

Reporting on climate-related financial risks

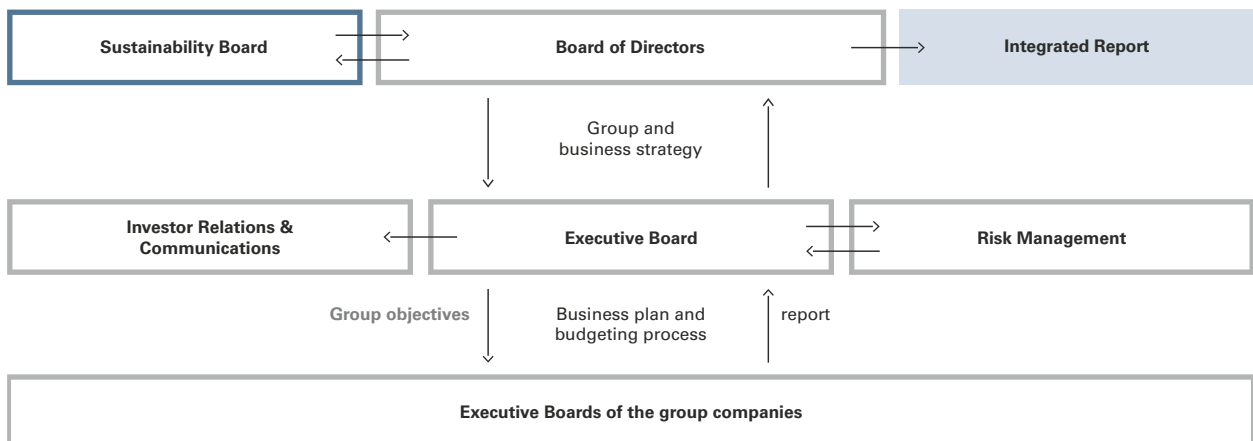
Since the 2019 financial year, Swiss Prime Site has been reporting in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) guidelines on the impact of climate-related financial risks on the Company’s business activities and the measures taken to proactively manage these risks. In 2020, Swiss Prime Site strengthened sustainability-related governance within the Company, updated the climate risk assessment and adopted new measures in four strategic areas of action.

Governance

Swiss Prime Site is confident that responsible, forward-looking leadership increases the Company’s resilience and enables it to create long-term value for the Company and its shareholders and stakeholders. For Swiss Prime Site, it is clear that climate change and the opportunities and risks associated with it play an extremely important role. Put simply, the real estate industry has a significant impact on greenhouse gas emissions and is itself directly affected by climate change. Swiss Prime Site therefore takes its responsibilities as the largest listed real estate company in Switzerland seriously.

In 2019, the Board of Directors decided to set up a Sustainability Board reporting directly to the Board of Directors. The Board is responsible for managing climate-related opportunities and risks, defining and reviewing the sustainability strategy (including the CO₂ reduction pathway) and specifying suitable framework conditions for group companies in the form of overarching policies. In 2020, Swiss Prime Site further strengthened its sustainability governance. The previous Head Sustainability of the group com-

Governance on opportunities and risks in the area of sustainability



pany Wincasa, also on the Sustainability Board, was appointed Head Group Sustainability. He is responsible for implementing the group-wide sustainability strategy and therefore plays a big role in ensuring that financial and non-financial success factors and risks are managed in an even more integrated manner.

Strategy

Climate-related risks and opportunities

Under the TCFD guidelines, Swiss Prime Site makes a distinction between physical and transitional risks. Physical risks arise from extreme weather events, for instance, and directly impact the property portfolio, while transitional risks arise from the decarbonisation of the economy and new legal, social, economic and technological framework conditions. Swiss Prime Site considers the following risks in particular to be significant and takes account of them in its group-wide risk management:

Physical risks	Transitional risks
Increasing summer temperatures, more heatwaves and long-lasting periods of heat	Social effects of climate change: <ul style="list-style-type: none"> – Negative impact on the health and mortality rates of individuals – Move by customers towards more responsible products and services
Increase in extreme weather events such as very strong winds and heavy rainfall with flooding	Regulatory changes: <ul style="list-style-type: none"> – Regulations on the use of renewable energies and energy efficiency – Requirements for the reuse/recycling of materials (circular economy)
	Expectations about sustainability information: <ul style="list-style-type: none"> – Investors, regulators and the public are stepping up the debate about sustainability

Swiss Prime Site is well positioned to deal with the main climate-related risks and to differentiate itself in the market by following a proactive approach with the opportunities this brings. As it does so, the Company is building on strengths including its substantial investment capacity, its leading expertise in the planning, construction and operation of real estate and its innovative culture. Based on these strengths, Swiss Prime Site is focusing on the following four action areas in order to manage climate risks and take advantage of opportunities.

