Zuger Kantonalbank

Real estate

ESG at Immofonds Asset Management AG

As the manager of one of Switzerland's biggest and oldest real estate investment funds, Immofonds Asset Management AG – a subsidiary of Zuger Kantonalbank – has always placed a special emphasis on acting with the long term in mind. This fundamental philosophy has helped determine its understanding of responsible management since 1955, based on the conviction that forward-looking real estate investment will be shaped by sustainability factors.

The company

As an independent fund management company, Immofonds Asset Management AG (IFAM) has been investing in Swiss real estate since 1955. Through an engagement-based approach, its vision and goal has always been to generate sustainable value for institutional and private investors as well as to create living spaces with character. The primary focus is on residential properties that retain their value, generate stable income and thus reflect the longer-term investment horizon. IFAM is wholly owned by Zuger Kantonalbank.

> A clear climate focus and systematic ESG integration are integral elements of the long-term investment approach taken by both funds.

Overview of the fund management company's ESG strategy

IFAM's ESG strategy is embedded within its two funds and contributes to the sustainability of the portfolios. ESG is also taken into account within IFAM's own operations; the fund management company is pursuing a target of achieving net zero at operating level by 2030. Its code of conduct and data privacy statement are published on its website. As part of IFAM's comprehensive ESG strategy, service providers and suppliers are required to sign a supplier code of conduct and submit an ESG report in the case of contracts above a certain amount.

The two funds at a glance

With its IMMOFONDS and IMMOFONDS suburban funds, IFAM pursues an investment strategy that is focused on the long term. The sustainable investment approaches pursued by both funds comprise on the one hand a climate focus, in other words a long-term objective to reduce environmental footprint in accordance with a recognised methodology, and, on the other hand, ESG integration, meaning in-depth consideration of sustainability risks and opportunities in conventional decision-making procedures.

The listed **IMMOFONDS** was established in 1955 and is one of the leading real estate funds under Swiss law. It invests at least 70% of the assets in residential properties that retain their value and generate a secure income; preference is given to properties in Switzerland's large and medium-sized urban centres with growth potential, as well as within their conurbations. The Zurich region is one of the main focal points. The share of purely commercial property is limited to 20%, with preference given to properties that have the potential to be converted into residential space. In the interests of value preservation and to ensure properties remain lettable at all times, IFAM invests in the existing portfolio on a continuous basis. IMMOFONDS does so by taking into account ESG requirements along the real estate life and investment cycles. Climate focus and ESG integration are defined as investment approaches. The aim is to halve carbon emissions from operation of the fund's properties by 2030 (compared with 2021) as well as achieve net zero and end the use of fossil fuel heating sources by 2045.

IMMOFONDS suburban was launched in December 2021. It pursues a sustainable investment strategy, investing at least 60% of the assets in residential properties in good micro locations within Switzerland's growth regions. This is complemented by potential investments in mixed-use as well as commercial properties. Preference is given to properties located in municipalities that serve as regional centres, and that have good access to public transport facilities as well as extensive infrastructure. The fund invests sustainably and with impact. Climate focus and ESG integration are defined as sustainable investment approaches. For IMMOFONDS suburban too, the goal is to achieve net zero and end the use of fossil fuel heating sources by 2045. This involves transforming IMMOFONDS suburban's properties within ten years of acquisition in order to make them ESG-compliant.

Material ESG topics

IFAM pursues selected focal points with clear objectives and quantifiable metrics. Responsibility for ESG topics is enshrined at all levels of the fund management company.

Particular emphasis is placed on the following topics:

Environment	–	Climate adjustment
	–	Greenhouse gas emissions and energy
	–	Sustainable construction
	–	Biodiversity and design of external spaces
Social	–	Attractive employment conditions
	–	Tenant well-being and neighbourhood involvement
Governance	–	Responsible management

Environment

The fund management company is strengthening the portfolio's climate resilience through systematic climate risk analyses as well as forward-looking **measures to tackle climate change and climate phenomena** such as heat, heavy rain and hail. This includes appropriate protective and strengthening measures, micro-climatic improvements, the avoidance of heat islands – for instance through greening, water retention and evaporation – as well as cooling and shading concepts.
The fund management company contributes to reducing the overall consumption of primary energy and in the case of both investment funds aims to achieve **net zero emissions by 2045** along a defined reduction path. To that end, significant investments are being made in energy-efficient renovation, the replacement of fossil-fuel heating, the expansion of photovoltaic systems, energy efficiency improvements and systematic energy monitoring.
The fund management company aims to achieve high architectural standards for all new-build and refurbishment projects. It lays down standards for **low-carbon, recyclable building design** as well as for sustainable maintenance. To minimise grey energy, value preservation and densification of the portfolio are given priority over replacement new-builds. Targets are set for greenhouse gas emissions at the time of construction and are reviewed on a continuous basis.
Within the portfolio and in the case of development properties, the aim is to create **varied, biodiverse external spaces** and green roofs that are in harmony with nature. The biodiversity of external spaces is systematically encouraged in the case of earthworks, refurbishments and new-builds. For the maintenance of external spaces, biodiversity-enhancing approaches are implemented across the portfolio.

Social

One of the fund management company's main objectives is to employ the most highly qualified people and be an **attractive employer**. Employees take on major responsibility and are given considerable scope for initiative, entrepreneurial freedom and opportunities for development. The fund management company promotes a safe, healthy, open and inclusive environment. The working climate is characterised by diverse teams, actual equal treatment as well as work/life balance.
The fund management company's objective is to design living spaces with character. Properties are intended to meet the needs of various target groups and offer a **high quality of life and ambience**. This also ensures the long-term attractiveness and lettability of the portfolio. In the case of development projects and refurbishments, an emphasis is placed on participative processes and forward-looking tenant management.

Governance

The fund management company operates in a business sector that is focused on the long term. It develops the fund's properties in order to preserve the value of the portfolio and guarantee a regular distribution. In doing so, the fund management company pursues the overarching ambition of creating living spaces with character. **Corporate governance** is subject to clearly defined responsibilities and processes. ESG responsibility is enshrined at all levels of the organisation. The Board of Directors, ESG committee and ESG task force support implementation of the sustainability strategy and management of material ESG risks.
The code of conduct is binding on all employees, while ESG risks and opportunities are discussed by the Board of Directors on a regular basis. Transparent communication with investors, analysts, the public as well as employees and tenants is deemed very important. A regular dialogue is maintained with all stakeholders.

Publications

Other publications on the subject of ESG can be found on our websites at www.zugerkb.ch/en/esg and www.immofonds.ch/esg.

We are signatories to or members of the following organisations:

Signatory of:
PRI PRINCIPLES FOR RESPONSIBLE INVESTMENT

Swiss Sustainable Finance

ASSET MANAGEMENT ASSOCIATION