



## SECOND PARTY OPINION (SPO)

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Sustainability Quality of the Issuer and Green Financing Framework

HIAG Immobilien Holding AG  
31 July 2023

### VERIFICATION PARAMETERS

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Type(s) of instruments contemplated	<ul style="list-style-type: none"><li>Green Financing Instruments</li></ul>
Relevant standards	<ul style="list-style-type: none"><li>Green Bond Principles, as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)</li><li>Green Loan Principles, as administered by the Loan Market Association (LMA) (as of February 2023)</li></ul>
Scope of verification	<ul style="list-style-type: none"><li>HIAG Green Financing Framework (as of July 25, 2023)</li><li>HIAG Assessment type (as of July 25, 2023)</li></ul>
Lifecycle	<ul style="list-style-type: none"><li>Pre-issuance verification</li></ul>
Validity	<ul style="list-style-type: none"><li>Valid as long as the cited Framework remains unchanged</li></ul>

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## SCOPE OF WORK

HIAG Immobilien Holding AG (“the Issuer”, “the company” or “HIAG”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Financing by assessing three core elements to determine the sustainability quality of the instruments:






1. HIAG’s Green Financing Framework (as of July 25, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and the Loan Market Association’s (LMA) Green Loan Principles (GLP).
2. The Selection criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transactions to HIAG’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

## HIAG BUSINESS OVERVIEW

HIAG is classified in the Real Estate industry, as per ISS ESG’s sector classification.

HIAG engages in the ownership, management, and redevelopment of real estate properties. It operates through the following segments: Yielding Portfolio, Development Portfolio, Transaction, and Others. The Others segment includes expenses connected with central functions and activities in the metal recycling business. The company was founded in 1876 and is headquartered in Basel, Switzerland.

## ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION <sup>1</sup>
<p><b>Part 1:</b></p> <p><b>Alignment with GBP/GLP</b></p>	<p>The Issuer has defined a formal concept for its Green Financing regarding use of proceeds, processes for project evaluation and selection, management of proceeds, and reporting. This concept is in line with ICMA’s Green Bond Principles and LMA’s Green Loan Principles.</p> <p><i>* The following category (Electrically powered heating systems) is assessed as providing no clear environmental and/or social benefits according to our methodology (cf. part II of this report). However, as there are currently several national and international initiatives and that the definition of green and/or social might vary depending on sector and geography, it is recognized that this category might be considered as eligible green or social category by investors.</i></p>	<p><b>Aligned*</b></p>
<p><b>Part 2:</b></p> <p><b>Sustainability quality of the Selection criteria</b></p>	<p>The Green Financing will (re)finance eligible asset categories which include:</p> <p>Green Buildings, Renewable Energy, and Pollution Prevention and Control</p> <p>Product and/or service-related use of proceeds categories<sup>2</sup> individually contribute to one or more of the following SDGs:</p> <div style="display: flex; justify-content: center; gap: 10px;"> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>7 AFFORDABLE AND CLEAN ENERGY</p>  </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>13 CLIMATE ACTION</p>  </div> </div> <p>Process-related use of proceeds categories<sup>3</sup> individually improve (i) the Issuer’s/Borrower’s operational impacts and (ii) mitigate potential negative externalities of the Issuer’s/Borrower’s sector on one or more of the following SDGs:</p> <div style="display: flex; justify-content: center; gap: 10px;"> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>3 GOOD HEALTH AND WELL-BEING</p>  </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>15 LIFE ON LAND</p>  </div> </div> <p>The environmental and social risks associated with those use of proceeds categories are managed.</p>	<p><b>Positive</b></p>

<sup>1</sup> The evaluation is based on the HIAG’s Green Financing Framework (July 2023 version) and on the ISS ESG Corporate Rating updated on the June 2, 2022, and applicable at the SPO delivery date.

<sup>2</sup> Green Buildings, Renewable Energy.

<sup>3</sup> Renewable Energy, Pollution Prevention and Control.

