

# ESG at CPI Property Group

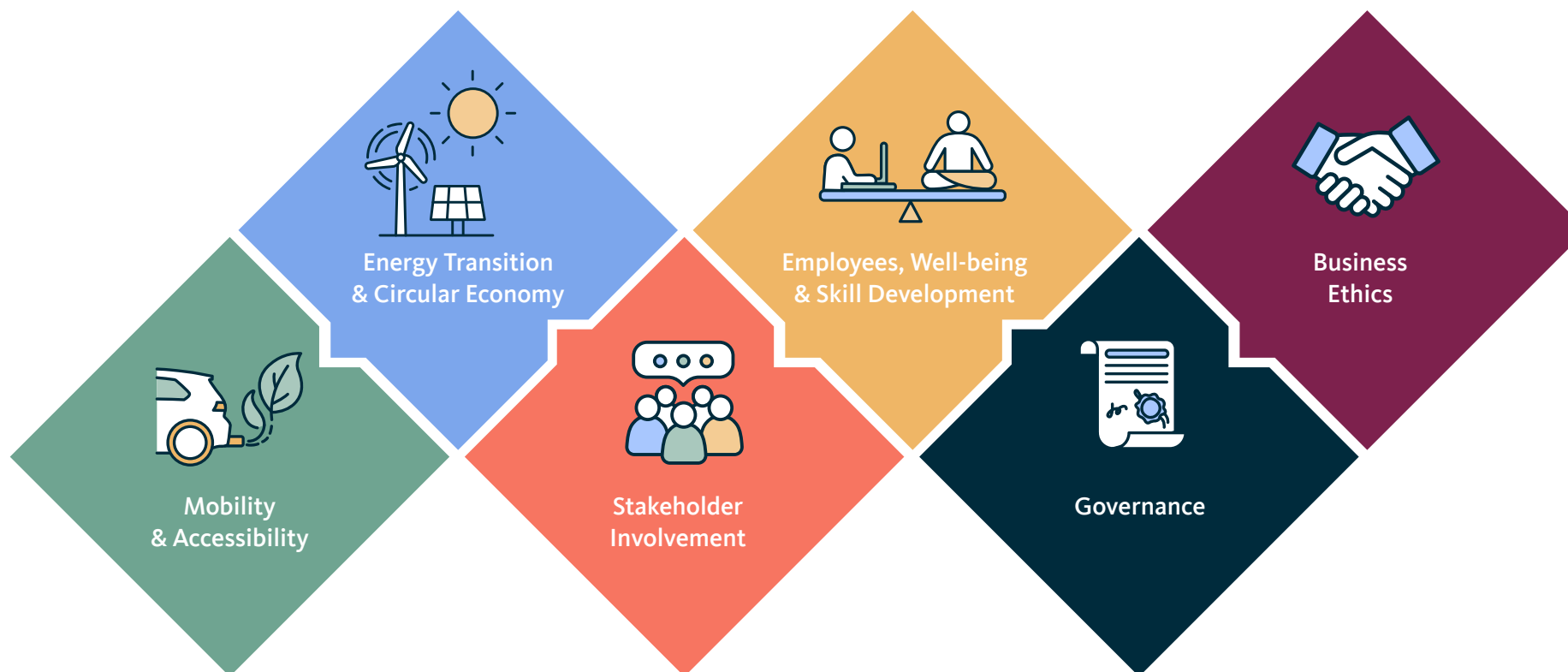


# CPIPG is dedicated to high sustainability standards

**Significant investments in green buildings and energy efficiency improvements.** CPIPG has set performance targets for its **greenhouse gas production and water consumption** by the end of 2030, and recently **increased the level of ambition of its GHG intensity target to be in line with Paris Agreement goals.** The Group has also set a target to switch to **100% renewable energy purchases by 2024.**

CPIPG has over 4,000 employees (HC) and fosters an inclusive and diverse culture. In a 2023 survey, **98% of our employees indicated they were proud to work for CPIPG.** We pride ourselves on having an inclusive, family business-oriented corporate culture despite our size and geographic diversity.

CPIPG's Code of Ethics, established in 2019, together with our Group policies, sets basic standards of conduct for all employees and agents. **All policies were reviewed by Dentons in 2018/2019** and are available on our website.



CPIPG actively supports green mobility. The Group supports green mobility by **actively promoting cycling, access to public transport and clean modes of transportation** for tenants and employees. **E-vehicle charging points increased by 156% in 2023 (906 charging points, primarily located in the office and retail segment)** with plans for further expansion in the future. We have set a target to replace our corporate vehicle fleet in the CR with plug-in hybrids by 2024.

CPIPG has a **continuous dialogue with tenants, employees, investors, and members of local communities** and is involved in a **wide range of community engagement initiatives and charitable activities.** This is supervised and directed by the Board of Directors.

CPIPG follows the X Principles of Governance published by the Luxembourg Stock Exchange and is listed on the Frankfurt Stock Exchange. **Significant improvements have been made since 2019 to continually improve Board independence and internal policies.**

\* <https://www.bourse.lu/corporate-governance>

# CPIPG's ESG journey

- White & Case conducts a fresh review of CPIPG's compliance, governance, related party transactions, and other policies
- CPIPG closed a debut €100 million Sustainability-linked loan

- Environmental targets validated by the Science-Based Target initiative
- CPIPG issues inaugural Sustainability-Linked Bond



## 2023

## 2022



- Partnership with CI2, a regional partner of CDP
- Further improvements in Board and Board committee independence
- Energy Management System implementation
- Leading issuer of green bonds: further issuances in Sterling (£350m), Euros (€750m) and Hungarian Forint (Ft30bn)

- CPIPG joins New Green Deal Declaration
- Inaugural reporting on climate change in CDP
- Radovan and Marie Vítek retired from the board of directors while Jonathan Lewis joined as a third independent member

- CPIPG revises its environmental strategy
- Increased ambition for GHG intensity reduction target of 30% (2021) and to 32.4% (2022)
- Funds managed by Apollo become a new equity investor in CPIPG and appoint Tim Scoble to the board of directors

## 2020

## 2020

## 2021

- New CSR policies
- Debut green bond issuance €750 million
- Increased Board and Board committees' independence
- CPIPG joins the Czech Green Building Council
- Board of Directors establishes a CSR Committee
- Dentons reviewed CPIPG's compliance, procurement and other policies, leading to the implementation of further policies and procedures



- First ESG rating from Sustainalytics
- Sustainability agenda / target-setting commences
- Appointment of a Group Sustainability Officer
- Environmental partnership with UCEEB

- Investment grade ratings achieved with S&P and Moody's
- Establishes EMTN programme
- CPIPG becomes an established issuer of international debt capital markets

## 2019

## 2018

## 2017–2018

# Group ESG goals



- **32.4% reduction in GHG intensity** of property portfolio, incl. bioenergy, by year 2030 versus 2019 baseline (validated by Science-based Target initiative in July 2022 in alignment with the Paris Agreement's well below 2°C scenario)
- Purchase of electricity exclusively from **100% renewable sources by year end 2024**
- **10% reduction in energy intensity** of property portfolio by year 2030 versus 2019 baseline

- **10% reduction in water intensity** of property portfolio by year 2030 versus 2019 baseline
- Elimination of waste sent to landfill wherever possible, **waste recycling rate of 55%** by year end 2025 and **60% by year end 2030**
- **Increase in EU Taxonomy alignment** of economic activities at consolidated Group level over time

