

CPI Property Group Green Bond Framework
March 2019

Overview

CPI PROPERTY GROUP (hereinafter “**CPIPG**,” the “**Company**” or together with its subsidiaries the “**Group**”), is the largest owner of income-generating real estate in the Czech Republic, Berlin and the CEE region. The Group’s is headquartered in Luxembourg and is listed on the Frankfurt Stock Exchange. CPIPG owns and operates a diversified, high-quality real estate portfolio valued at more EUR7.5 billion (as of 31 December 2018). While the largest sectors of the Group are office and retail, CPIPG also has hotels, residential, industrial, agricultural and logistics properties and holds a land bank primarily in Czechia, of which the largest segment is in Prague.

CPIPG follows the X Principles of Corporate Governance of the Luxembourg Stock Exchange. The X Principles are based on Luxembourg legislation regarding commercial companies, and specifically on the financial regulations that are applicable to companies listed on the Luxembourg Stock Exchange (and in general to all companies listed in the EU).

In conjunction with Principle #9 of the X Principles, CPIPG regularly reviews environmental and social governance (ESG) and compliance policies across the Group. In mid-2018, a sustainability section of Group’s website (sustainability.cpipg.com) was created to provide greater transparency about ESG activities.

In late 2018, CPIPG began working with the University Centre for Energy Efficient Buildings (UCEEB) of the Czech Technical University (CTU) to collect and analyse data on our real estate portfolio. As a result, CPIPG expects to begin disclosing environmental impact measures and targets beginning with our 2018 management report.

CPIPG plans to become a member of a key industry initiative in region, the Czech Green Building Council, during the first quarter of 2019. By participating in task groups with leading developers, consultants, engineers and manufacturers the Group plans to gain practical insights into innovative solutions for effective property management and access to information on upcoming legislation and the process of EU law transposition to region.

In early 2019, CPIPG’s Board of Directors created a Corporate Social Responsibility Committee (the “**Committee**”) focusing on the supervision of sustainability, environmental, corporate social responsibility, green financing, and compliance matters for the Group. The Board of Directors also approved Group level Code of Ethics and ESG policies, including an Environmental and Corporate Social Responsible policy (the “**Policy**”).

The Group endorses all of the 17 Sustainable Development Goals (“**SDGs**”) as defined by the United Nations for the period 2015 – 2030, as well as the 2015 Paris Agreement within the United Nations Framework Convention on Climate Change. The Group contributes to the fulfilment of the SDGs in its operations.

The Group also acknowledges that maintenance of environmental and social standards leads to decrease of costs and increase of the value for both the Group and our stakeholders. The Group is committed to a responsible, comprehensive, pragmatic and sensible approach to ensure high standards in environmental, social and ethical matters. Environmental concerns are taken into consideration at all levels within the Group and in all matters, including all stages of the investment cycle, handling of natural materials, innovation, management of assets and procurement.

Therefore, in connection and compliance Group’s internal rules, the Policy, and framework approved by the Committee, the main CSR principles of the Group are (the “**Principles**”):

- a. promoting a sustainable approach towards real estate development and management;
- b. contributing to environmental protection and the development of local communities in which the Group operates;
- c. pursuing a sustainable business model that allows the Group to achieve its business objectives without placing an excessive burden on the environment;
- d. actively managing the Group's assets to continually improve environmental performance, quality and resilience; and
- e. encouraging proactive contributions from all employees, tenants, customers and stakeholders of the group to meeting all objectives in compliance with the Policy.

The main task of the Committee is the supervision, oversight and active promotion of the Principles across the Group and its activities.