<p><b>Part 3:</b> <b>Linking the transactions to HIAG's ESG profile</b></p>	<p>The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p><b>Consistent with Issuer's sustainability strategy</b></p>
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## SPO ASSESSMENT

### PART I: ALIGNMENT WITH ICMA'S GREEN BOND PRINCIPLES AND LMA'S GREEN LOAN PRINCIPLES

This section evaluates the alignment of the HIAG's Green Financing Framework (as of July 25, 2023) with ICMA's Green Bond Principles (GBP) and LMA's Green Loan Principles (GLP).

GBP AND GLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by HIAG's Green Financing Framework is <b>aligned</b> with ICMA's Green Bond Principles and LMA's Green Loan Principles.</p> <p>The Issuer's green categories align with the project categories as proposed by ICMA's Green Bond Principles and LMA's Green Loan Principles, Criteria are defined in a clear and transparent manner. The Issuer commits to disclose the distribution of proceeds in aggregated form by category in the financing process. Environmental benefits are described.</p> <p>The Issuer defines exclusion criteria for harmful project categories in line with best market practice.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by HIAG's Green Financing Framework is <b>aligned</b> with ICMA's Green Bond Principles and LMA's Green Loan Principles.</p> <p>The project selection process is defined. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer identifies alignment of their Framework and their green projects with official or market-wide taxonomies and references any green standards or certifications used, in line with best marked practice.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds provided by HIAG's Green Financing Framework is <b>aligned</b> with ICMA's Green Bond Principles and LMA's Green Loan Principles.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner. The net</p>

		<p>proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>
<p><b>4. Reporting</b></p>	<p>✓</p>	<p>The allocation and impact reporting provided by HIAG’s Green Financing Framework is <b>aligned</b> with the ICMA’s Green Bond Principles and LMA’s Green Loan Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. HIAG explains that the level of expected reporting will be at project category level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer is transparent on the level of impact reporting, on the information reported in the impact report, and defines the reporting frequency of the impact reporting as well as the scope of the impact reporting in line with best market practice.</p>

## PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA

### A. CONTRIBUTION OF THE GREEN FINANCING TO THE UN SDGs<sup>4</sup>

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

#### 1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green Financing Instrument's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Green Buildings</b></p> <p><i>Financing and refinancing of buildings and sites that meet the following certification criteria, among others<sup>5</sup>:</i></p> <ul style="list-style-type: none"> <li>▪ <i>Minergie (incl. the additions A/P, Eco and Areal)</i></li> <li>▪ <i>SNBS (Silver, Gold, Platinum, and Areal)</i></li> <li>▪ <i>DGNB (bronze, silver, gold, platinum, In Use and quarter)</i></li> </ul>	<b>Contribution</b>	

<sup>4</sup> The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

<sup>5</sup> The review is limited to certifications spelled out in the HIAG Green Financing Framework 2023

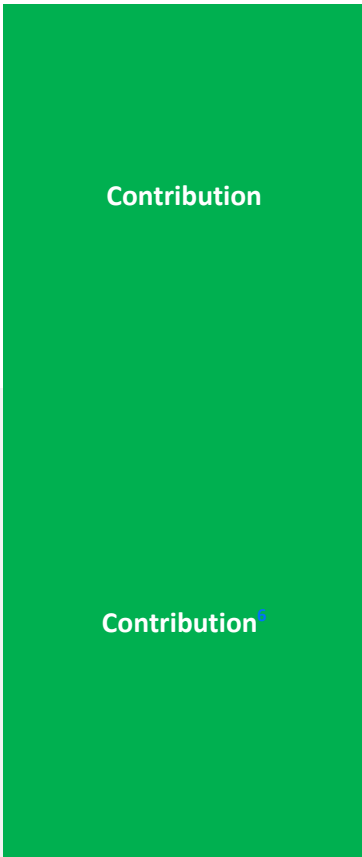


**Green Buildings**

*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 rating A for residential buildings. For non-residential buildings, the rating must not fall below B. The heating system used must not emit any direct fossil GHG emissions in residential and non-residential buildings.*