- **Increased share of certified buildings** (Access4you, BREEAM, DGNB, EDGE, Green Key, Green Star, HQE, LEED, WELL)
- **Group-wide green lease agreement** to be offered for all new commercial leases and renewals
- **Minimum of 33% share of female senior managers**
- Completion of at least **eight hours of training per employee per year**
- Biennial **employee satisfaction surveys**

- Agreement on the **Code of Conduct** with all employees
- **Mandatory annual employee training** on Code of Conduct and associated policies
- All new suppliers and renewals comply with Group-wide **Code of Conduct for Suppliers**
- Alignment of **Executive Management remuneration to ESG criteria**
- **Group's compliance and governance policies reviewed by Dentons (2019) and White & Case (2023)**

# Strong ESG ratings



*“The company is at low risk of experiencing material financial impacts from ESG factors due to its low exposure and strong management of material ESG issues”*

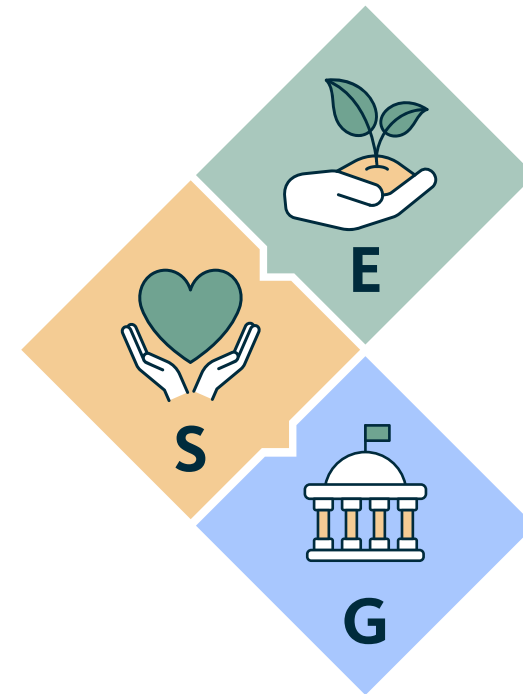
**Low Risk: 11.6 / 100 (November 2023)**

**from 15.3 / 100 (September 2020)**

**Top 14% in diversified real estate**

In 2023, Sustainalytics improved CPIPG’s ESG rating to 11.6 / 100 from 15.3 / 100, placing CPIPG in the top 14% of the real estate industry and **top 4% of the global universe of over 15,700 rated issuers.**

**MSCI ESG rating improved to “BBB”** as of February 2023. The upgrade stems from increasing share of green certified buildings in the portfolio.



**Management level B  
(December 2023)**

**Management level B  
(December 2022)**

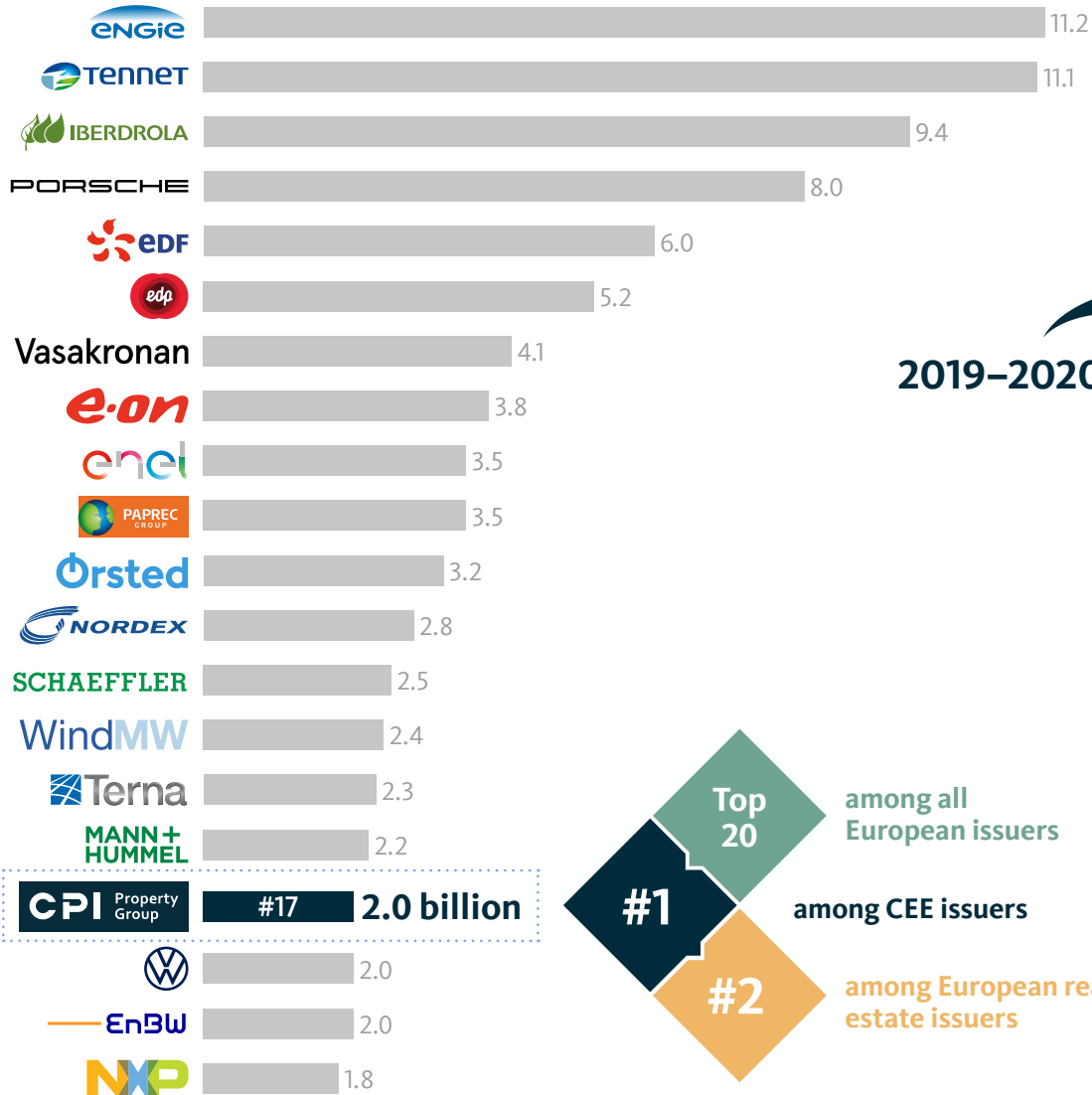
**Management level B-  
(December 2021)**

**Awareness level C  
(December 2020)**

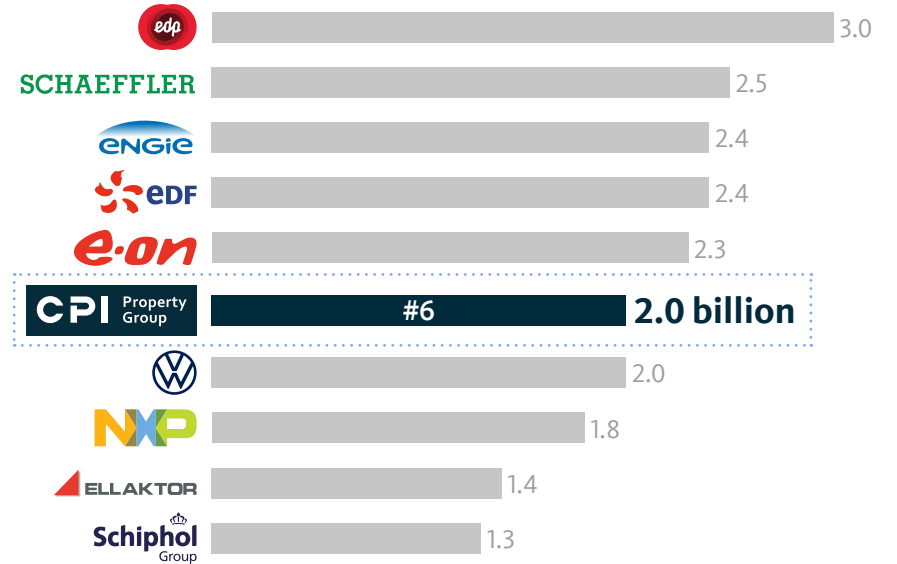
# Part of a small group of multi-currency issuers

