

# Green Bond Framework

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# PSP Swiss Property's Green Bond Framework

The main environmental objective to be achieved under this framework is the reduction of CO<sub>2</sub> emissions. PSP Swiss Property plans to issue “Standard Green Use of Proceeds Bonds” under the Green Bond Framework.

PSP Swiss Property's Green Bond Framework serves as a basis for PSP Swiss Property's outstanding and future Green Bonds.

It is aligned with the four pillars of the Green Bond Principles of June 2022 (“GBP”) provided by the International Capital Market Association (“ICMA”):

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

The Green Bond Framework has been reviewed by a independent third party and has benefited from a second party opinion. This was done to validate its alignment with the GBP and assess the consistency of the 100% Green Bond portfolio with PSP Swiss Property's sustainability policy, the relevance as well as the expected positive environmental and climate impact of the Green Asset portfolio.

## **Use of proceeds**










An amount equal to the proceeds of PSP Swiss Property's Green Bonds will be used to finance or refinance the Green Asset Portfolio in the following category from the Green Bond Principles provided by the ICMA: **Green buildings that meet regional, national or internationally recognised standards or certifications for environmental performance.**

The definition of eligible green assets is based on two criteria: On the one hand, the effective CO<sub>2</sub> emissions of a property and, on the other hand, the ESG rating of the property provided by Wüest Partner ("RE ESG Plus"). Both criteria must be met for the property to be a green building and thereby qualify for the Green Asset Portfolio.

The first criterion, the carbon footprint, is the central component of achieving the Paris climate goals. It is presented in kilogram CO<sub>2</sub> equivalent emissions per m<sup>2</sup> and year ("kgCO<sub>2</sub>e/m<sup>2</sup>/yr"), covering landlord-controlled scope 1 and 2, according to the market-based methodology of the GHG Protocol and is a very important indicator for the definition of a green building because it measures emissions in absolute terms and can be benchmarked against the sector.

The second criterion, the property specific ESG rating, follows a holistic approach that covers various aspects in the categories of environmental, social and governance. Wüest Partner was selected as the provider of this rating. Wüest Partner uses the RE ESG Plus assessment system to measure the condition of a property in relation to the sustainability issues of environment, social and governance. In terms of content and subject matter, the model, which was created by Wüest Partner itself on the basis of market analyses, covers the most relevant indicators of the labels and benchmarks established in Europe, such as DGNB, BREEAM, SNBS and GRESB, using a simplified measurement method. A major strength of this model is that it does not focus solely on individual ESG dimensions but offers a balanced weighting of all the dimensions included. RE ESG Plus enables a quantitative assessment of the key sustainability indicators of a property as well as an aggregation at a property portfolio level. Further information about the methodology of "RE ESG Plus" can be found in Annex 1.

Both criteria together represent a valuable indicator for a green building. The specific minimum requirements differ for “investment properties in use”, for “renovation of existing buildings” and for “construction of new buildings” and are shown in the table below:

ICMA Category	Eligible Green Assets	Eligibility Criteria	Contribution to UN SDG	Environmental objectives
Green Buildings	Investment Properties in use	<b>CO<sub>2</sub> emissions below:</b> 12 kgCO <sub>2</sub> e/m <sup>2</sup> /yr at end-2022 11 kgCO <sub>2</sub> e/m <sup>2</sup> /yr at end-2025 9 kgCO <sub>2</sub> e/m <sup>2</sup> /yr at end-2030 6 kgCO <sub>2</sub> e/m <sup>2</sup> /yr at end-2035 <b>and</b> <b>Classification:</b> RE ESG Plus minimum 3.5	  	Climate change mitigation
	Renovation of existing buildings	<b>Expected CO<sub>2</sub> emission after completion below:</b> 12 kgCO <sub>2</sub> e/m <sup>2</sup> /yr at end-2022 11 kgCO <sub>2</sub> e/m <sup>2</sup> /yr at end-2025 9 kgCO <sub>2</sub> e/m <sup>2</sup> /yr at end-2030 6 kgCO <sub>2</sub> e/m <sup>2</sup> /yr at end-2035 <b>or</b> <b>30% reduction in CO<sub>2</sub>e/m<sup>2</sup>/yr after completion</b> <b>and</b> <b>Classification:</b> Expected RE ESG Plus minimum 3.5	   	Climate change mitigation
	Construction of new buildings	<b>Expected CO<sub>2</sub> emission after completion below:</b> 5 kg CO <sub>2</sub> e/m <sup>2</sup> /yr <b>and</b> No fossil heating systems	 	Climate change mitigation