**Renewable Energy**

*Financing, refinancing, and maintenance of infrastructures for the production of renewable energy (e.g., solar plants, small hydropower plants (<10 MW), wind turbines, renewable and sustainable operated combined heat and power plants without direct fossil greenhouse gas emissions (potentially used firewood products must be certified, e.g. FSC; potential gas used must be biogas-certified) and Infrastructures for the use of waste heat from data centers and other industrial processes.)*



<sup>6</sup> The review is limited to the examples of projects spelled out in HIAG Green Financing Framework 2023



**2. Improvements of operational performance (processes)**

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities<sup>7</sup> in the Real Estate sector (to which HIAG belongs) are the following:



The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT <sup>8</sup>	SUSTAINABLE DEVELOPMENT GOALS
<p><b>Energy Efficiency</b></p> <p><i>Financing and refinancing of energy refurbishments 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%).</i></p>	<p>✓</p>	 

<sup>7</sup> Please, note that the impact of the Issuer’s products and services resulting from operations and processes is displayed in section 3 of the SPO.

<sup>8</sup> Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

**Pollution Prevention and Control**

*Financing and refinancing of heating replacement measures (fossil to renewable (incl. electrically powered heating systems))*

-

**Pollution Prevention and Control**

*Financing and refinancing of heating replacement measures (fossil to renewable (incl. district heating))*

✓



**Pollution Prevention and Control**

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

✓



## B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The table below evaluates the Eligibility Criteria against issuance specific KPIs. All the assets are/will be located in Switzerland.

### ASSESSMENT AGAINST KPIs

#### All categories

#### Labor, health, and safety

- ✓ HIAG's assets are located in Switzerland where high labor, health, and safety standards for staff, contractors, and volunteers during the construction, maintenance, and operational work are in place (e.g. ILO core conventions).

- ✓ Moreover, HIAG is committed to ensure that high labor, health, and safety standards are respected throughout the entire supply chain. In 2021, a Code of Conduct for Business Partners<sup>9</sup> was put into effect, setting out HIAG's aspirations in terms of social responsibility, environmental management, governance, health, safety, gender equality, diversity, and inclusion. It requires all business partners and their subcontractors to comply with the relevant guidelines. HIAG expects violations or suspected violations to be reported and investigates suspected cases. The Code of Conduct for Business Partners is revised regularly and must be approved by the Executive Board.

In addition, HIAG established specific requirements for development and major renovation work. The implementation of eight essential rules (including securing fall edges, trenches, and floor openings, safe use of cranes, safe scaffolding and access routes, protective equipment, etc.) for building construction must be ensured and observed.

#### Conservation and biodiversity management

- ✓ HIAG is committed to respecting the national legislature that ensures that construction projects are environmentally and socially compatible. In addition, they have a Sustainability policy that outlines the "General requirements for environmental protection" and the "Specific requirements for development and major renovation work" including HIAG's engagement to encourage the protection and promotion of biodiversity during management and construction projects.

Also, light pollution is addressed, for this purpose, HIAG follows the 7-point plan of the Federal Office for the Environment.<sup>10</sup> A specific requirement ensures the protection of

<sup>9</sup> [https://www.hiag.com/media/ujeifitt/20211022\\_code-of-conduct-for-business-partners-and-their-subcontractorsfinal.pdf](https://www.hiag.com/media/ujeifitt/20211022_code-of-conduct-for-business-partners-and-their-subcontractorsfinal.pdf)

<sup>10</sup> <https://www.bafu.admin.ch/bafu/de/home/themen/elektromog/fachinformationen/lichtemissionen--lichtverschmutzung-/massnahmen-gegen-lichtverschmutzung.html>

water ecosystems (e.g. surface waters and groundwater) for development and major renovation work on construction sites and in downstream operations.”

HIAG ensures that comprehensive studies are conducted when necessary.

