

CPI Property Group Green Bond Annual Review

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Introduction

Since 2019, CPI Property Group (“CPI” or the “Company”) has issued a number of green bonds to finance or refinance projects intended to improve the environmental performance of its buildings.¹ In January 2022 CPI updated the CPI Property Group Sustainability Finance Framework (the “Framework”).² Sustainalytics provided a second-party opinion on the Framework in January 2022.³ In March 2023, CPI engaged Sustainalytics to review the projects funded with proceeds from CPI’s green bonds and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the funded projects and assets based on whether the projects and programmes:

1. Met the use of proceeds and eligibility criteria outlined in the Framework;
2. Reported on at least one key performance indicator (KPIs) for each use of proceeds category in the Framework.

Table 1: Use of Proceeds Category, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Green Buildings	Acquisition, construction, or refurbishment of buildings which meet recognized standards, such as <ul style="list-style-type: none"> • BREEAM (Excellent and above), • BREEAM (Very good and above) when certified using the most recent certification version, or • LEED (Gold and above) 	<ul style="list-style-type: none"> • Level of certification by property • Annual GHG emissions reduced/avoided (tCO₂e p.a.) • Annual energy savings (MWh p.a.) • Annual reduction in water consumption (in m³)
Energy Efficiency	<ul style="list-style-type: none"> • Acquisition, construction, or refurbishment of buildings which qualify for Primary Energy Demand (“PED”) of at least 10% below the threshold set for nearly zero-energy building (“NZEB”) • Acquisition, construction, or refurbishment of buildings belonging to top 15% most 	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided (tCO₂e p.a.) • Annual energy savings (MWh p.a.)

¹ CPI has disclosed that it has issued four green bonds under its Green Bond Framework, a EUR bond maturing April 2027, a GBP bond maturing January 2028, a EUR bond maturing May 2026, and a HUF bond maturing August 2030.

² CPI, Sustainability Finance Framework, (2022), at: <https://cpipg.com/storage/app/uploads/public/61d/feb/797/61dfeb797a48f837269241.pdf>

³ Sustainalytics, Second-Party Opinion CPI Property Group Sustainability Finance Framework,(2022), at: https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/cpi-property-group-sustainability-finance-framework-second-party-opinion-2022.pdf?sfvrsn=a8921c70_1

	<p>energy efficient buildings in the local market or have at least an Energy Performance Certificate (“EPC”) class A</p> <ul style="list-style-type: none"> • Renovations or refurbishment of existing buildings, delivering a minimum 30% reduction in carbon emissions intensity or two letter grade improvements according to local EPC 	
Renewable Energy	<ul style="list-style-type: none"> • Installation of photovoltaic, solar, wind, biogas (solely from waste resources) and solutions using air and ground sourced heat pumps, and combined heat and power units. • Dedicated support infrastructure for photovoltaic solar across building management systems 	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided (tCO₂e p.a.) • Annual energy production (MWh p.a.)
Sustainable Management of Living Natural Resources and Land Use	<ul style="list-style-type: none"> • Promotion of ecological value, biodiversity and organic agriculture such as: • Farmland certified against EU standards on organic farming production • Installation of green roof gardens • Facility and infrastructure new build or upgrades that contribute to the protection of living natural resources, including for instance beehive rooftop installations and artificial nesting sites for birds 	<ul style="list-style-type: none"> • Amount of land covered by open space (in hectare and %) • Estimated land area with biodiversity management (in hectare) • Quality enhancement of soil and/or land and/or water through management practices associated with land use specific projects

Issuer’s Responsibility

CPI is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of use of proceeds from CPI’s green bonds. The work undertaken as part of this engagement included collection of documentation from CPI and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by CPI. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by CPI.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁴ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. CPI has disclosed to Sustainalytics that the proceeds from the sustainability bond were fully allocated as of December 31, 2022.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects financed by the green bond portfolio to determine if projects aligned with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects financed by the green bond portfolio to determine if impact of projects was reported in line with the KPIs outlined in the Framework. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

⁴ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation and Reported Impact per Category as of 31 December 2022

Use of Proceeds Category	Environmental Impact Reported by Eligibility Criteria	Net Bond Proceeds Allocation (EUR million)
Green Buildings	<p>A total of 30 certified green buildings:</p> <ul style="list-style-type: none"> - 10 BREEAM Excellent, - 15 BREEAM Very Good, - 2 LEED Platinum, and - 3 LEED Gold buildings certified. <p>The improvements resulted in:</p> <ul style="list-style-type: none"> - 1,721 tCO₂e p.a. annual GHG emissions avoided, - -1,741 MWh p.a. in annual energy savings (or 12,686.1 MWh p.a. in energy savings from the 2019 baseline), - -41,387 m³ in annual water reduction (or 42,933 m³ in water reduction from the 2019 baseline). 	1,704.5
	Qualifying equity investment in green buildings	151.8
Energy Efficiency	<p>A total of 3 energy efficiency projects resulted in:</p> <ul style="list-style-type: none"> - -254 tCO₂e p.a. annual GHG emissions reduced/avoided and, - -131 MWh p.a. in annual energy savings, - -1.1% annual energy efficiency gain relative to the 2021 baseline. 	58.9
Renewable Energy	<p>Renewable energy project resulted in:</p> <ul style="list-style-type: none"> - 33 kWp p.a. Renewable energy capacity added/rehabilitated, - 1,771 tCO₂e p.a. annual GHG emissions reduced/avoided and, - 4,762 MWh p.a. annual energy production. - Annual energy efficiency gain relative to building energy performance base line defined for particular type in region: N/A 	5.7
Sustainable Management of Living Natural Resources and Land Use	49 sustainable management and land use projects resulted in:	102.5

	<ul style="list-style-type: none"> - 16,954 ha (79%) of land covered by open space, - 17,097 ha of land area with biodiversity management, and - Quality enhancements of soil and land with 15,412 ha of grassland area and 91,428 tonnes of fertilizing and/or composting. 	
Total Allocated		2,023.2
Total Funds Raised		2,023.2
Share of financing vs refinancing (%)		38.4/61.6

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