New buildings completed after the publication of the Green Bond Framework must continue to meet the more stringent criteria from the “Construction of new buildings” category to remain in the Green Asset Portfolio. For quantifying the Green Asset Portfolio, the purchase price invested and valueenhancing investments are taken into account. Valuation changes are excluded. No limited lookback period is applied.

### **Process for asset evaluation and selection**

PSP Swiss Property has set up a dedicated Green Bond Committee (“GBC”) which consists of members of the Executive Board as well as members of the sustainability, asset management, construction, financing, and energy management departments. The GBC oversees the evaluation and selection of properties for the Green Asset Portfolio. The final list of eligible green assets to be included in the Green Asset Portfolio is approved by the Executive Board.

The GBC is responsible for:

- the review, selection and validation of the pool of eligible Green Assets in accordance with the selection criteria established in the Green Bond Framework
- the monitoring of changes on the sustainable capital markets in terms of disclosure and reporting in order to be in line with market best practices (e.g. Green Bond Principles)
- the review of the Green Bond Framework to reflect any changes with regard to the Company’s sustainability strategy and initiatives as well as any changes in the third-party validation of social and environmental criteria for green buildings
- the establishment and validation of the allocation and impact reporting

The GBC meets on an annual basis, or more frequently as required, to review proposed allocations and ensure that these are aligned with the Green Bond Framework. Properties that are no longer identified as green buildings or eligible Green Assets respectively, according to the table in the section “Use of proceeds”, fall out of the eligible Green Asset Portfolio.

### **Management of proceeds**

The allocation of the proceeds from Green Bonds to the Green Asset Portfolio, as described above in the chapter “Use of proceeds”, will be validated at least once a year by the GBC in accordance with the responsibilities described above. If, for any reason, the amount of the Green Asset Portfolio falls below the amount of the proceeds of PSP Swiss Property’s outstanding Green Bonds, the unallocated funds will be temporarily invested in cash and/or cash equivalents. PSP Swiss Property will try to reinvest these unallocated funds as quickly as possible (but within twelve months at the latest).

## Reporting

PSP Swiss Property will prepare and make available to investors an allocation and impact report for outstanding Green Bonds under this Green Bond Framework, specifying the relevant measurement methodologies ("Green Bond Report").

The report will be published by PSP Swiss Property within one year after the publication of this Green Bond Framework and annually thereafter. The report will be available on the website of PSP Swiss Property and will be verified by an external party.

### Allocation reporting

PSP Swiss Property will report on the allocation of the proceeds of its outstanding Green Bonds. The report will contain the following information:

- the total amount of Green Bonds outstanding
- a breakdown of the total amount allocated by eligible green asset categories
- any remaining portion to be allocated
- the balance of net unallocated proceeds (if any) and the investments in cash and/or cash equivalents

### Impact reporting

PSP Swiss Property will provide quantitative and qualitative performance indicators and may publish several types of indicators for its Eligible Green Assets:

#### Investment properties in use

On an asset basis:

- Location
- Energy reference area (m<sup>2</sup>)
- Energy intensity (kWh/m<sup>2</sup>)
- CO<sub>2</sub> intensity (kgCO<sub>2</sub>e/m<sup>2</sup>)
- Water intensity (m<sup>3</sup>/m<sup>2</sup>)
- RE ESG Plus rating

On a portfolio basis:

- CO<sub>2</sub> emissions avoided in operations compared with the average market performance for buildings in use
- Energy savings (in kWh/m<sup>2</sup>)
- Water savings (in m<sup>3</sup>/m<sup>2</sup>)
- Own production of renewable energy and in-house consumption



### **Renovation of existing buildings**

On an asset basis:

- For each project, CO<sub>2</sub> emissions avoided in operations compared with the initial situation for buildings under development
- General description of the features which are improved the most with regard to sustainability (e.g. biodiversity, photovoltaics, etc.)