### Energy efficiency



HIAG has set goals through its decarbonization pathway for its yielding portfolio. As stated in the 2022 annual report, this means that HIAG does not install new fossil fuel heating systems. However, it's important to note that electric heating systems, such as heat pumps, may still depend on fossil or nuclear power sources, as the electricity mix in Switzerland still relies on those sources, especially during peak. Furthermore, some district heating operators utilize gas and oil to meet peak demands. Nevertheless, HIAG is engaging in a dialogue with district heating suppliers to explore opportunities for further reducing the proportion of fossil-based district heating.

### Information guidance



HIAG distributes when applicable informational material regarding the sustainable use of the property. It should be noted that large industrial tenants are an exception to this approach. They often own and operate their technical facilities, staffed with trained personnel. Nevertheless, HIAG will put in place measures to increase awareness amongst tenants such as Green Lease contracts, monitoring of the facilities under HIAG's control (e.g., systematic monitoring of heating consumption, maintenance of the facilities), and regular personal exchange with major tenants.

### Green Buildings

#### Site location

HIAG provided a map of their project based on GIS data, which shows that all the assets financed except one are located within a maximum of 1 km from one or more modalities of public transport. The only asset located more than 1 km away from public transport is a hydroelectric power production infrastructure located 1070 m away from the nearest stop. Due to the absence of visitor traffic and minimal maintenance needs, the distance to public transport is deemed sufficient.



In its Sustainable Building Manifesto, HIAG checks each project against six principles to ensure that ecological, economic, and social added value is created through the project development. One of the principles is “optimal accessibility and strengthening of sustainable mobility”. According to this principle, “the areas are developed in a way that serves the intended use. Innovative mobility concepts tailored to the development concept are used to create modern infrastructures for the various modes of transport. The continuous improvement of accessibility takes place in close cooperation with partners.”

### Safety of building users

National laws ensure that measures are in place to systematically guarantee that assets financed under this framework provide operational safety in buildings (e.g., emergency exits, fire sprinklers, fire alarm systems).

✓ There are also asset-specific requirements in place to maintain the safety of users. Currently, this mainly applies to SNBS requirements. Also, at the request of the building insurance, HIAG will run a 1:1 model of the PV facade of their project "Zurich Freihofstrasse" for a physical fire test.

Additionally, HIAG ensures through its Sustainable policy that "the health and safety of residents and customers is ensured through appropriate measures during the construction and operational phases. This includes issues such as accessibility, noise and dust pollution, lighting, air quality, room temperature, and water quality."

#### **Water use minimization in buildings**

Water management is part of HIAG's Sustainable strategy that applies to all assets financed under this Framework. It states that the protection of the water ecosystem (e.g., surface waters and groundwater) is ensured on all construction sites as well as in downstream operations.

✓ Additionally, the policy encourages having, where technically feasible water-saving outdoor design and retention areas for the seepage of meteoric water to contribute to avoiding heat islands and the protect the local water supply. HIAG also ensures that contracts for the planning and implementation of water systems in all installations are awarded based on water-saving solutions.

#### **Environmental aspects of construction (or production) and operation**

HIAG screens all-new project, thus all the assets financed under this framework against Sustainable Building Manifesto, to ensure that they meet high environmental standards and requirements during the construction phase.

✓ Also, as part of the standard project approval process, each project must undergo a thorough risk assessment. Risks are addressed through project modifications or protective measures, such as insurance coverage or contractual conditions. If the risks are deemed unmanageable and carry substantial potential for harm, the project cannot receive approval.

According to the principle of their Sustainable Building Manifesto, HIAG's infrastructures (buildings, technical facilities, etc.) must be energy-efficient and low in emissions. Thus, they consider applying the following criteria:

- Selection of the most efficient and suitable technology (e.g., parking spaces with electric charging stations, insulation instead of excessive heating)
- Resource-efficient implementation (e.g., use of recycled materials)
- Longevity and operational efficiency

✓ Therefore, regarding the sustainable procurement of construction materials, HIAG verifies whether each new project complies with the energy-efficient and low-emission infrastructure principle. Indeed, the Greenhouse gas emissions (Scope 1-3) and other environmental impacts during construction and operation should be optimized in the long term through the selection of suitable materials and infrastructure as well as on-site energy production.