Strategic action areas

1. Investments in line with the CO₂ reduction target

The most important action area is the property portfolio, which is managed by the group company Swiss Prime Site Immobilien. By comparison, the CO₂ emissions of the Services segment are negligible (8.8% of total emissions in the reporting year). Swiss Prime Site has been following an ambitious CO₂ reduction pathway since 2019. In the reporting year, the Company tightened its reduction target and aims to have a climate-neutral property portfolio by 2040. The reduction pathway is therefore far more ambitious than the 2-degree target set out in the Paris Agreement. Examples of current measures carried out in the reporting year to achieve this goal are summarised in the section on the CO₂ reduction pathway. In addition, the other group companies are also reviewing significant investments and new services for their impact on climate change. Current examples can be found in the environmental section of the GRI Report.

2. Awareness-raising, further training and incentives

Swiss Prime Site is placing ever greater importance on the topic of climate change in its internal communications and the further training of its employees. In 2020, for example internal training sessions on the CO₂ reduction pathway were provided to the employees of group company Swiss Prime Site Immobilien and the Construction & Facility Management department at the group company Wincasa. The discussions carried out in the risk management process also help ensure all employees pay more attention to climate-related opportunities and risks.

By establishing new sustainability goals and applying them throughout the group, sustainability aspects will also become part of the business plan process of all group companies in the future, which the Company expects will further raise awareness (see the section on goals and measures).

Swiss Prime Site also plans to review the extent to which sustainability-related performance indicators ought to be embedded in the compensation guidelines in the future. Including more figures in compensation calculations could help the Company to integrate sustainability goals even more systematically into corporate processes.

3. Innovation management

Within its innovation management, Swiss Prime Site deals with disruptive topics such as climate change or trends that are gaining in importance in the context of climate change. The Company uses the skills of employees from various areas to help develop services that can help resolve social challenges. In 2020, for example, Swiss Prime Site examined the topic of the circular economy in detail. Circular principles are already being applied in a number of development and refurbishment projects. Some examples can be found in the section on the strategy and business model.

4. Discussions with stakeholders

Swiss Prime Site has regular discussions with investors, customers and other stakeholders. Topics related to climate change are increasingly a part of these discussions. In 2020, for example Swiss Prime Site reported on its commitment to climate protection at the annual Capital Markets Day. The stakeholder event, which takes place every two years, also regularly examines climate-relevant topics.

Risk management

Swiss Prime Site has integrated climate-related risks into its group-wide risk management process since 2019. In assessing the risks, the Company uses an event-based scenario analysis and science-based modelling of the «Climate Value-at-Risk» of the entire property portfolio.

In the event-based scenario analysis, Swiss Prime Site assesses physical and transitional climate risks every year using qualitative scenarios. As part of this process, potential events are evaluated based on their probability of occurrence and the scale of their impact on the Company's value and reputation. The risk evaluation considers when the impact is expected to occur and, when it does, the horizon for action to implement risk mitigation measures. The resulting evaluation serves as a tool to help the Executive Board and the Board of Directors to identify at an early stage specific measures which can mitigate or eliminate the expected negative impact on the Company.

The event-based risk analysis was supplemented in 2019 by an initial evaluation of the «Climate Value-at-Risk» of Swiss Prime Site's property portfolio. The analysis showed that the direct physical climate risks for the property portfolio in Switzerland over the next 15 years are relatively low. The results suggested that the short- and medium-term transition risks due to social change and stricter regulations are significantly more important. However, the methodology used was still being developed at the time of the analysis, so not all physical risks were mapped in the model. Swiss Prime Site will monitor the evolution of the analysis options and will periodically review whether a new evaluation of the «Climate Value-at-Risk» would be expedient.