### **Construction of new buildings**

On an asset basis:

- Expected energy consumption and CO<sub>2</sub> emissions in operations compared with a benchmark
- Calculated embodied carbon emissions

If market figures are available and calculated using a comparable methodology, PSP Swiss Property will compare its performance with that of the market using a benchmark for carbon and energy intensity.

The Green Bond Report will be available on PSP Swiss Property's website under the section "Sustainability".

### **External verification**

#### **Second-party opinion**

PSP Swiss Property has engaged an external verifier to review its Green Bond Framework. The second-party opinion prepared by Moody's Ratings on the Green Bond Framework's environmental credentials and its alignment with the Green Bond Principles is available on PSP Swiss Property's website under the section sustainability.

#### **CO<sub>2</sub> verification by a third party**

The allocation of Green Bond proceeds, adherence to asset-selection criteria as well as environmental metrics will be reviewed by Ernst & Young (EY) or any other third party appointed by PSP Swiss Property as a successor to EY. The report will be made available on PSP Swiss Property's website under the section sustainability.

#### **ESG property verification by a third party**

The independent real estate consulting firm Wüest Partner was commissioned to assess the buildings' sustainability. An overview of the methodology can be found in Annex 1.

# Disclaimer

The information contained in this Green Bond Framework is accurate only as of the date of this Green Bond Framework and any delivery of this Green Bond Framework at any time subsequent to the date hereof does not imply that the information in this Green Bond Framework is correct at such subsequent time. This Green Bond Framework contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. Such forward-looking statements are based on analyses, forecasts, projections, expectations or estimates of future results, business developments and operational performances not yet determinable or foreseeable. Terms and phrases such as “will”, “expect”, “plan”, “may” and “could”, and similar variations or expressions of these, are used to identify forward-looking statements but they are not to be understood as the exclusive means for such identification. This applies, in particular, to statements in this Green Bond Framework regarding PSP Swiss Property's strategy, business and management, its growth and environmental impact, general economic factors, the regulatory environment in which it conducts its business as well as other factors affecting PSP Swiss Property, including in particular any statements on future energy consumption, needs and availability.

The forward-looking statements contained herein are based on plans, expectations, estimates and other assumptions that PSP Swiss Property makes to the best of its knowledge as of the date of this Green Bond Framework exclusively. These forward-looking statements are subject to risks relating to future events and other risks, uncertainties and assumptions that could cause actual results or performances to materially differ from, and be worse than, the results or performances that have expressly or implicitly been assumed or described in these forward-looking statements. None of these forecasts, projections, expectations or estimates, on which the forward-looking statements may be based, should be understood as promises or as implying any kind of indication, assurance or guarantee that the assumptions which they base are true, correct or exhaustive.

In consequence, no undue reliance should be placed on these forward-looking statements by investors. Even if the operational performances or the business development of PSP Swiss Property are consistent with the forward-looking statements contained herein in a certain period, such results may not be indicative of results in subsequent periods. In addition, PSP Swiss Property assumes no obligation nor responsibility to update or revise such forward-looking statements, whether as a result of new information, future events, developments or otherwise, which may render them wrong, inaccurate or misleading.

This Green Bond Framework constitutes neither a prospectus nor a similar notice within the meaning of the articles 35 et seqq. and 69 of the Swiss Financial Services Act. The information contained in this Green Bond Framework may not be considered as being a substitute for economic, legal, tax or other advice. An investment decision with respect to securities of PSP Swiss Property must only be made on the basis of the relevant offering prospectus, if any, published in accordance with Swiss law or any other applicable law. Investors must consult their investment advisers or other advisers prior to making any decisions.