Nonetheless, it should be noted that while HIAG states that where possible products of sustainable origin (e.g., recycled, reused, products labeled as particularly sustainable) should be sourced and that wood products should be at least FSC-certified, there is no insurance that all raw materials are sustainably sourced.

## Renewable Energy

### Community Dialogue

✓ In addition to local regulation compliance, HIAG has developed internal measures and policies to ensure that assets financed under this framework feature community dialogue as an integral part of the planning process. The social needs of communities should be considered, and participatory processes ensure that projects are in harmony with social needs.

Also, the needs of residents and other stakeholder groups are recorded on a project-specific basis and evaluated. HIAG established a whistleblowing contact form to ensure a consistent grievance mechanism.

### Environmental aspects of construction and operation

✓ HIAG is committed to respecting the national legislature that ensures that construction projects are environmentally and socially compatible. In addition, they have a Sustainability policy that outlines the "General requirements for environmental protection" and the "Specific requirements for development and major renovation work".

HIAG ensures that comprehensive studies are conducted when uncertainties or safety concerns must be addressed for example for constructing a hydropower plant, or PV

plant on agricultural land e. Where unavoidable impacts on nature are identified, they should be mitigated through appropriate measures.

HIAG is not a signatory of the IFC Performance Standards but has all of its assets are located in Switzerland where high environmental and social standards are in place.

✓ HIAG has measures in place to systematically ensure high operational standards in monitoring technologies. Indeed, HIAG explains that the facilities of HIAG Solar are monitored through an efficient system, which benefits from the expertise and the infrastructure of an established European energy producer. As well, the production of hydropower plants is controlled via smart meters.

✓ HIAG does not have an official ISO-certified environmental management system for its renewable energy production facilities. Nevertheless, HIAG is compliant with Swiss regulation which is highly regulated by environmental protection legislation. In Switzerland, this is the Energy Act that aims to contribute to an adequate, diversified, secure, economical, and environmentally sustainable energy supply. Also, HIAG complies with the Environmental Protection Act (USG). This law aims to protect humans, animals, plants, their communities, and habitats from harmful or nuisance impacts, as well as to sustainably preserve natural resources, particularly biodiversity and soil fertility. Furthermore, HIAG has a Code of Conduct for Business Partners, and their subcontractors must prevent, and minimize the environmental impact of their activities.

All business partners and their subcontractors must agree to prevent environmental damage, and minimize the environmental effects of their activity, HIAG expects business partners and their subcontractors to have effective and legally compliant environmental management systems in place that are suited to the type and size of their company and their cooperation with HIAG. Currently, there is no general requirement for an ISO-compliant EMS.

As part of the approval process for hydroelectric power plants, HIAG must meet the high requirements of the licensing process, including any necessary documentation.

✓ For the photovoltaic systems installed on roofs and facades, HIAG does not perform a comprehensive life-cycle assessment of the PV modules. However, during the installation of PV modules, HIAG assesses and optimizes the lifespan of the rooftops. This ensures prolonged operation and minimizes the negative environmental impact of the modules per kilowatt-hour of electricity produced. Also, the efficiency of the PV assets is at least 20.5%

Finally, HIAG Solar's systems are properly recycled after reaching their end of life.



- ✓ Regarding the use of hazardous substances in electrical and electronic equipment, Switzerland has restrictions in line with Directive 2011/65/EU (RoHS2) which HIAG must comply with.

- ✓ Also, HIAG ensures that the assets financed under this framework feature take back and recycling at the end of life. Indeed, proactive waste management should be implemented at all levels, preventing pollution and littering. In general, HIAG requires that waste must be avoided, reused, recycled, separated, and professionally reprocessed.

### On-site safety

HIAG has policies and measures in place systematically ensuring that the assets financed under this framework have high operational safety standards in place.

HIAG specifies that to offer an accident- and injury-proof workplace, HR reviews the existing processes to further improve occupational safety.