In relation to the sustainability and environmental risks the Committee monitors and enhances:

- a. enhancement of energy efficiency and energy savings in line with current strategies and objectives;
- b. consideration of the life cycle implications at all stages of investments and planning for major developments;
- c. optimization of usage of natural and other resources in order to benefit from efficient and responsible use, minimize waste, prevent pollution and promote reusing and recycling of raw materials;
- d. active promotion and encouragement of environmentally friendly conduct both internally and externally;
- e. maintaining renewable energy assets in the Group's operations, including solar panels
- f. efforts to document performance of our assets, including green BREEAM / LEED certifications, as well as other relevant external certifications, where possible
- g. Maintaining and increasing the Group's commitment to electro mobility, development of biking infrastructure, ensuring proximity to public transport and access to amenities, and support of the concept of smart cities;
- h. increasing of the share of green buildings in the Group's portfolio wherever possible and seeking to apply real estate life cycle assessment on new real estate projects;
- i. application of innovative approaches in the Group's undertakings, including green roofs and net zero buildings; and
- j. setting verifiable and measurable goals in pursuit of improvement of the ESG performance.

In relation to the corporate social responsibility the Committee monitors and enhances:

- a. transparency and accountability within the Group and vis-à-vis its stakeholders. The Committee promotes active interaction with relevant stakeholders, development of communication channels across the Group;
- b. promotion of accessibility, inclusivity and smart livelihoods through Group's assets;
- c. achievement of Group's sustainability, social and business objectives through proper supply chain monitoring, sensible and sustainable procurement, as well as engagement in relevant social development matters;
- d. promotion of personal and professional development of Group's employees.
- e. promotion of diversity and equal opportunity in the workspace in line with the Group's Human Capital and Employment Relationships Policy and applicable legal standards.
- f. Proper disclosures in relation to corporate social responsibility efforts on regular basis, including the disclosures it in the form of a CSR report.

The Committee reports to the Board of Directors on a regular basis. The members of the Committee are appointed by the Board of Directors. The committee shall have at least five members.

The Committee shall be composed of highly experienced and qualified professionals with an excellent track record and thorough knowledge of the Group and its business. The Committee shall be composed of a balanced mix of executive and independent directors as well senior managers from finance, operation and legal departments, preferably from various jurisdictions.

The members of the Committee shall always act in the best corporate interest of the Group, its shareholders and other stakeholders. The Committee shall ensure that the Group takes into account corporate social responsibility and the interests of all stakeholders. During its meetings, the Committee shall regularly evaluate its conduct and operation and the relations with the Board of Directors and the management.

The Committee should meet four times a year. The head of the Committee reports on the progress of ESG programs directly to the Board of Directors every quarter.

As part of establishing an environmental management system, a comprehensive review of portfolio performance will be conducted throughout 2019 which will provide input for a strategic investment plan for improving the efficiency of CPIPG's assets.

CPIPG also made a commitment to carry out a life-cycle assessment ("LCA") for all new real estate projects over 10,000m² or new projects that are assessed by sustainability certification schemes such as BREEAM or LEED or key capital expenditures beginning in March 2019.

A number of the Group's properties are certified with Leadership in Energy and Environmental Design (LEED) and BREEAM In-Use (BIU) certification: Quadrio has a silver certification in Leadership in Energy and Environmental Design (LEED). Zlaty Andel and City-West B3 office properties and Nisa Liberec shopping centre are all certified with Excellent in BIU. Balance Loft, Andrassy Palace, Arena Corner, Gateway Office Park and Quadra Office building are all BIU certified Very Good. Ogrody Center is BIU certified Very Good and Atrium Centrum is BIU certified Good. Office properties City West B2, Luxembourg Plaza, Meteor-C, BB Centrum-E, Naradovna Zbrojovka are targeted for BREEAM certification.

CPIPG has elected to create a Green Bond Framework which is in accordance with the Green Bond Principles 2018¹, and under which CPIPG can issue Green Bond(s) to finance Eligible Projects, as set out below.

For each Green Bond issued, CPIPG asserts that it will adopt (1) Use of Proceeds (2) Project Evaluation and Selection (3) Management of Proceeds and (4) Reporting, as set out in this Framework.

Future changes in the Green Bond Standards may be implemented in updated versions of this Green Bond Framework. Any updated version of this framework will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external consultant.




