

ESG AND SUSTAINABILITY DIRECTIVE

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01. Preamble

As a member of the United Nations (UN), Switzerland has undertaken to implement the UN's 17 Sustainable Development Goals by 2030. With the ratification of the Paris Agreement (Paris Climate Accords) in 2017, Switzerland also signed up to achieving the climate goals contained in the Agreement. These include a reduction in the greenhouse gas emissions by 50 percent by 2030 as well as the objective of net zero emissions by 2050. The financial sector and, in particular, investment from the private sector play a central role in achieving these national and global climate goals.

At Patrimonium, we are acutely aware that as asset managers we have the opportunity of making a major contribution by monitoring sustainability aspects in the financial sector. Moreover, we believe that tailoring our services to meet these new requirements will guarantee Switzerland's competitiveness as a leading location for sustainable financial investments.

02. Introduction

Responsible investments as the basis for our success

We know that, as asset managers, we play a vital role in driving forward positive changes and that we can and must contribute to creating a more sustainable economy, society and environment.

At the same time, the integration of environmental, social, and corporate governance [ESG] issues is a growing requirement for our investors and stakeholders, who are increasingly conscious of the topic of sustainability.

The awareness of responsible investment is reflected in our ESG & Sustainability concept, on the basis of which we

- a) identify the ecological, social and governance (ESG) topics that are relevant to us;
- b) determine internal responsibilities and rules that enable us to guide our actions according to the topics identified;
- c) guarantee that ESG topics are integrated into our daily activities, in particular our investment activities;
- d) are able to proactively drive forward or influence new initiatives wherever possible.

As an investor, we are active in four asset classes with different strategies. The type of investment (eg. active vs. passive) influences our impact on ESG-relevant topics. The degree of control held in the financed companies and projects in particular plays a decisive role.

The amount of influence exerted by Patrimonium with regard to ESG criteria in the different asset classes can be illustrated as follows:



03. ESG and returns

Patrimonium’s private market investments are of a long-term nature. It is our primary objective and our fiduciary duty to adequately meet the needs of our investors and to preserve their interests by:

- protecting the assets invested and
- generating returns

We are firmly of the belief that by integrating ESG criteria into our processes we are able to make better investment decisions, identify new investment opportunities and avoid major risks, and so generate higher and more sustainable returns.

Also, we are particularly keen to identify financial assets that have a positive impact on the environment or society through their products and services.

04. ESG organisation

The inclusion of ESG topics is carried out at all company levels and is firmly anchored in the organisation. The following principles are observed:

- a) Anchoring of ESG supervision and responsibility at the highest management level: the Board of Directors and Executive Management undertake to make ESG a fixed component of their management and monitoring tasks and to incorporate it in their decisions
- b) Regular training and development measures for all employees and members of management in all matters to do with ESG and creation of an open, transparent and positive corporate culture
- c) Definition of an internal ESG organisation that monitors and documents the implementation and control of all activities from an ESG perspective
- d) Regular ESG reporting up to product level
- e) Support of and collaboration with recognised external initiatives and institutions that define standards and promote the integration of ESG topics and transparency

- f) Compliance with the statutory regulations
- g) Issuance of provisions (e.g. guidelines, rules, GTCs) that govern the conduct of internal and external Patrimonium employees in relation to specific topics

ESG organisation

By means of an appropriate internal organisation, it is guaranteed that ESG aspects are taken into account and monitored in all areas of the company’s activities.

