CPI Property Group Green Bond Annual Review

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Introduction

Since 2019, CPI Property Group SA ("CPI" or the "Company") has issued a number of green bonds aimed at financing and/or refinancing projects that improve the environmental performance of its buildings.[1] In January 2022 CPI updated its Sustainability Finance Framework (the "Framework")[2] combining both Green Bond and Sustainability-Linked Frameworks. Sustainalytics provided a Second-Party Opinion on this Framework in January 2022.[3] In March 2022, CPI engaged Sustainalytics to review the projects funded through the issued green bonds and to provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the CPI's 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 CPI Property Group Green Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the CPI Property Group Green Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Green Buildings	Acquisition, construction, or refurbishment of buildings which meet recognized standards, such as • BREEAM (Excellent and above), • BREEAM (Very good and above) when certified using the most recent certification version, or • LEED (Gold and above)	• Level of certification by property • Annual GHG emissions reduced/avoided (tCO_2e p.a.) • Annual energy savings (MWh p.a.) • Annual reduction in water consumption (in m3)
Energy Efficiency	• 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 energy efficient buildings in the local market or have	• Annual GHG emissions reduced/avoided (tCO_2e 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 is published at: https://cpipg.com/uploads/aaa2ad7762e3f6e08f4e025c4ca1bfd0d4f1cd49.pdf
[3] CPI Property Group Sustainability Finance Framework Second-Party opinion (2022), at: https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/cpi-property-group/cpi-property-group-sustainability-finance-framework-second-party-opinion-(2022)/cpi-property-group-sustainability-finance-framework-second-party-opinion-(2022)

	at least an Energy Performance Certificate ("EPC") class A • 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	• 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	• Annual GHG emissions reduced/avoided (tCO_2e p.a.) • Annual energy production (MWh p.a.)
Sustainable Management of Living Natural Resources and Land Use	• 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	• 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

Issuing Entity's Responsibility

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

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of CPI's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from CPI employees and review of documentation to confirm the conformance with the CPI Property Group Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by CPI with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct 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 over the assessment 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 bond projects, funded through proceeds of CPI's Green Bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the CPI Property Group Green Bond Framework. CPI has disclosed to Sustainalytics that the proceeds of the green bonds are fully allocated as of December 31, 2021.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	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 CPI Group Green Bond Framework and above in Table 1.	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 CPI Property Group Green Bond Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

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

Appendix

Appendix 1: Impact Reporting by Eligibility Criteria as of 31 December 2021

Use of Proceeds Category	Environmental Impact Reported by Eligibility Criteria	Net Bond Proceeds Allocation (EUR Millions)
Green Buildings	A total of 23 certified green buildings: - 2 BREEAM Excellent, - 17 BREEAM Very Good, - 2 LEED Platinum, and - 2 LEED Gold buildings certified. These improvements resulted in[5]: - 26,142 tCO_2e p.a. annual GHG emissions avoided, - 6,322 MWh p.a. in annual energy savings and, - 20.115 m3 in annual water reduction.	1,708.1
	Qualifying equity investment in green buildings	3.7
Energy Efficiency	A total of 5 energy efficiency projects resulted in: - 1,067 tCO_2e p.a. annual GHG emissions reduced/avoided and, - 1,862 MWh p.a. in annual energy savings.	145.0[6]
Renewable Energy	Renewable energy project resulted in: - 2,017 tCO_2e p.a. annual GHG emissions reduced/avoided and, - 4,957 MWh p.a. annual energy production.	5.7
Sustainable Management of Living Natural Resources and Land Use	46 sustainable management and land use projects resulted in: - 19,209 ha (79.9%) of land covered by open space, - 16,431 ha of land area with biodiversity management, and - Quality enhancements of soil and land with 16,224 ha of grassland area and 45,209 tonnes of fertilizing and/or composting.	102.5
Total Allocated		1,965.0
Total Funds Raised		1,965.0

[5] Excluding performance data from buildings acquired in 2020
[6] A total of 3.6 million euros were allocated in 2021 towards energy efficiency projects at the Gebauer Höfen in Franklinstr building

Disclaimer

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2021, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the fourth consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2021 for the third consecutive year. For more information, visit www.sustainalytics.com.