## Strong position among European corporate green bond issuers

Ranking by volume issued (€ billion)



2019-2020



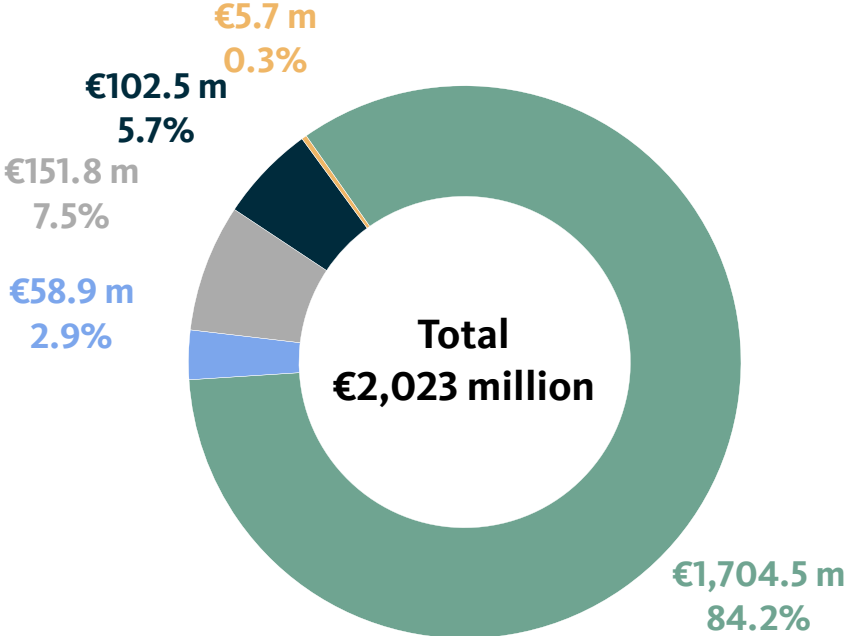
## Part of a small group of multi-currency issuers



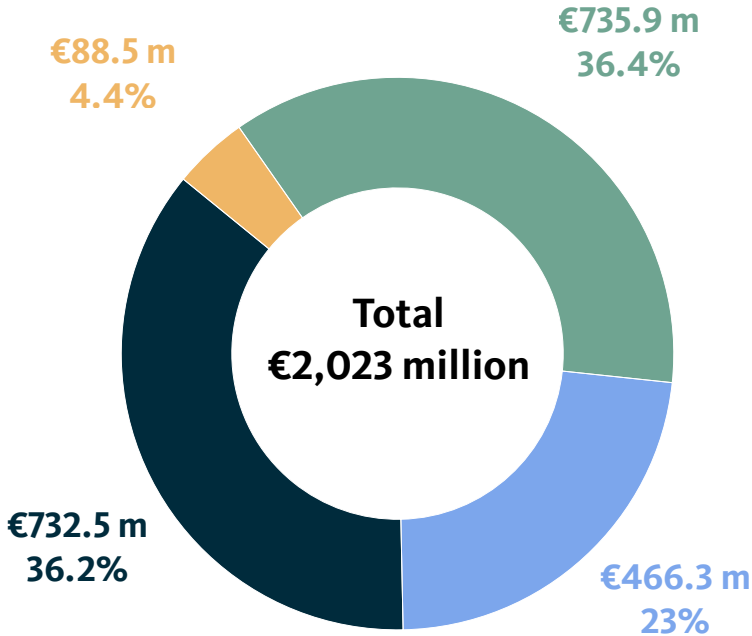
Source: Bloomberg, as of 28th September 2020

# Green Bond allocation as at December 2023

Split by eligible assets categories



Split by issuance

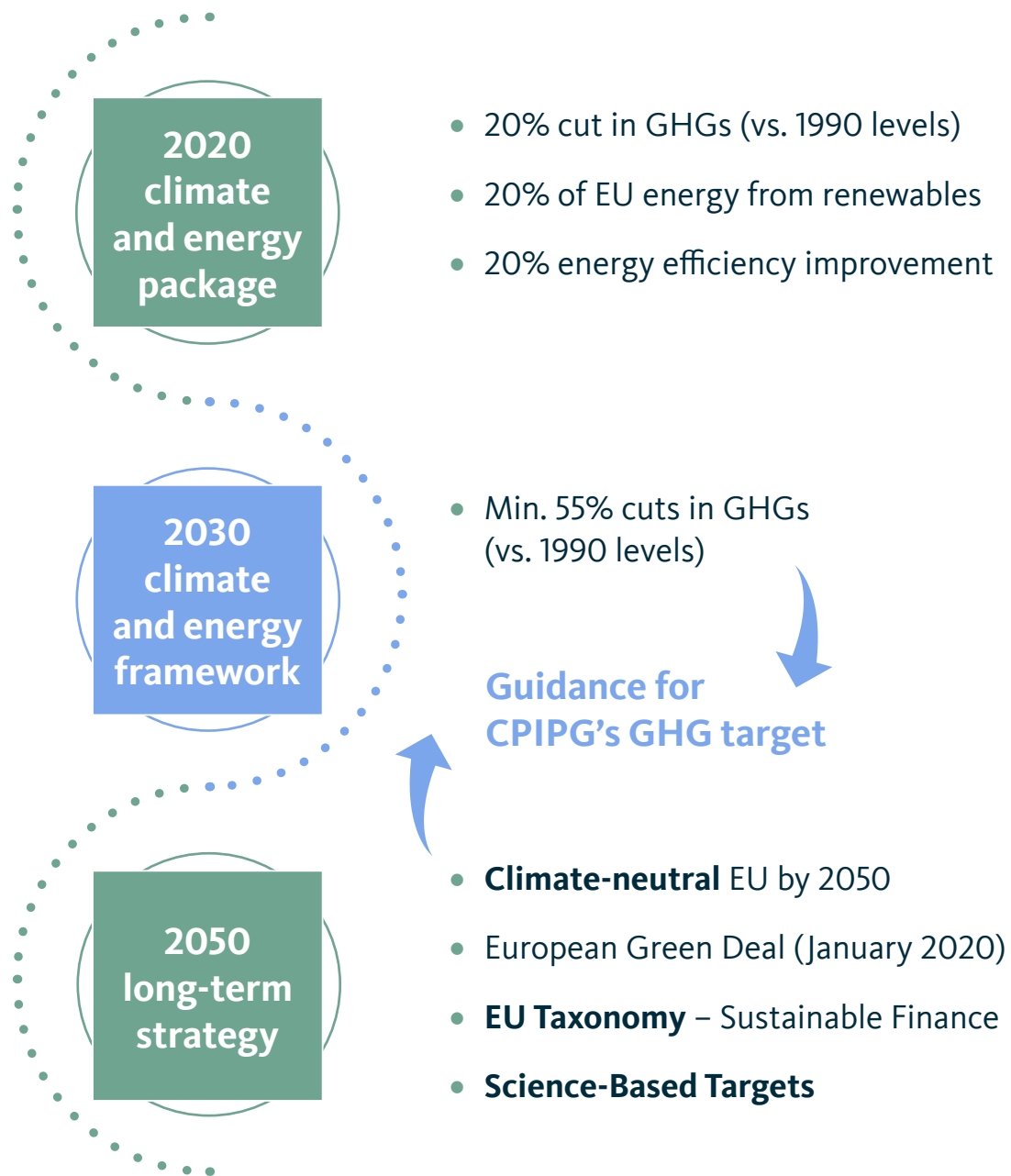


- Certified green buildings
- Sustainable farming assets
- Energy efficiency projects
- Renewable energy assets
- Equity investments