«Constructing, maintaining and operating real estate is one of the main sources of greenhouse gases worldwide. However, this sector also offers some of the greatest opportunities for reducing emissions and is therefore fertile ground for our engagement. We have been invested in Swiss Prime Site for several years. In implementing our ESG concept, we initiated our active engagement to the topic of climate change in 2019 and looked into how much this important aspect is already being integrated into the Company's operations, in areas such as strategy and risk management.»

Dominik Scheck
Head ESG, Credit Suisse Asset Management



READ MORE ABOUT HOW
SWISS PRIME SITE
SUSTAINABLY IMPROVES
ITS PROPERTY PORTFOLIO

The following are events with the highest risk potential:

Physical risks

Potential events caused by climate change	Impact on Swiss Prime Site	Measures
<ul style="list-style-type: none"> - Increasing summer temperatures - More heatwaves - Long-lasting periods of heat 	<ul style="list-style-type: none"> - Rising (ancillary) costs due to higher energy requirements for cooling - Potential falls in net rental income due to higher ancillary costs (gross rent perspective) - Lower rentability/higher vacancies (cost factor/unfavourable climate conditions of the property) - More stringent requirements on cladding and housing technology - Complying with promised indoor climate conditions <p>Horizon for action in the event of occurrence:</p>	<ul style="list-style-type: none"> ● Regular reviews and updating of the CO₂ reduction pathway and implementation of the defined measures ● Electrical energy obtained from renewable sources (including purchase of electricity from Swiss or European hydropower) ● Use of electricity from own energy generation: roll-out of photovoltaic systems on flat roofs for defined locations and evaluation of additional locations ● Gradual move away from natural gas and oil-based solutions ● Gradual implementation of the Swiss Sustainable Building Standard (SNBS) in building construction (complying with stricter targets over time) ○ Rental contract regulations on ancillary costs and indoor climate conditions <p>Metrics:</p> <ul style="list-style-type: none"> - Total energy consumption - Energy consumption from air conditioning (being developed)
<ul style="list-style-type: none"> - Increase in extreme weather events such as very strong winds and heavy rainfall with flooding 	<ul style="list-style-type: none"> - Stricter requirements on quality of location - Increased insurance costs - Structural damage to buildings - Strict construction quality requirements - Lower rentability/higher vacancies - Liability risk with respect to tenants due to defects in rented property - Restricted usability of or access to buildings <p>Horizon for action in the event of occurrence:</p>	<ul style="list-style-type: none"> ● Detailed analysis of building locations ● Analysis of flooding risk across the whole property portfolio and for specific projects ● Analysing potential environmental damage for specific properties ● Analysis of building structure and stability ○ Review of insurance cover <p>Metrics:</p> <ul style="list-style-type: none"> - Value of damage caused by extreme weather events - Total costs of the special measures for prevention

● Measures launched or being prepared ● Measures partially addressed ○ No measures launched yet

Transitional risks

Potential events caused by climate change

Impact on Swiss Prime Site

Measures

Social effects of climate change

- Negative impact on the health and mortality rates of individuals

- Stricter requirements on comfort and indoor climate (e.g. GI certifications)
- Lower attractiveness or rentability of «warm» spaces
- Sick building syndrome

Horizon for action in the event of occurrence:



- Location and use of the buildings must be factored in
- Factoring in the effect of rising temperatures on living and working comfort in properties, particularly in cities
- If necessary, identification and implementation of preventive measures, e.g. increase in proportion of green spaces
- Project-specific consideration through the use of suitable materials
- Property-specific consideration through the use of suitable materials in renovations
- Prevention through suitable insurance

Metrics:

- Number of tenant complaints
- Total costs of special measures to prevent situations injurious to health

- Changes in customer focus

- More stringent requirements and targets from investors regarding resilience of products and services offered
- More stringent requirements from tenants in terms of building and space standards (certifications)
- Tenant and investor requirements on sustainable procurement (supplier management) and construction technology (materials)

Horizon for action in the event of occurrence:



- Factoring in sustainability criteria for existing stock and new build projects
- Additional sustainability requirements for suppliers
- Comprehensive and integrated reporting

Metrics:

- Demand for certifications of buildings and rented spaces
- Enquiries by tenants/the public/investors on properties' sustainability

Regulatory changes

- Regulations on the use of renewable energies and energy efficiency

- Increasing requirements and costs to develop and operate real estate
- Regulatory requirements on sustainable procurement (supplier management) and construction technology (materials)
- Significant additional costs if new guidelines are not proactively considered, e.g. by replacing fossil fuel-based heating systems before the end of the life cycle
- Limited usability of buildings (vacancy)