¹ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles---June-2018-140618-WEB.pdf>

1. Use of Proceeds

Proceeds of CPIPG Green Bonds will be allocated to finance or refinance² projects that meet the following Eligible Criteria:


Eligible Sector	Eligibility Criteria
Green buildings	<ul style="list-style-type: none"> Acquisition, construction or refurbishment of buildings which meet recognised standards, such as: <ul style="list-style-type: none"> BREEAM (Very good and above) LEED (Gold and above)
Energy Efficiency	<ul style="list-style-type: none"> New or existing commercial buildings belonging to top 15% most energy efficient buildings in the local market³ Renovations or refurbishment of existing buildings, delivering a minimum [30%] reduction in carbon emissions intensity or two letter grade improvements according to local Energy Performance Certificate
Renewable energy	<ul style="list-style-type: none"> Installation of photovoltaic solar Dedicated support infrastructure for photovoltaic solar across building management systems
Environmentally 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: <ul style="list-style-type: none"> 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

All of CPIPG's Eligible Green Projects contribute to the environmental objective of climate change mitigation and the achievement of UN Sustainable Development Goals, specifically:

Project Category	UN Sustainable Development Target Contributed To
Green Buildings	 7.3. By 2030, double the global rate of improvement in energy efficiency
Energy Efficiency	 7.3. By 2030, double the global rate of improvement in energy efficiency
Renewable energy	 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix

² CPIPG may refinance projects that were acquired, financed, constructed, refurbished, renovated or installed in the 36 months prior to the green bond issuance

³ At the time this framework was published, data was not yet available to develop a methodology to identify the top 15% most energy efficient buildings in the markets where CPIPG operates. Pending data availability, and prior to applying this criteria, CPIPG commits have its methodology defined with the assistance of an independent expert and its second party opinion updated.

Environmentally sustainable management of living natural resources and land use		15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
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2. Project Selection and Evaluation Process

The Project Evaluation and Selection Process will ensure that the proceeds of CPIPG Green Bond(s) are allocated to finance or refinance projects that meet the criteria and objectives set out above in section 1, Use of Proceeds

2.1 General Sustainability Assessment Process

CPIPG is committed to high standards in environmental, social and ethical matters. As such, all of CPIPG’s development and construction projects are subject to environmental assessment procedures. Before each potential asset investment, the Group examines the environmental risks. Factors taken into account include compliance with all applicable local regulations, the use of energy-efficient solutions and green BREEAM / LEED certification. Project timing, progress and budgets are carefully monitored, mostly with the support of external project monitoring advisors. Health, safety and environmental risks are monitored before and during construction.

2.2 Project Selection Process

The evaluation and selection process for Eligible Projects will be carried out internally by CPIPG “green bonds” project team composed from the legal, finance, and investor relations departments across the Group (the “**Green Bond Team**”). The process will be chaired by CPIPG’s CFO.

On an ongoing basis, eligible Use of Proceeds from CPIPG’s portfolio of projects will be identified and proposed by the Green Bond Team. The Green Bond Team will screen these projects against the Eligibility Criteria set out in CPIPG’s Green Bond Framework (see 1. Use of Proceeds), and recommend eligible projects for inclusion as Eligible Use of Proceeds to the Committee. On an annual basis, the Green Bond Team will review all proposed Eligible Use of Proceeds to determine their compliance with the CPIPG Green Bond Framework in order to approve the allocation of proceeds. The Green Bond Team will review the allocation of the proceeds to the Eligible Use of Proceeds and determine if any changes are necessary (for instance, in the event that projects have been completed or otherwise become ineligible). While any CPIPG Green Bonds are outstanding, in the case of divestment or cancellation of a project to which proceeds have been allocated, CPIPG will reallocate the proceeds to other eligible projects.

The Green Bond Team will take the CSR Principles and Policy into account. The selected Eligible Projects will be provided to the CSR Committee, as described in Overview, for review. The Committee, after a thorough review, will present its conclusion the Board of Directors.