- EUR Green Bond, April 2027
- EUR Green Bond, May 2026
- GBP Green Bond, January 2028
- HUF Green Bond, August 2030

# Climate change targets are becoming more ambitious

## Industry / regulation-led tightening of environmental targets





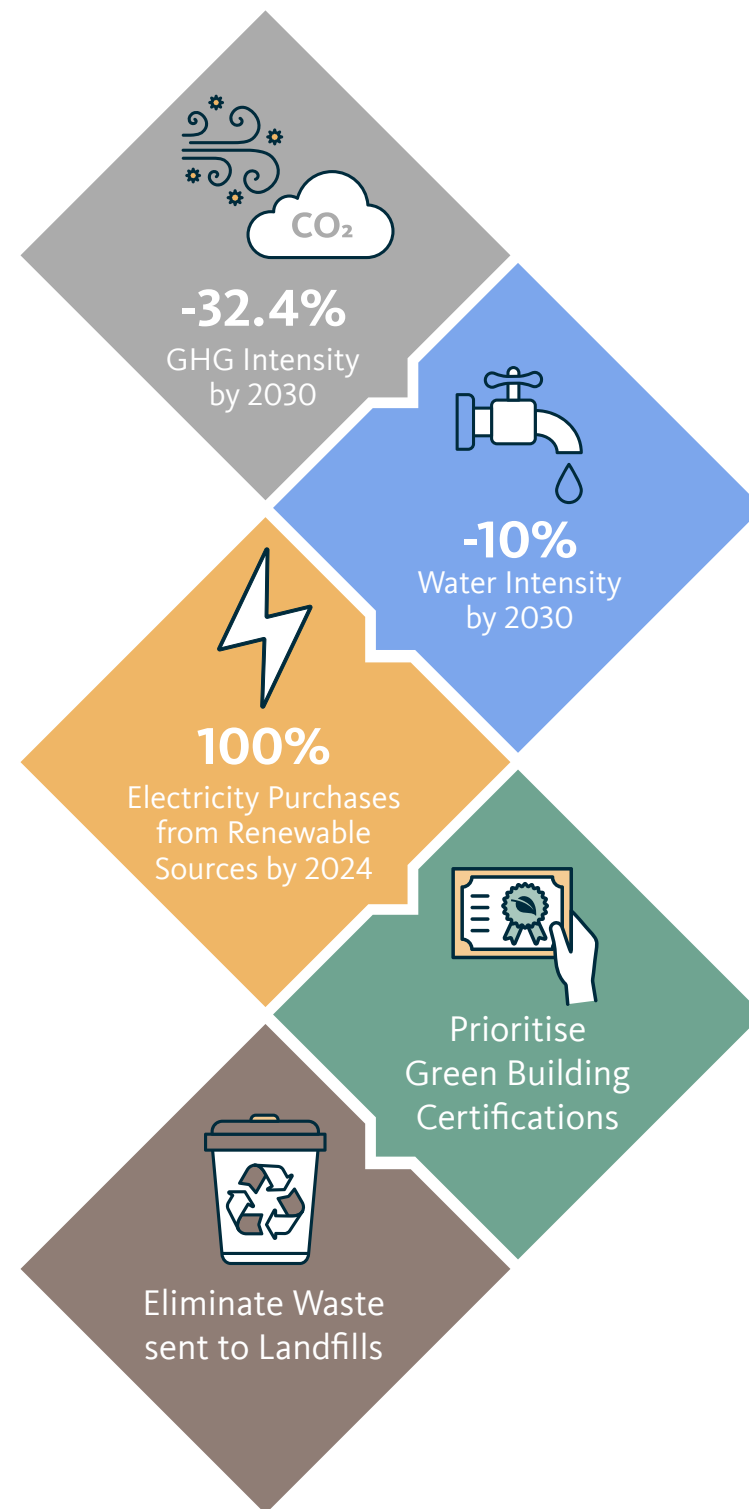
# Group environmental results



# CPIPG's environmental commitment



- CPIPG tightened its environmental targets for the future – in August 2022, the Group announced its commitment to **reduce greenhouse gas (“GHG”) emissions intensity by 32.4% by 2030 across all emissions scopes 1-3** (up from the previous target of 20% set in 2019 and 30% set in 2021) and also to;
- **Transition all electricity purchased** by the Group to **100% renewable sources by 2024.**
- **Intensity is calculated** as total GHG emissions (t CO<sub>2</sub>e) divided by GLA of property portfolio (m<sup>2</sup>)



# Measures to tackle climate change



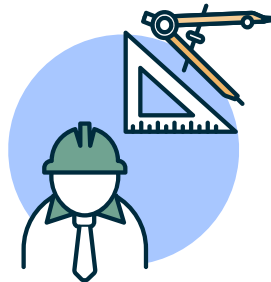
Switching electricity from fossil fuel to renewable sources