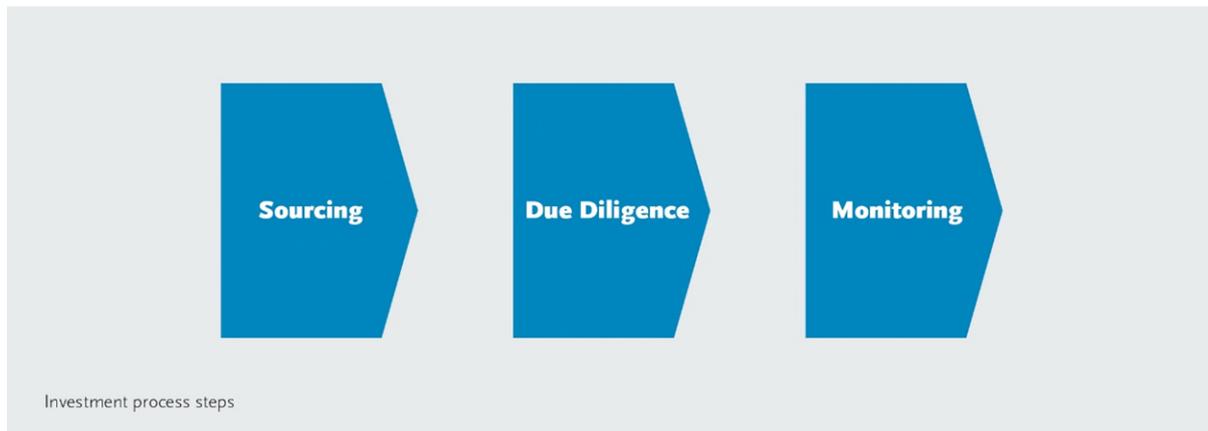


The ESG team is made up of ESG officers for each asset class and a central coordination unit. They monitor the activities of the investment committees and teams and compile a report for the Head of Governance, who answers directly to the CEO, in the event of any infringements of the ESG rules.

05. ESG process with regard to investment activity and acquisitions

The acquisition and financing of assets and companies (jointly referred to as “assets”), particularly in Switzerland, Germany and neighbouring European countries, is part of Patrimonium’s core business.

As well as financial analysis, the integration of ESG and sustainability topics is an integral part of all the steps in the Patrimonium investment process.



The analysis of the impact of ESG topics on the value of an investment (the so-called “sustainability risk” within the meaning of the European Disclosure Regulation) is part of the general risk assessment that is carried out as part of the fiduciary responsibility for each investment. This differs from one investment to another and is checked on a regular basis.

The assessment of ESG and sustainability topics is carried out at branch (ESG exclusions) and at company level. Patrimonium has developed its own ESG scoring model for this, which is used both for the first valuation as well as for investment monitoring.

The ESG evaluation can mean that individually designed approaches are required, depending on the situation or the asset class (e.g. in the real estate sector).

05.01 ESG evaluation in the sourcing phase

As part of the “sourcing” process, a large number of potential investments are examined.

Negative screening (exclusion list)

As part of the negative screening, branches, companies and assets that are fundamentally out of the question for financing or acquisition are filtered out in a first phase.

Value-based screening:

Using the General Classification of Economic Activities, companies that are active in particular areas are filtered out:

- Armaments (NOGA code 254, 8422, 3042)
- Tobacco (NOGA code 120)
- Prostitution
- Pornography
- Cloning of human beings
- Gambling (NOGA code 92)
- Coal, oil, fracking (NOGA code 05, 06, 07, 08, 09)
- Atomic energy
- Palm oil
- Animal testing

Norm-based screening:

In order to be considered for an investment, companies must also fulfil the internationally recognised minimum management standards.

Positive screening:

In principle, companies that are rejected in the negative screening process can, in exceptional cases, e.g. if there are specific, positive ESG impacts, be considered for the next process step notwithstanding.

05.02 ESG evaluation in the due diligence and monitoring phase (“ESG Integration”)

Companies and assets that are accepted in the due diligence process are assessed and evaluated by means of an internal scoring model (ESG scoreboard). As well as fulfilling the financial criteria, an investment or an acquisition must attain a minimum score in the ESG scoreboard in order to be taken into consideration.

Assets that can be considered for an investment and are subject to desk research and further internal analyses must complete an ESG questionnaire at the outset. After the financing has been carried out, the questionnaire must be completed annually in the monitoring phase.

Patrimonium’s scoring model can be requested from the Compliance department at any time.