- ✓ Their principles for continuously improving safety are documented in their Sustainability Policy (General requirements for social responsibility) which specifies both general and specific requirements in terms of health and safety during construction and operational phases. This approach applies to all projects and work carried out by HIAG and all contracted companies must implement the SUVA's eight essential rules for building construction<sup>11</sup>.

<sup>11</sup> [https://www.hiag.com/media/t5xiexuv/20221216\\_sustainability-policy/hiag.pdf](https://www.hiag.com/media/t5xiexuv/20221216_sustainability-policy/hiag.pdf)

## PART III: LINKING THE TRANSACTIONS TO HIAG'S ESG PROFILE

### A. CONSISTENCY OF GREEN FINANCING WITH HIAG'S SUSTAINABILITY STRATEGY

#### *Key sustainability objectives and priorities defined by the Issuer*

HIAG classifies its current sustainability goal into the pillars of Environmental, Social, and Governance. The goals set are the following:

1. Environmental
  - a. Six-fold increase in the plant capacity of HIAG Solar, from 1 MWp in 2021 to 6 MWp in 2024. *Degree of target achievement:* As of 31 December 2022, the installed capacity was 4.7 MWp.
  - b. Reduction of greenhouse gas emissions in the yielding portfolio: a) The Scope 1 emissions of the yielding portfolio are reduced by 85% per m<sub>2</sub> ERA by 2035, based on the 2021 values. b) The Scope 1 and 2 emissions of the yielding portfolio are reduced by 65% per m<sub>2</sub> ERA by 2035, based on the 2021 values. c) By 2050, the Scope 1 and 2 emissions of the existing portfolio are net 0 kg/m<sub>2</sub> ERA.
2. Social
  - a. Conduct periodic, quantitative employee satisfaction surveys from 2023 onwards.
  - b. Conduct periodic, quantitative customer satisfaction surveys from 2023 onwards.
3. Governance
  - a. Development of a concept for sustainable property management by 2024
  - b. Voluntary convergence with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) by 2024.

Since setting its company-wide goals in 2021, HIAG has achieved three of its goals<sup>12</sup>. The targets and the progress are being published and tracked in HIAG's annual report, which also includes a sustainability report according to the GRI reporting standards. In their sustainability report, HIAG inter alia discloses their reduction path for their yielding portfolio, which is edited and updated on an annual basis. The reduction path is a target for reducing greenhouse gas emissions to achieve the net zero target by 2050 and was developed using the CO2mpass<sup>13</sup> software solution.

HIAG commits to the use of natural resources. Various measures have been taken to achieve this. These include the "Sustainable Building Manifesto" as well as the reduction pathway for reducing greenhouse gases in the yielding portfolio that was developed in 2022. As a further measure, HIAG is continuously expanding its capacities for the production of renewable energy. The new sustainability goal of 'development of a concept for sustainable property management by 2024' (see above) is intended to create the conditions for further resource savings in the operation of the properties. The

<sup>12</sup> Development of a plan to reduce greenhouse gas emissions in the yielding portfolio by 2023; Development of guidelines for building certification and the handling of recyclable products by 2023; Participation in the GRESB Real Estate Assessment 2022 (Standing Investments and Development); Sustainability Report 2022, p. 28, <https://www.hiag.com/media/jgikpqqj/hiag-sustainability-report-2022.pdf>.

<sup>13</sup> [www.co2mpass.ch](http://www.co2mpass.ch)

implemented measures are continuously monitored. This applies particularly to measures to reduce energy intensity and greenhouse gas emissions and to a lesser extent to water-conserving measures. The measured consumption values are collated and analyzed as part of the annual reporting. The analyses form the basis for further initiatives and improvements. HIAG does not disclose the relevant financial budget to achieve its ESG targets and goals.

HIAG is a signatory to several associations and special interest groups. Inter alia the Chamber of Commerce & Industry, Aargau; Handel Schweiz; Swiss Circle AG<sup>14</sup>.