Horizon for action in the event of occurrence:



- Portfolio analysis to identify risks
- Implementation of requirements for new construction projects
- Implementation of requirements for existing properties
- Factoring in of sustainability criteria for existing stock and new build projects
- Property-specific consideration through the use of suitable materials in renovations
- Factoring in of new requirements into property strategies for existing real estate

Metrics:

- Energy management (current efficiency and energy mix)

Potential events caused by climate change	Impact on Swiss Prime Site	Measures
<ul style="list-style-type: none"> Requirements for the reuse/recycling of materials (circular economy) 	<ul style="list-style-type: none"> Additional requirements for building planning, development and demolition (e.g. minimum quotas for recycling and recyclability of building materials) Rising construction costs and longer planning phases due to increased planning and building requirements <p>Horizon for action in the event of occurrence:</p> <p>1 year 3 years 10 years</p>	<ul style="list-style-type: none"> Implementation of requirements for new construction projects Implementation of requirements for existing real estate Active monitoring of technical and regulatory developments, if necessary deriving requirements for Swiss Prime Site and suppliers Supplier management Operationalise Madaster <p>Metrics:</p> <ul style="list-style-type: none"> Being developed

Expectations about sustainability information

<ul style="list-style-type: none"> Investors, regulators and the public are stepping up the debate about sustainability 	<ul style="list-style-type: none"> Attractiveness to investors falls, with potential impact on share price and financing Further integration of sustainability into the business model necessary Impact on fair value; higher valuation expenses Sustainable investments in properties necessary to boost valuations (long investment cycles vs short-term valuation) Increased relevance of reporting Increased expense of gathering and maintaining relevant data Additional expense of identifying and gathering relevant data across the whole value chain <p>Horizon for action in the event of occurrence:</p> <p>1 year 3 years 10 years</p>	<ul style="list-style-type: none"> Integration of sustainability requirements into property strategies Targeted increase in investment in sustainability of real estate Timely responses to questionnaires from institutional investors and leading rating providers (MSCI, ISS ESG, Sustainalytics, GRESB) Separate sustainability roadshows with ESG managers of institutional investors Monitoring of ESG KPIs in business processes and property strategies Annual integrated reporting <p>Metrics:</p> <ul style="list-style-type: none"> Investor relations enquiries Sustainability ratings (e.g. ESI) for real estate and companies Total investment in sustainability of real estate
--	--	--

Measures launched or being prepared
 Measures partially addressed
 No measures launched yet



Imprint

The original of this report is written in German.
The original German text is the effective official version.

Overall responsibility | Editing

Swiss Prime Site AG
Frohburgstrasse 1
CH-4601 Olten
info@sps.swiss
www.sps.swiss

Advisory sustainability and integrated reporting

Sustainserv GmbH, Zurich and Boston

Design | Realisation

Linkgroup AG, Zurich

Translation

Supertext AG, Zurich

Image material

Swiss Prime Site AG, Olten

Disclaimer

This report contains statements regarding future financial and operational developments and results as well as other projections that are forward-looking or contain subjective assessments that are not historical facts. In some cases, these forward-looking statements can be identified by the use of words such as «believe», «estimate», «anticipate», «expect», «intend» and similar expressions as well as their negative equivalent. Such forward-looking statements or subjective assessments (hereinafter referred to as «forward-looking statements») are based on expectations, estimates and assumptions that seem to be appropriate to the Company at the time of the preparation of the report. However, the actual results may differ from these statements. A number of factors, such as the ability of the management to implement the business strategies of Swiss Prime Site AG, the future conditions and developments in the market in which Swiss Prime Site AG operates, or the market behaviour of other market players, may differ materially from the anticipated results including the actual business situation, results of operations and financial condition of the Company. In addition, past trends are not indicative of any future trends.

Swiss Prime Site AG, its affiliated companies, their employees, their advisors and other people that are involved in the preparation of the report explicitly disclaim any warranty or guarantee that information contained in this report is still correct and complete at any time after its publication. Furthermore, they disclaim any obligation to publish updates or amendments regarding the forward-looking statements made in this report in order to reflect changes in the events or circumstances on which these forward-looking statements are based, except as required by law. Readers of this report should therefore not rely on the forward-looking statements expressed herein.