIAG will publish a report on the use of proceeds from green financing and compliance with the usage criteria set out in the Green Financing Framework. The report shall be published for as long as funding is outstanding in connection with this Green Financing Framework. The report shall contain information on the use (allocation report) and the impact (impact report) of the proceeds from green financing.

Allocation report

HIAG discloses the following information in the allocation report. The reported data refers to the end of the previous year.

- Reporting on the use of proceeds at project and property level;
- Comparison of the total outstanding green financing and the value of projects and properties on the list of eligible green assets and projects;
- Proportion of proceeds from green financing used for new investments in the previous financial year.

Impact report

The report also shall include the disclosure of performance indicators for assets and projects financed through green financial instruments. For financed green assets that are not yet in operation, HIAG endeavours to provide estimates of future performance levels. HIAG will focus on energy savings, the reduction of greenhouse gas emissions and the production of renewable energy. The following is a non-exhaustive list containing examples of indicators that can be used by HIAG.

HIAG site in Niederhasli (ZH)



Eligibility criteria for eligible green assets and projects

Indicators of the impact report

Financing and refinancing of buildings and sites that meet the following certification criteria, among others:

- Minergie (incl. the additions A/P and Eco and Areal)
- SNBS (Silver, Gold, Platinum and Areal)
- DGNB (Bronze, Silver, Gold, Platinum, Quarter, and In Use)

Financing and refinancing of buildings with an official building energy certificate (GEAK). The following applies: The valuation categories relevant at the time of issue may not fall below the A rating for residential buildings. In the case of non-residential buildings, the rating must not fall below B. The heating system used in residential and non-residential buildings must not emit any direct fossil greenhouse gas emissions.

Name of the underlying certificate / certificate incl. valuation and valuation date

Expected energy consumption ($\text{kWh/m}^2_{\text{ERA}}$) and associated greenhouse gas emissions ($\text{CO}_2\text{e/m}^2_{\text{ERA}}$) per area unit

Financing and refinancing of energy-related renovations and other measures to increase energy efficiency. These must result in an improvement of the efficiency (at least 10%), the U-value (at least 10%) or energy savings (at least 10%).

Improvement of the efficiency in %
Improvement of the U-value in %
Expected energy savings in %
Expected reduction in greenhouse gas emissions in %

Financing and refinancing of heating replacement measures (fossil to renewable, whereby district heating and electrically operated heating systems are classified as renewable regardless of their primary energy source).

Estimate of the annual CO_2 emissions saved during operation in %

Financing and refinancing of measures for the remediation of contaminated sites and building pollutants.

Quantity of remediated contaminated sites in m^3 and description of the contaminated sites
Description of the pollutants removed

Financing, refinancing and maintenance of infrastructures for the production and use of renewable energy (e.g. solar plants, small-scale hydropower plants (<10 MW), wind turbines, renewable and sustainably operated combined heat and power plants (potentially used fuel wood products must be certified, e.g. FSC, potentially used gas must be biogas certified) as well as infrastructures for the use of waste heat from data centres and other industrial processes).

Output of the affected plants

- kWp for solar systems
- kW for other power plants

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