05.03 Geography and positioning as ESG factors

Patrimonium invests directly and individually in the private markets, mainly in Switzerland, Germany and the neighbouring European countries, and adopts a highly meticulous approach to the choice of investments. In the real estate sector, the geographical investment focus is on the major cities in Switzerland as well as agglomerations with good transport links. The investment objects are selected, managed and monitored individually.

Due to the geographical proximity of the direct investments to the head offices, as well as the direct, individualised investment procedure on well-known markets, the integration of ESG and sustainability criteria in the portfolio companies and their immediate social and ecological environment can be monitored even more efficiently. Moreover, multiplier effects can be avoided.

06. Relevant ESG topics at Patrimonium

The following ESG topics are particularly relevant at Patrimonium and are implemented by means of concrete measures and internal responsibilities.

E: Environment	S: Society	G. Governance
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<ul style="list-style-type: none"> • Environmental protection and ecological efficiency • CO₂ emissions • Biodiversity • Dealing with climate change • Natural resources • Dealing responsibly with energy and raw materials • Environmental pollution and waste • Diligent water husbandry • Renewable energies and energy efficiency • Sustainable production, short delivery routes • Circular economy 	<ul style="list-style-type: none"> • Respect of human rights and human dignity • Good conditions at the workplace, opportunities for further training and education • Occupational health and safety • Compliance with labour law • Implementation of sustainability standards with suppliers • Health impact of materials and products • Health and comfort of the tenants 	<ul style="list-style-type: none"> • Appropriate internal implementation and control measures • Transparency and openness • Diversity and equal opportunities • Measures to prevent bribery and corruption • Risk and reputation management • Compliance • Internal training • Participation in initiatives and support of organisations for the promotion of ESG and sustainability in the economic sector, in particular the finance sector
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The above-mentioned ESG topics can be weighted differently depending on the situation and the asset class.

07. Specific approaches and weightings according to asset class

07.01 ESG in the real estate sector

Real estate is responsible for around 40% of global energy consumption and 30% of the annual CO₂ emissions.

In accordance with the Paris Agreement and the Swiss Energy Strategy 2050, the reduction of CO₂ emissions in the real estate sector is a central topic at Patrimonium. The target is net zero CO₂ emissions from the Patrimonium real estate portfolio by the year 2050 (climate neutrality).

The goal of climate neutrality relates to the quality of the buildings and districts, the materials and building methods, the building processes and supply chains as well as the location of the properties and their connections to public transport.

Patrimonium's strategies in the real estate sector are targeted towards the acquisition and construction of buildings in existing and well-connected agglomerations as well as the renovation and extension of existing real estate and building densification in such agglomerations.

As well as ecological aspects – first and foremost the improvement in the energy balance sheet associated with CO₂ emissions as well as the protection of biodiversity and nature – specific social criteria are also important to us in the real estate sector. In particular, these are the health and comfort of the tenants (90% of the real estate owned by Patrimonium is in the form of residential properties) and compliance with regulations in favour of the building workers.

Climate neutrality plan

In the real estate asset class, Patrimonium has agreed an investment plan that provides for the climate neutrality of the total real estate portfolio by 2050, which will be achieved together with the necessary social developments. By 2030, the CO₂ emissions of the properties are already set to be reduced by 50% thanks to the planned technical, renovation and restoration measures. In the case of new developments and building projects the highest standards are already being used (e.g. 2000-Watt Site).

Monitoring and transparency via Signa Terre and Swiss Sustainable Real Estate Index (SSREI)

On the way to achieving these ambitious goals, Patrimonium is monitored by external institutions, among other things as part of the partnership with the organisation Signa Terre, which monitors the CO₂ load and energy consumption of the buildings.

With its participation in the Swiss Sustainable Real Estate Index, Patrimonium is contributing to the promotion of transparency and comparability within the Swiss real estate market, in order to promote sustainable investments throughout the sector.

07.02 Indirect investments and co-investments

In the case of indirect investments and co-investments, Patrimonium's screening and ESG integration processes include both the general partner and – indirectly and sometimes directly – the portfolio or investment managed by the general partner (multi-level approach/aggregated fund rating).