Operating efficiency improvements



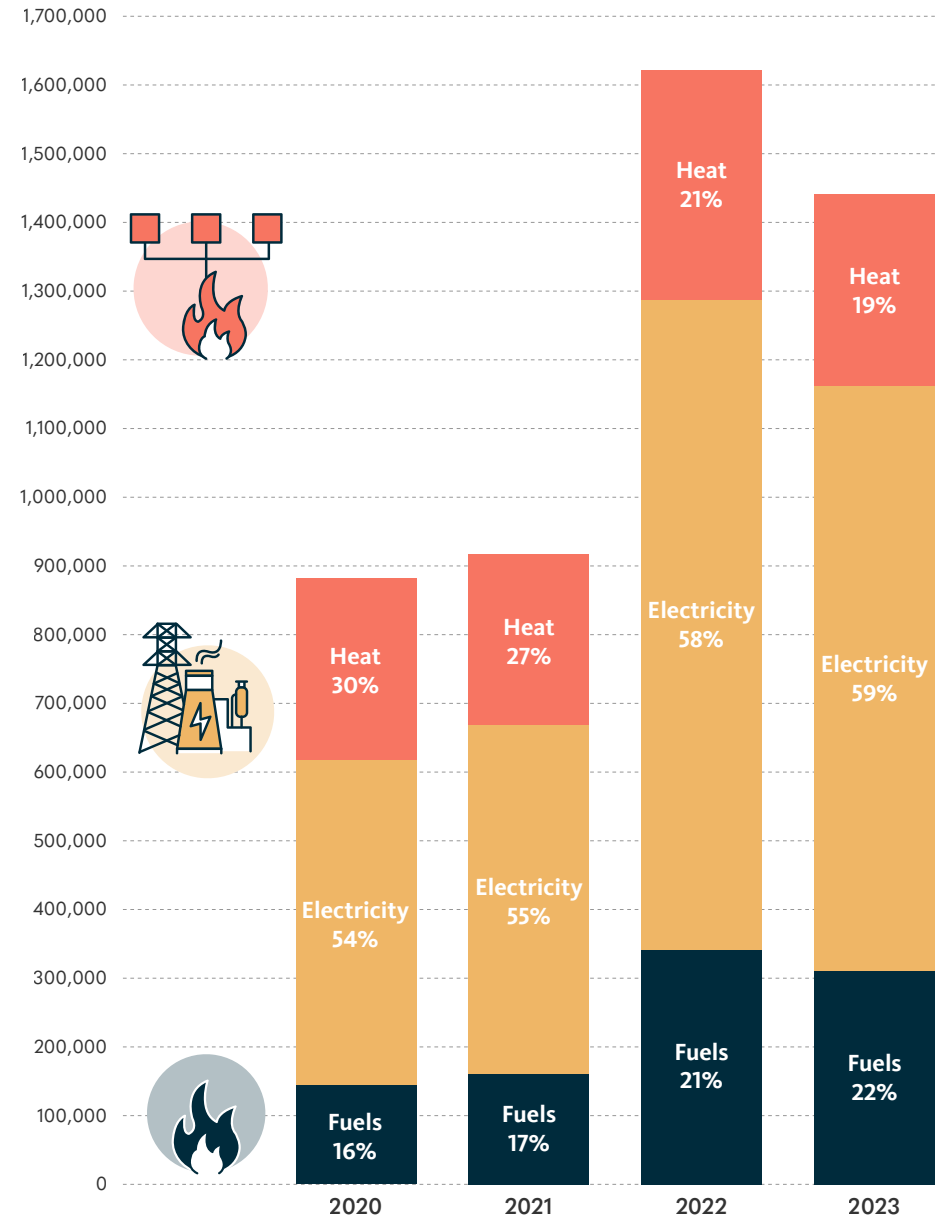
Tenant involvement and cooperation

Energy efficient CapEx



New developments complying with net zero energy buildings regulations

## CPIPG energy mix of buildings in use



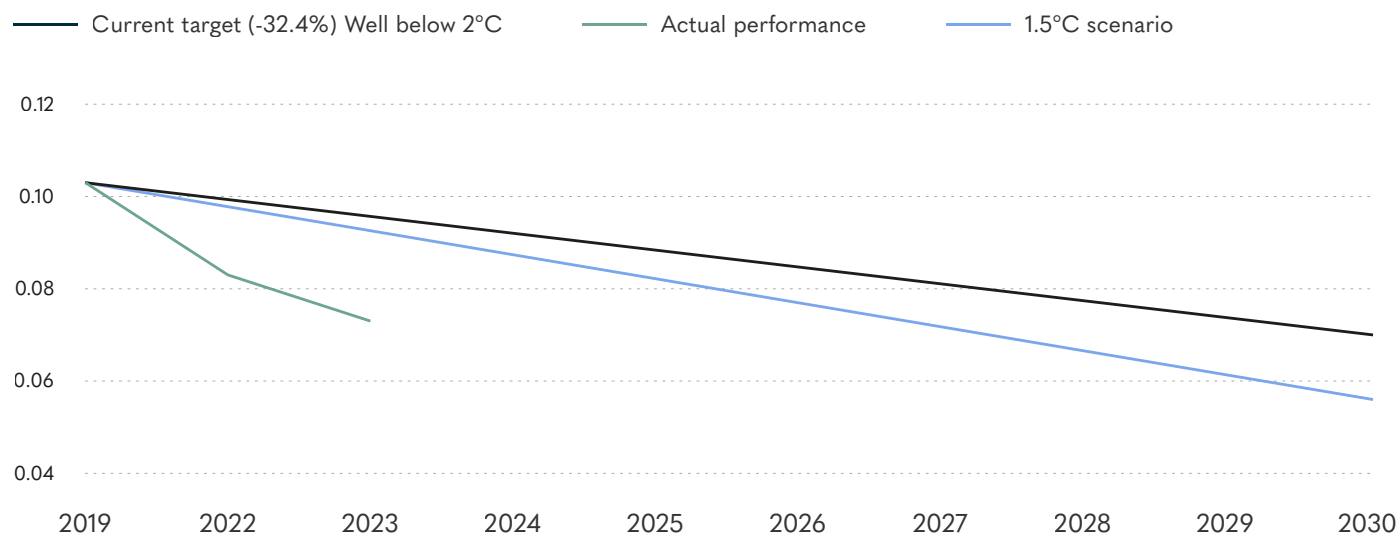
# Environmental reporting – GHG intensity target met in 2023

## 2023 GHG impact (division of GHG according to GHG Protocol)

Scope	Property portfolio (including bioenergy)	Ski resorts	Farm	Others	Total	Total in %
					t CO <sub>2</sub> eq pa	
					602,642.9	100%
1	41,718.6	1,213.2	2,758.8		45,690.6	7.6%
2	85,923.9	0.0	574.1		86,498.0	14.4%
3	298,773.2	517.8	31,211.4	139,951.9	470,454.3	78.1%
3.01 – Purchased goods and services	361.9	0.9	28,758.1	24,370.1	53,490.9	
3.02 – Capital goods				50,988.8	50,988.8	
3.03 – Fuel and energy related activities	247,056.0	399.9	883.1	3,343.5	251,682.4	
3.04 – Upstream transportation & distribution				3,701.8	3,701.8	
3.05 – Waste generated in operations	23,559.5	117.0	1,570.3	2,089.7	27,336.5	
3.06 – Business travel				190.2	190.2	
3.07 – Employee commuting				1,683.5	1,683.5	
3.08 – Upstream leased assets	4,972.3				4,972.3	
3.11 – Use of sold products				1,050.8	1,050.8	
3.13 – Downstream leased assets	22,823.6				22,823.6	
3.15 – Investments				52,533.5	52,533.5	

Note: GHG calculated with market-based emission factors

## GHG intensity target through 2030 (t CO<sub>2</sub>e/m<sup>2</sup> p.a.)



## Third-party independent verification

This report is prepared in cooperation with and through advisory services provided by the University Centre for Energy Efficient Buildings (“UCEEB”) of the Czech Technical University in Prague (“CTU”).



CI3, a regional partner for CDP reporting, acts as a third party and monitors, reviews, and independently validates the Group’s GHG disclosures and methodology used.

As the result of this cooperation, CPIPG’s GHG footprint was verified, confirmed according to the procedures defined in the ISO 14064 and GHG Protocol and awarded CI2 conformity certificate.