Prospectuses and other offering documentation, if any, may from time to time refer to this Green Bond Framework. This shall not be construed as integrating by reference the Green Bond Framework within such prospectus or other offering document.

**PSP Swiss Property reserves the right to adapt, amend, change or delete any and all aspects of this Green Bond Framework, including the framework itself at any time without prior notice. The latest available version of the Green Bond Framework shall be freely available on PSP Swiss Property's website ([www.psp.info](http://www.psp.info)) and shall constitute at any point in time the only version in force.**

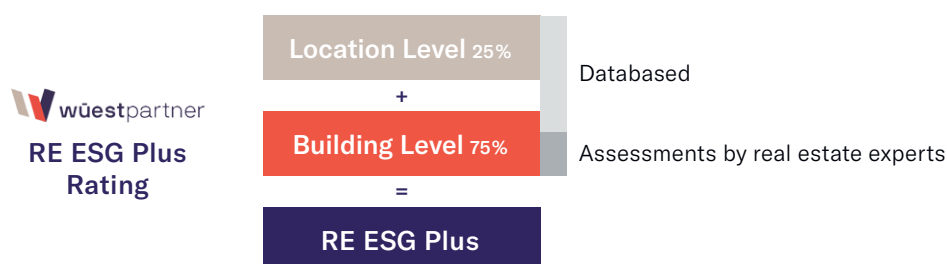
# Annex 1

## Wüest Partner Real Estate ESG Plus Rating – Methodology

RE ESG Plus Rating is based on two levels that evaluate different ESG aspects:

- **Location Level:** evaluates the sustainability quality of a location using a wide range of data sources. The analysis is fully data-based and automated
- **Building Level:** considers building-specific criteria based on structured information (e.g. market valuations), assessments by real estate experts and owner data. A validation of the input data by independent external experts completes the valuation.

The development of the model is overseen by a steering committee and a sounding board.



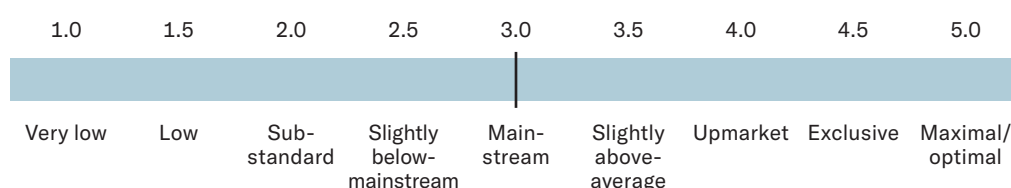
## Criteria catalogue

The criteria catalog of the RE ESG Plus Rating consists of the following levels: Dimensions, Criteria, Themes, Indicators and Subindicators (metrics). The table below shows the topics of the rating.

Environment	Social	Governance
<ul style="list-style-type: none"> <li>– Greenhouse gases</li> <li>– Energy</li> <li>– Resource efficiency</li> <li>– Mobility and outdoor space</li> </ul>	<ul style="list-style-type: none"> <li>– Diversity</li> <li>– Building quality and thermal comfort</li> <li>– Usability</li> <li>– Well-being and safety</li> </ul>	<ul style="list-style-type: none"> <li>– Company processes</li> <li>– Building operation</li> <li>– Tenants</li> <li>– Regional economy</li> </ul>

## Rating scale

The indicators are rated on a scale from 1.0 (very poor) to 5.0 (excellent) and aggregated at property level. This scale is also used by Wüest Partner in other applications and ensures a consistent and comparable assessment for all users.



