Swiss Finance & Property Group

Statement of the SFP Group[1] on Art. 3 & 4 of the Sustainable Finance Disclosure Regulation

Disclosure on the management of sustainability risks and negative impacts on sustainability in accordance with EU Regulation 2019/2088 (Sustainable Finance Disclosure Regulation - "SFDR")

1. Introduction

Under the EU regulation on disclosure of information on sustainable financial instruments (2019/2088), the SFP Group is obliged to provide a statement on the integration of sustainability risks in its investment decisions and on the adverse effects (Principal Adverse Impacts, PAIs) on sustainability. In its investment strategy, the SFP Group considers sustainability risks and the relevant adverse impacts of investment decisions on sustainability factors, i.e. adverse impacts of ESG risks in particular on environmental, social and governance criteria, and aims to actively integrate sustainability-related findings into the due diligence and investment decision-making processes.

2. Definitions

2.1. Sustainability risk

The SFDR defines "sustainability risk" as an event or condition in the environmental, social or governance areas which, if it were to occur, could have an actual or potentially material negative impact on the value of an investment. Environmental risks are further subdivided into transition risk, physical risk and environmental risk.

2.1.1. Transition risk

The risk arising from investments involved in the extraction, production, processing, trading and distribution of fossil fuels or potentially affected by the transition to a low-carbon economy due to their dependence on carbon-intensive materials, processes, products and services. The various determinants of transition risk include rising costs and/or the limitation of greenhouse gas emissions, energy efficiency requirements, a decline in demand for fossil fuels or the switch to alternative energy sources as a result of political, regulatory, technological or market-related changes. Transition risks can have a negative impact on the value of the investment as they can impair assets or income (stranded assets) or result in an increase in liabilities, capital expenditure and operating and financing costs.

2.1.2. Physical risk

The risk arises from the physical consequences of climate change. It includes acute risks arising from extreme weather events such as storms, floods, droughts, fires or heatwaves, as well as chronic risks arising from gradual climatic changes such as changes in precipitation patterns, rising sea levels, ocean acidification and loss of biodiversity. Physical risks can have a negative impact on the value of the investment, as they can impair assets, productivity or income or result in an increase in liabilities, capital expenditure and operating and financing costs.

2.1.3. Environmental risk

The risk arising from investments that could potentially cause or be affected by environmental damage and/or a shortage of natural resources. Factors influencing environmental risks include air or water pollution, waste generation, scarcity of freshwater and marine resources, loss of biodiversity or damage to ecosystems. Environmental risks can have a negative impact on the value of an investment, as they can impair assets, productivity or income or result in an increase in liabilities, capital expenditure and operating and financing costs.

[1] This refers to Swiss Finance & Property Group Ltd and its direct and indirect subsidiaries

2.2. Social risk

The risk arising from investments that may be negatively impacted by social factors such as low labour standards, human rights violations, public health impacts, data privacy violations or increasing inequalities. Social risks can have a negative impact on the value of the investment, as they can impair assets, productivity or income or result in an increase in liabilities, capital expenditure and operating and financing costs.

2.3. Governance risk

The risk arising from exposure to issuers that may be adversely affected by weak governance structures. At the corporate level, governance risk can arise from management failures, inappropriate remuneration structures, breaches of minority shareholder rights, inadequate controls and unethical business practices. At country level, governance risk can be caused by government instability, bribery and corruption, data breaches and lack of legal independence. Governance risks can affect investment value due to strategic missteps, conflicts of interest, reputational damage, increased liabilities or loss of investor confidence.

2.4. Significant adverse impacts (PAIs)

A principal adverse impact (PAI) is any impact of investment decisions or advice that results in a negative impact on sustainability factors such as environmental, social and labour issues, respect for human rights, anti-corruption and anti-bribery.

3. Approach

ESG is an integral part of the investment processes. We integrate sustainability risks and the principal adverse impacts (PAIs) of investment decisions on sustainability factors in accordance with the concept of double materiality and take these into account by including their assessment in the ESG due diligence prior to investment. We aim to pursue a sustainable approach to products and services across the entire life cycle and along all supply chains.

A selection of the most important negative sustainability impacts Fwas identified as relevant in order to prioritise them in investment decisions. Where appropriate, measures are to be taken in relation to the assessed negative sustainability impacts to ensure continued positive progress on the indicators over the holding period of the investments. The nature of these measures will depend on the individual risk profiles assessed and will therefore be different for each asset. Where deemed relevant, general engagement with tenants and third-party providers[2] will be undertaken to ensure the implementation of the ESG strategy

This enables us to continuously reduce our ecological footprint, take responsibility for our impact on the environment, society and the economy and make an important contribution to achieving climate targets. We present our ESG approaches and measures openly and transparently in our investor search, portfolio management and asset management

3.1. Environment

The SFP Group is committed to meeting the Swiss Federal Council's 2030 and 2050 climate targets, which aim to achieve a long-term reduction in greenhouse gases in accordance with the Paris Climate Agreement.

3.2. Social responsibility

The SFP Group acts as a professional service provider, reliable business partner and attractive employer. The SFP Group's contribution to society includes offering high-quality residential, working and living spaces as well as investment solutions with a balanced risk/return profile. Great attention is paid to the promotion and development of employees. The SFP Group also contributes to regional value creation by using suppliers from the region where appropriate.

3.3. Governance

The SFP Group sees the integration of ESG criteria, opportunities and risks as part of its fiduciary duty of care. The management of the company and all decisions are made in accordance with the following values:
1. exemplary corporate governance, 2. compliance with laws and regulations, 3. (climate) risk management, 4. ethical

[2] For better readability, the masculine form is used in this text. The personal designations used below always refer to all genders.

behaviour as a company and 5. integrity and transparency. Comprehensive risk management contributes to sustainable value creation, as do high work and process quality and control mechanisms.

3.4. Significant adverse effects

The SFP Group considers the most significant adverse impacts in its due diligence process for investment selection and ongoing monitoring. The most significant adverse impacts are also considered through various sustainability approaches such as climate alignment, exclusion, impact investing, ESG integration or stewardship / active ownership.

4. Reporting and communication

The SFP Group publishes an annual ESG report in accordance with the GRI (Global Reporting Initiative) standards. In this report, it provides comprehensive information on developments in the area of sustainability. In particular, it addresses the opportunities and risks in relation to sustainability as well as the main negative impacts of the SFP Group's investment decisions on sustainability factors

The SFP Group has been a UNPRI signatory since 2019 and has committed to reporting accordingly. It is a Global Real Estate Sustainability Benchmark (GRESB) Investor and Participant Member.

Developments relating to ESG aspects are presented separately in the annual reports for all products.

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Publication

This document is published on the sfp.ch website as part of a voluntary disclosure in accordance with EU Regulation 2019/2088 (Disclosure Regulation or SFDR)

18.11.2024, v0.1