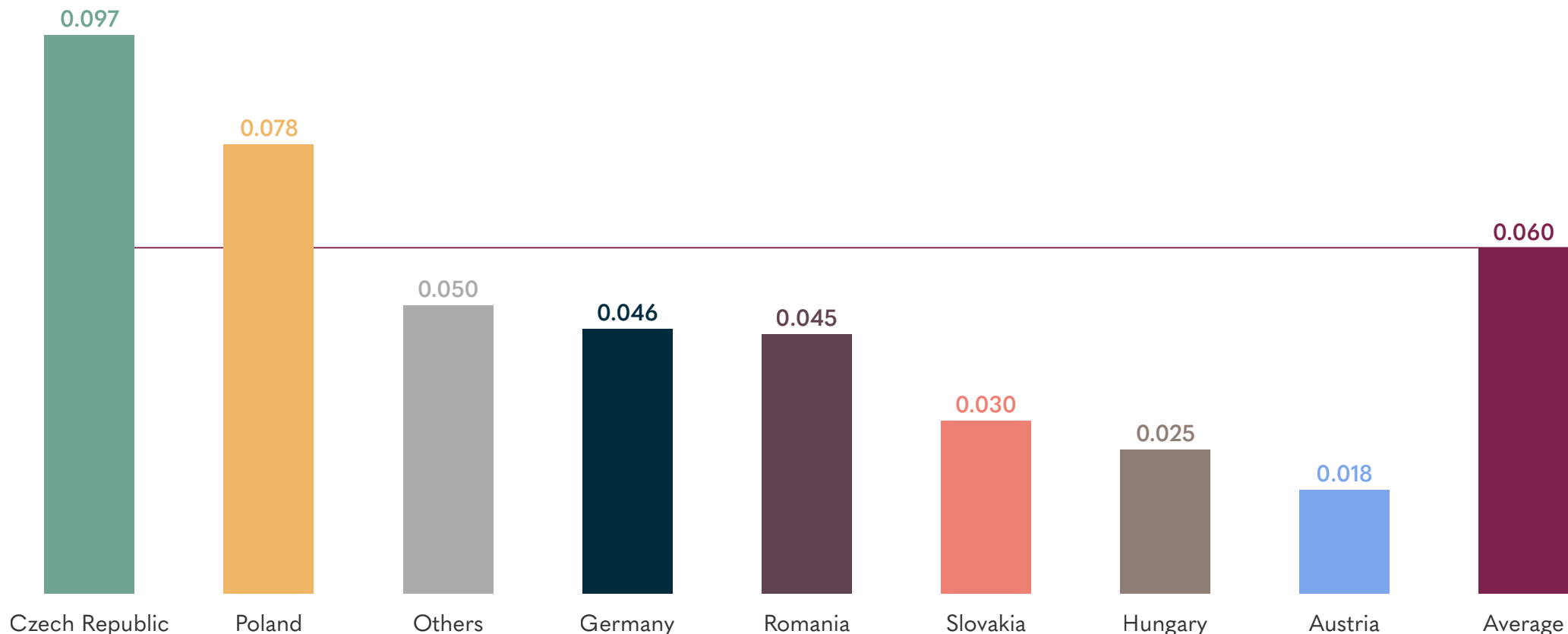
Year	2019	2022	2023
	1	4	5
Target (t CO <sub>2</sub> eq/m <sup>2</sup> )	0.103	0.094	0.091
Actual performance (t CO <sub>2</sub> eq /m <sup>2</sup> pa)	0.103	0.083	0.073
Performance vs. target (%)	0.0%	(11.7%)	(20.0%)

The intensity target relates to the Group’s property portfolio including biogas power plant, excluding Farms and Ski resorts. The only category of scope 3 which is not included in the intensity calculation is 3.15 – Investments where we have limited control of operation. Previous years (base year 2019 and 2022) were recalculated at the beginning of 2024 due to YoY change of GLA in line with the CPIPG’s GHG Recalculation policy.

**In 2023, total GHG intensity across the property portfolio outperformed the required 2023 target by 20%.**

# GHG emission intensity by geography

2023 GHG emissions intensity across the Group's portfolio (t CO<sub>2</sub> p.a.)

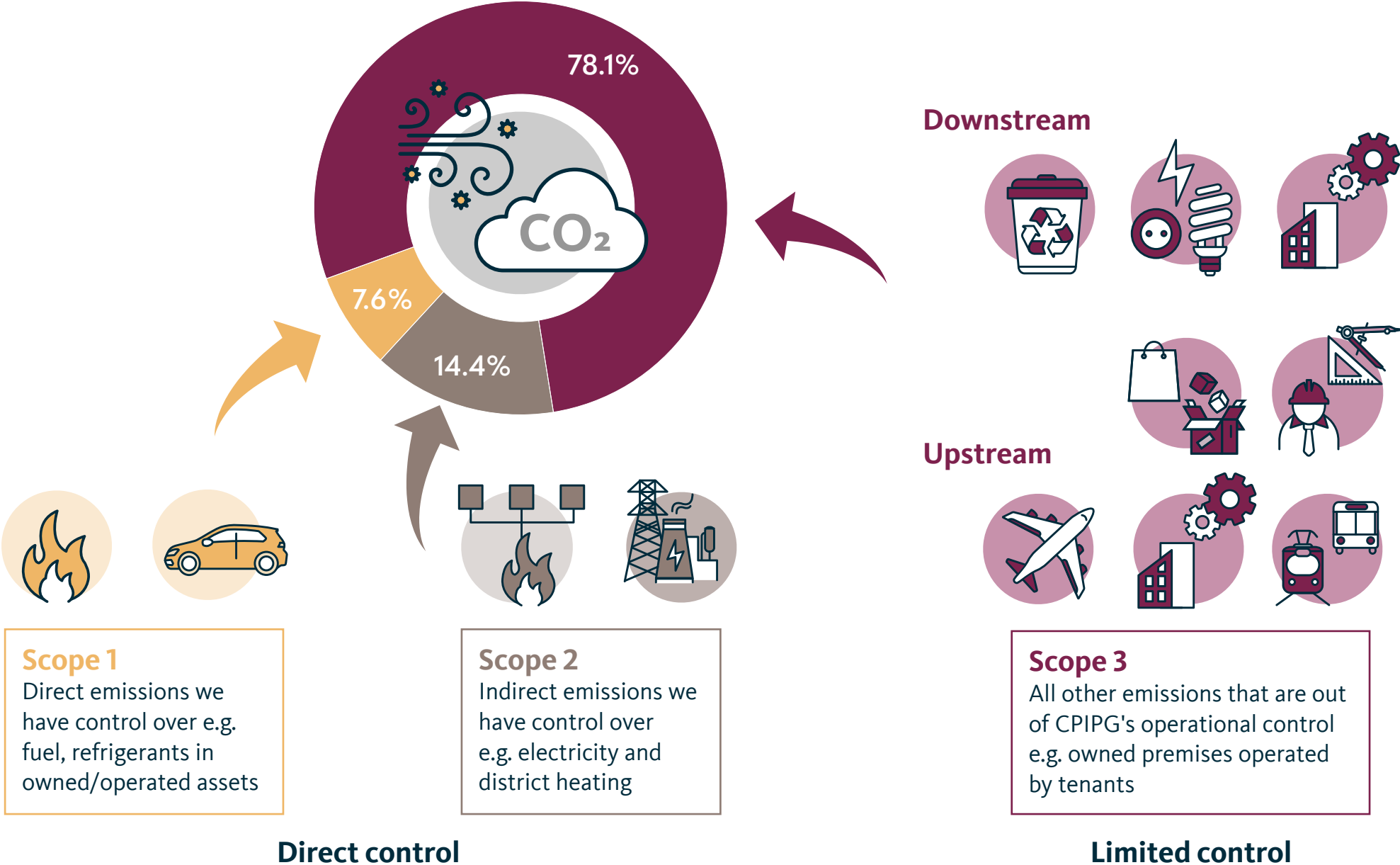


The Group produced 11.72 MWh of renewable energy and saved 6,186 t CO<sub>2</sub> equivalent of carbon emissions in 2023. We continually increase our renewable energy purchases. Compared to the previous year, there was an increase of nearly 10% in total renewable electricity production. The green energy purchase is prioritised in countries with the high emission factors, such as Poland, followed by Romania, Hungary, the Czech Republic and Germany. Electricity from renewable sources is utilised by Guarantees of Origin (GoO). GoO are prioritised from countries of high emission factors and in which CPIPG operates in order to help clean the energy mix in these countries.