08. Disclosure regulation

08.01 Introduction

The EU Sustainable Finance Disclosure Regulation (SFDR) (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, or the Disclosure Regulation for short, obliges financial market participants to publish information on how they incorporate sustainability risks in their decision-making process regarding investments, how they take into account the most important adverse sustainability impacts of investment decisions, how they ensure transparency in relation to the marketing of ecological or social factors and how they envisage achieving sustainable investment goals.

We strive to be as transparent as possible with regard to the role that ecological, social and governance factors (ESG) play in our investment process. It is our aim to promote sustainable investments, to minimise sustainability risks and to exploit sustainability opportunities in order to contribute to shaping a better future. We believe that our duty as asset managers to act in the interests of our customers for the long term includes the principles of sustainable investment and that a healthy ESG impact has a favourable effect on the risk/profit profile of our investments.

08.02 Sustainability risks (Art. 3 Disclosure Regulation)

The Disclosure Regulation obliges financial market participants to provide information on their websites on how they incorporate sustainability risks into their investment decision-making process. According to the Disclosure Regulation, sustainability risks are events or conditions the occurrence of which could cause an actual or potential material negative impact on the value of the investment¹.

We are aware that sustainability risks can have an enormous impact on the financial performance of our assets. Sustainability risks, including climate risks, are therefore taken into account in our global risk assessment. In the process, we assess how large the specific risks are and what their potential impact is, in particular on our returns.

We calculate sustainability risks at company and at portfolio level. The specific risks that we take into account with an investment depend on the asset class and the type of financial product as well as other factors, such as investment spectrum, structure, sector, scope and geographical position. The procedure for assessing the possible impact of sustainability risks on the returns of an investment therefore differs from case to case. Additional information on the different types of sustainability risks that can have an influence on an investment's return may be found in the corresponding investment brochure.

08.03 Principal adverse impacts (Art. 4 Disclosure Regulation)

The Disclosure Regulation requires financial market participants to report on their websites how they assess the principal adverse impacts of investment decisions on sustainability factors at company level. According to the Disclosure Regulation, the most important adverse impacts of investment decisions and investment advice are those which have a negative impact on sustainability factors.

At Patrimonium, the most important adverse impacts of investment decisions on sustainability factors are not considered systematically. This is primarily because insufficient sustainability data is available for private market investments. Although we do everything in our power to collect this type of data for our potential investments, acquiring the necessary ESG information can be difficult.

We regularly review our duties and our procedures in connection with the most important adverse impacts of our investment decisions on sustainability factors.

¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

08.04 Compensation (Art. 5 Disclosure Regulation)

According to the Disclosure Regulation, financial market participants must include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks.

Our ability to evaluate and minimise sustainability risks and to integrate ESG factors has a positive effect on the performance and the success of our company and the individual business units and thus influences the (amount of the) performance-based remuneration.

Sustainability and ESG goals, such as the implementation of ESG principles and the achievement of specific ratings, are also company goals that are considered when assessing the total performance-based remuneration.

09. Reporting

As a UNPRI member, Patrimonium reports at company level on activities and progress with regard to ESG integration every year in the UNPRI Transparency Report.

Since July 2021, Patrimonium has also been a member of the UN Global Compact (GC) and will be reporting annually on the progress made with regard to the ten principles of the UN GC (Communication of Progress).

At the asset class and portfolio level, we work together with various external units such as Signa Terre and SSREI.

By 2022, the topic of ESG will be included in all annual reports. In addition, it is anticipated that any major changes in the ESG-related risks both at company and portfolio level will also be included in regular investor reports.

10. Code of Conduct

The rules governing the conduct of every internal and external employee at all times are set out in Patrimonium's Code of Conduct, which contributes to the protection of the company's integrity and its social and ecological environment.

In detail, Patrimonium's Code of Conduct governs topics and conduct such as market integrity, conflicts of interest, the illicit acceptance of benefits, confidentiality and data protection, the combating of money laundering and financial crime, fraud, equal opportunities and the protection of employees when uncovering any illegitimate activities.