Depending on the type, the indicators are assessed using the following methods:

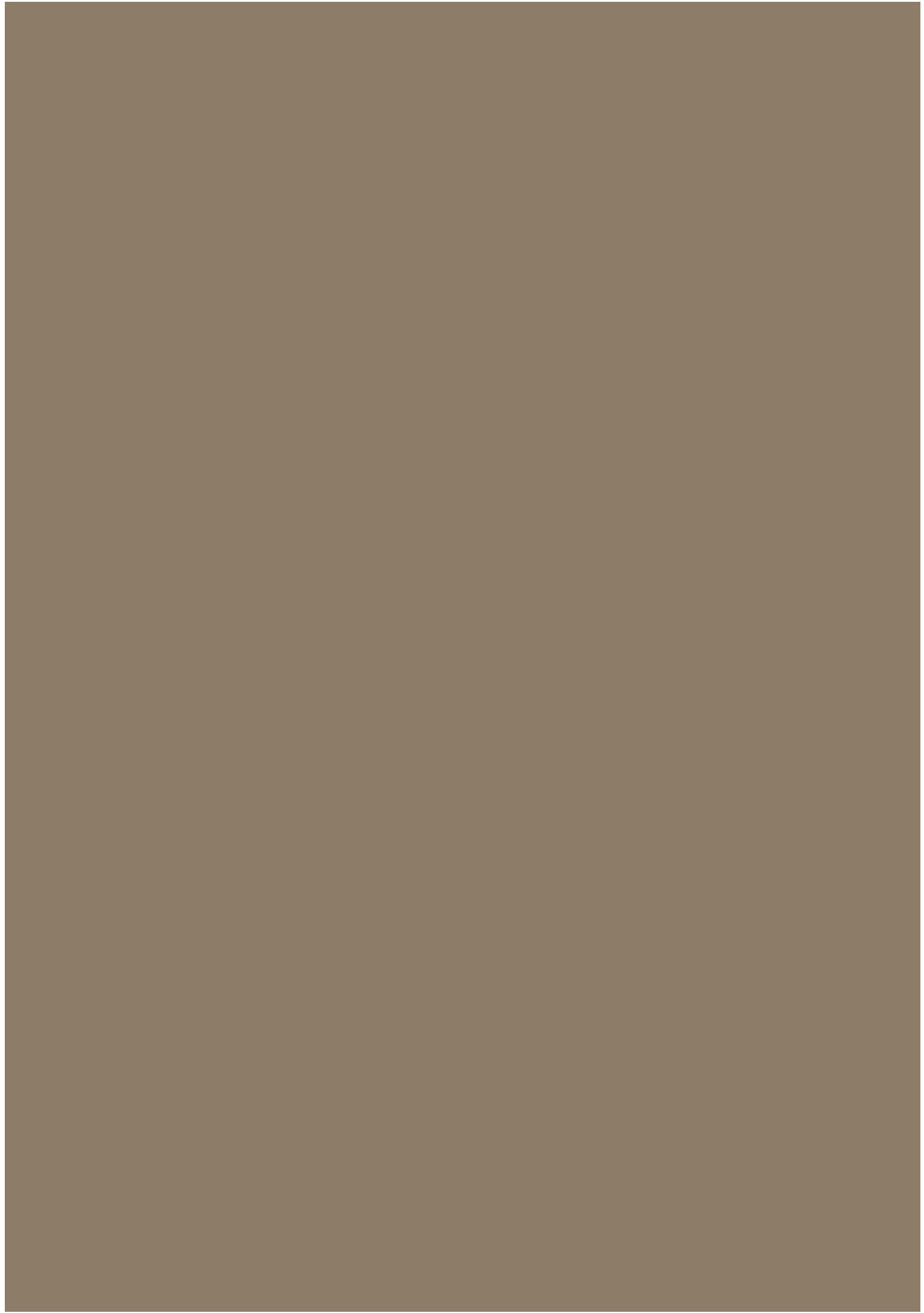
- **Benchmark-based assessment:** Classification on a scale of 1–5 using percentiles from a sample of over 10 000 valuations.
- **Expert-based assessment:** Assessment by experts, e.g. for grid data on natural hazards.
- **Categorical assessment:** Answers in the categories *Yes*, *Partly* or *No*, directly converted into scores of 5.0, 3.0 or 1.0.

## GRESB

Wüest Partner's RE ESG ratings are available with different modules which are recognized by the Global Real Estate Sustainability Benchmark (GRESB) in the building certification category.







**Masthead**

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**Sustainability**

For environmental reasons, there is no printed version of this report.

This report is available as PDF on [www.psp.info](http://www.psp.info).



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