Note: GHG calculated with market-based emission factors

# GHG emissions across scopes

2023 GHG footprints are categorised into three different scopes: 1, 2, and 3



**Scope 1**

Direct emissions we have control over e.g. fuel, refrigerants in owned/operated assets

**Scope 2**

Indirect emissions we have control over e.g. electricity and district heating

**Scope 3**

All other emissions that are out of CPIPG's operational control e.g. owned premises operated by tenants

**Direct control**

**Limited control**

# Greenbond framework and second-party opinion

- Framework includes eligible categories:
  - Green buildings
  - Energy efficiency project
  - Renewable energy
  - Sustainable management of living natural resources and land use

**7 AFFORDABLE AND CLEAN ENERGY**



**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**



- Second-Party Opinion

- Bond Issuance



## Second-Party Opinion CPI Property Group Green Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the CPI Property Group Green Bond Framework aligns with the four core components of the ICMA Green Bond Principles 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Renewable Energy and Environmentally Sustainable Management of Living Natural Resources and Land Use – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7 and 12.



**PROJECT EVALUATION / SELECTION** CPI Property Group's internal process for evaluating and selecting projects is in line with market practice. The Group has established the Corporate Responsibility Committee (the "CSR committee") which has oversight for the eligible green project selection process. The initial evaluation and selection process is carried out by the company's Green Bond Team, who conducts the initial screen on potential projects. After the Green Bond Team has determined that a project is eligible, the Committee conducts a final review before submitting to the Board of Directors for approval.



**MANAGEMENT OF PROCEEDS** CPI Property Group's process for the management of proceeds is in line with market practice. The Group intends to fully allocate the proceeds at issuance. The Group will establish a Green Financing Register, which will include all details on the bond and keep track of all project expenditures, the amount of allocation and any unallocated proceeds. The Register will be reviewed annually by the Green Bond Team to determine if there is a need for any re-allocation, repayments or drawings on the eligible projects and expenditures in the pool.



**REPORTING** In their annual report, CPI Property Group will report on the allocation of proceeds and relevant impact metrics. The report will include a portfolio level breakdown by eligible categories for the allocation of the net proceeds of its green bond(s) and give additional details including a list of eligible projects and the remaining balance of unallocated proceeds. Additionally, the company will include a report on relevant impact metrics recommended under the Harmonized Framework for Impact Reporting. CPI Property Group's allocation and impact reporting are in line with market practice.

<b>Evaluation date</b>	July 2, 2020
<b>Issuer Location</b>	Luxembourg City, Luxembourg

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# EU Taxonomy – Eligibility, Alignment 2023

By using the **EU Taxonomy Compass** CPIPG has determined the following activities eligible for taxonomy:

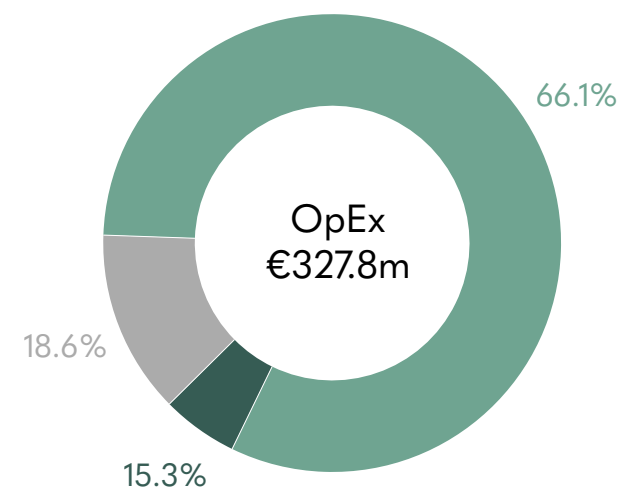
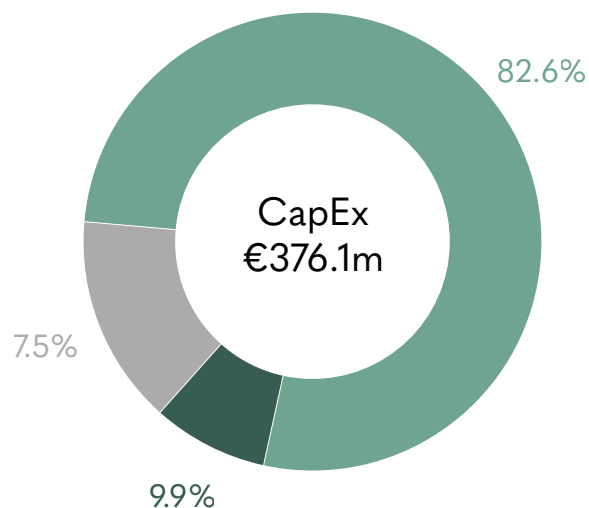
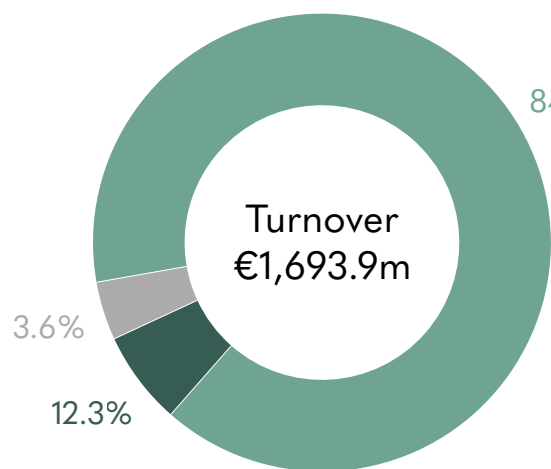
- 2.1 – Hotels, holiday, camping grounds and similar accommodation
- 4.1 – Electricity generation using solar photovoltaic technology
- 4.8 – Electricity generation from bioenergy
- 7.7 – Acquisition and ownership of buildings

As of December 2023 the Group has 77 EU Taxonomy aligned assets

- Aligned Turnover – 12.3%
- Aligned CapEx – 9.9%
- Aligned OpEx – 15.3%

## 2023 KPIs

Eligible non-aligned
  Eligible aligned
  Non-eligible

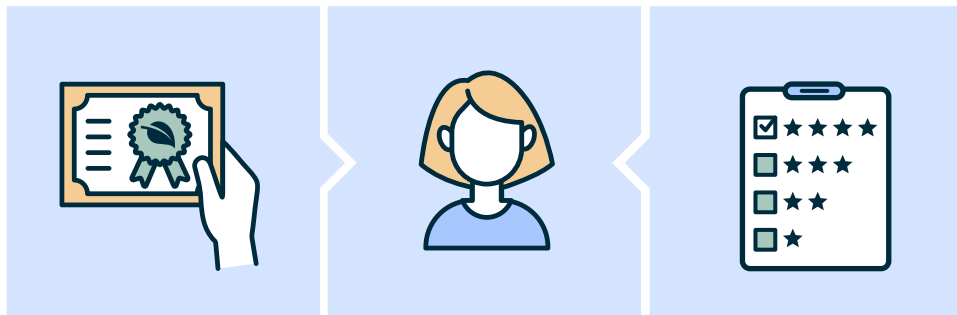




# Group social results



## CPIPG's social commitment



- **Increased share of certified buildings** (Access4you, BREEAM, DGNB, EDGE, Green Key, Green Star, HQE, LEED, WELL)
- **Group-wide green lease agreement** to be offered for all new commercial leases and renewals
- **Minimum of 33%** share of female senior managers
- Completion of **at least eight hours of training** per employee per year
- Biennial **employee satisfaction surveys**