ESG risk management is embedded in the sustainability strategy and ensures that the relevant risks are known and controlled using appropriate measures. Each year the Sustainability Project Manager reviews the list of risks and the Board of Directors approves the list as the Board of Directors is responsible for the risk management of HIAG. Risk management is based on various legal, social, and scientific analyses. These include, for example, analyses of stakeholder needs, regulatory requirements, and the exposure of properties to natural hazards. The issuer has never issued any Sustainable Financing Instruments before.

### *Rationale for issuance*

HIAG with a real estate portfolio worth a total of CHF 1.93 billion is one of the biggest real estate companies in Switzerland, listed on the SIX Swiss Exchange. The Swiss building stock causes around one-third of the national CO<sub>2</sub> emissions and is responsible for over 65% of the national waste volumes due to the 15 million tons of construction waste per year.

With its Green Financing Framework, HIAG thrives to reduce its impact on the real estate sector. The categories in this Framework are focused on low-carbon, climate-resilient, and sustainable economies. HIAG will disclose the impact of their financed projects in the annual impact report.

**Opinion:** *The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.*

<sup>14</sup> A full list can be found in the Sustainability Report on p. 62; <https://www.hiag.com/media/wpxkbidw/hiag-annual-report-2022.pdf>.

## B. HIAG'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

### *ESG risks associated with the Issuer's industry*

The Issuer is classified in the Real Estate, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company-specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Green building considerations
Climate protection, energy efficiency and renewables
Occupational health and safety
Health and well-being of occupants
Environmental and social aspects in site selection




### *ESG performance of the Issuer*

Leveraging ISS ESG's Corporate Rating research, further information about the Issuer's ESG performance can be found on ISS ESG Gateway at: <https://www.issgovernance.com/esg/iss-esg-gateway/>.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

### *Sustainability impact of products and services portfolio*

Leveraging ISS ESG’s Sustainability Solutions Assessment methodology, the contribution of the Issuer’s current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer’s production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE <sup>15</sup>	DIRECTION OF IMPACT	UN SDGS
<b>Buildings certified to a relevant sustainable building standard</b>	10%	CONTRIBUTION	
<b>Management of non-luxury residential housing</b>	7%	CONTRIBUTION	 

### *Breaches of international norms and ESG controversies*

#### At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

#### At industry level

Based on a review of controversies over a 2-year period, the top four issues that have been reported against companies within the Real Estate industry are as follows: Accounting/disclosure standards, failure to respect the right to just and favorable conditions of work, anti-competitive behavior standards and Failure to pay a fair share of taxes.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

<sup>15</sup> Percentages presented in this table are not cumulative.

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## ANNEX 1: Methodology

### Green KPIs

The Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of HIAG’s Green Financing.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

### Environmental and social risks assessment methodology

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available or that the information provided did not fulfil the requirements of the Green Bond KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by HIAG (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the Issuer.

### Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which HIAG’s Green Financing contributes to related SDGs has been identified.

## ANNEX 2: ISS ESG Corporate Rating Methodology

ISS ESG Corporate Rating provides relevant and forward-looking environmental, social, and governance (ESG) data and performance assessments.

For more information, please visit:

<https://www.issgovernance.com/file/publications/methodology/Corporate-Rating-Methodology.pdf>

## ANNEX 3: Quality management processes

### SCOPE

HIAG commissioned ICS to compile a Green Financing SPO. The Second Party Opinion process includes verifying whether the Green Financing Framework aligns with the ICMA's Green Bond Principles and LMA's Green Loan Principles and to assess the sustainability credentials of its Green Financing, as well as the Issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (GBP)
- LMA Green Loan Principles (GLP)

### ISSUER'S RESPONSIBILITY

HIAG's responsibility was to provide information and documentation on:

- Green Financing Framework
- Eligibility criteria
- Documentation of ESG risks management at the framework level

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Financing to be issued by HIAG has been conducted based on a proprietary methodology and in line with ICMA's Green Bond Principles and LMA's Green Loan Principles.

The engagement with HIAG took place in June and July 2023.

### ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.



## About this SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For more information on SPO services, please contact: [SPOsales@isscorporatesolutions.com](mailto:SPOsales@isscorporatesolutions.com)

For more information on this specific Green Financing SPO, please contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

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