The Green Bond Team will also review the management of proceeds (as described in Section 3) and facilitate reporting (as described in Section 4).

The Committee will supervise the processes under this framework and will require relevant updates from the Green Bond Team. As part of its reporting to the Board of Directors, its findings, conclusions and recommendations will be submitted to the Board of Directors.

3. Management of Proceeds

To manage the proceeds of CPIPG Green Bond(s), CPIPG will establish a Green Financing Register.

The proceeds of each CPIPG Green Bond will be earmarked against the pool of eligible projects and expenditures identified in the Green Financing Register.

The Green Financing Register will be reviewed annually by Green Bond Team] to account for any re-allocation, repayments or drawings on the eligible projects and expenditures within the pool. The conclusion of the Green Bond Team will be presented to the Committee.

The Green Financing Register will contain relevant information including:

- (1) Details of the Bond(s): key information including transaction date, principal amount of proceeds, settlement date, maturity date, and interest margin or coupon, ISIN number etc.;
- (2) Details of Use of Proceeds, including:
 - Summary detail of eligible projects/expenditures to which the proceeds of the Bonds have been earmarked in accordance with this Framework;
 - Amount of allocation made;
 - Any unallocated Bond proceeds yet to be earmarked against eligible projects/expenditures;
 - Other necessary information

It is CPIPG's objective to allocate the proceeds of any Green Bond issuance immediately at issuance.

In the event that the proceeds cannot be fully allocated at issuance, or in the event that the proceeds are allocated to an eligible green project that is sold or otherwise divested, proceeds will be held in cash or other short-term instruments until they can be allocated to eligible green projects as outlined in Section (2.2).

4. Reporting

On an annual basis, until full allocation, CPIPG commits to provide the following reporting with regard to the green bond:

1. CPIPG will create a report detailing the allocation of the net proceeds of its green bond(s), and give additional details such as a list of eligible projects financed, the remaining balance of unallocated proceeds, and the status of buildings included (e.g under construction or completed). Report will be available on annual basis as part of CPIPG management report and will be published on CPIPG's website.
2. Additional metrics may be available on selected assets through CPI PG annual report in environmental section that covers along other indicators per EPRA guidelines.
3. Where feasible, CPIPG will provide impact report using the metrics recommended under the Harmonized Framework for Impact Reporting², namely:

Project Category	Impact Reporting Metrics
Green Buildings	<ul style="list-style-type: none"> • Level of certification by property • Annual GHG emissions reduced/avoided (t CO₂ eq pa) • Annual energy savings (MWh pa) • Annual reduction in water consumption (in m³)
Energy Efficiency	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided (t CO₂ eq pa) • Annual energy savings (MWh pa) • % annual energy efficiency gain relative to an established baseline
Renewable Energy	<ul style="list-style-type: none"> • Renewable energy capacity added/rehabilitated (MWh pa) • Annual GHG emissions reduced/avoided (t CO₂ eq pa) • Annual energy savings (MWh pa) • % annual energy efficiency gain relative to building energy performance base line defined for particular type in region
Environmentally sustainable management of living natural resources & land use	<ul style="list-style-type: none"> • Amount of land covered by open space (ha and %) • Estimated land area with biodiversity management (in hectares) • Quality enhancement of soil and/or land and/or water through management practices associated with land use specific projects

5. External Review

CPIPG has engaged Sustainalytics to provide an External Review in the form of a Second Party Review on the CPIPG Green Bond Framework, and confirm alignment with GBP 2018⁴.

The External Review has been made public on CPIPG’s website.

CPIPGs annual reporting will also be subject to External Review which will be accessible on their website.

⁴ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/20151202-0530-FINALRevised-Proposal2.pdf>
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Resource-Centre/Final-Green-Buildings-Reporting-Metrics-March-2019-including-Reporting-Templates-200319.pdf>