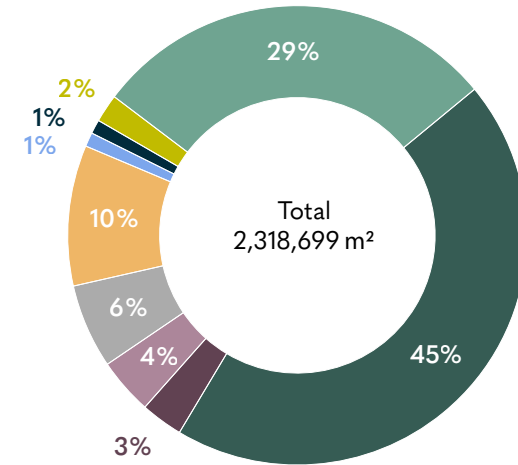
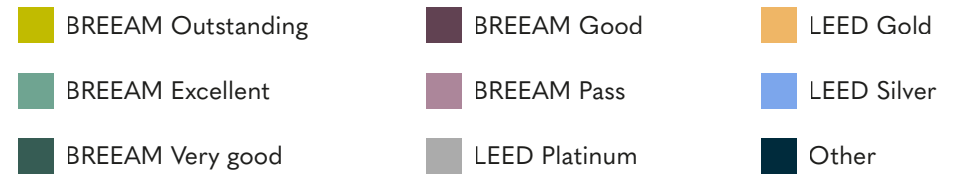
# Certified buildings

- The percentage of green-certified buildings within our portfolio for 2023 is 40.6% of the total fair value (excluding landbank and agriculture properties, which are not eligible for certification).
- More than 90% of CPIPG’s green buildings have very strong certifications.
- At the end of 2023, CPIPG’s portfolio without equity share included 122 certified assets with a total GLA of 2,318,699 m<sup>2</sup>.
- BREEAM or LEED certification is considered for every new development and significant refurbishment and for buildings in operation wherever possible.

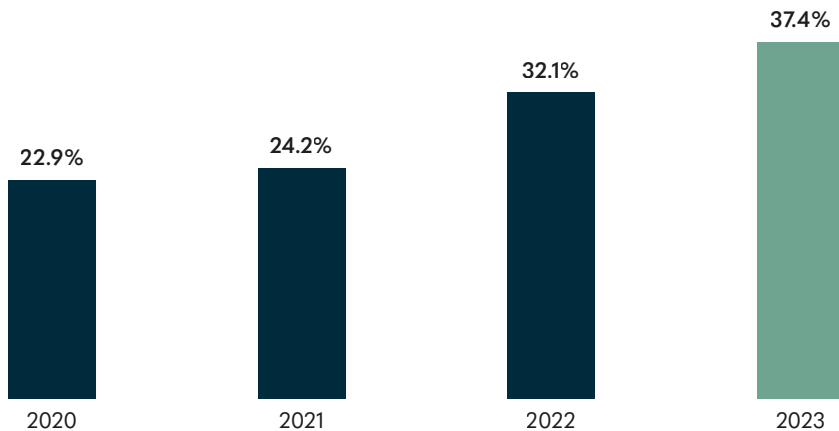
BREEAM®  
delivered by bre



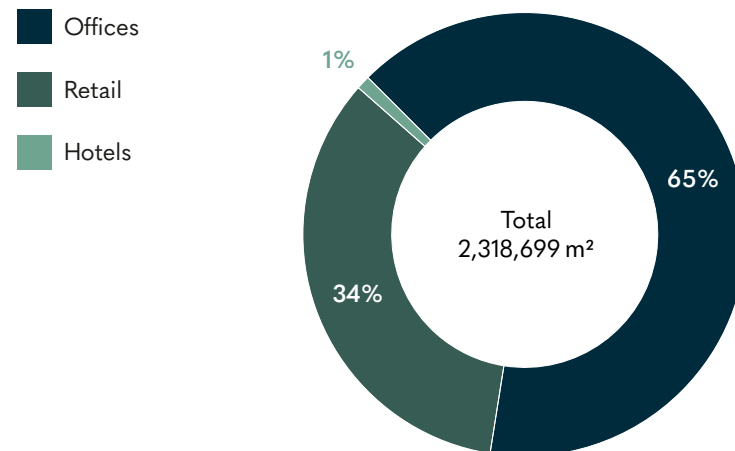
## CPIPG’s certification type per GLA



## Total GLA certified continues to increase



## CPIPG’s certified buildings GLA split by segment



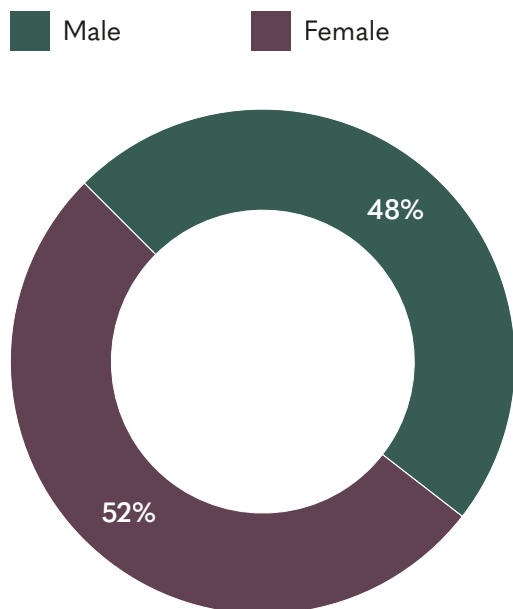
# Social sustainability

## Characteristics of employees

As of the end of 2023, the Group employed **4,023 employees**, with a split of 1,928 men and 2,095 women primarily in European markets.

### Number of employees by gender

Male	1,928
Female	2,095
<b>Total employees</b>	<b>4,023</b>



## Gender diversity in senior management

The company **has established a goal to consistently raise the representation of women in leadership roles**, with a commitment to surpassing a 33% threshold of women in leadership positions. **As of December 31, 2023**, the percentage of employees in Top management was 10.5% of the total workforce, **with women holding 37.9% of all Top management positions.**

### Breakdown of employees in Top Management\*

	Number	Rate
<i>breakdown by gender</i>		
Male	71	62.1%
Female	47	37.9%
<i>breakdown by age</i>		
Under 30 years old	0	0.0%
30-50 years old	86	72.9%
Over 50 years old	32	27.1%
<b>Total</b>	<b>118</b>	<b>10.5%</b>

\* Exclusions apply: Marriot Hotels (Austria, Hungary)

# Social sustainability

## Employee development and trainings

As part of the Group's ESG strategy, **a goal has been established** to ensure that all employees participate in a **minimum of eight hours of continuing education annually. In 2023, employees**, on average, completed **10.18 hours** of training and continuing education. There was a discrepancy in the average number of training hours between male and female employees, with **males receiving an average of 8.62 hours and females receiving an average of 11.46 hours.**

**Required Group-specific training is individually tailored by each company within the Group and generally covers the following topics:**

- Occupational safety training for employees
- IT and data security
- GDPR – Personal data protection
- Code of conduct and group internal regulations
- Fire protection
- Group sustainability





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