

# 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

### Report Sections

Introduction.....	2
Sustainalytics’ Opinion .....	3
Appendices .....	9

**For inquiries, contact the Sustainable Finance Solutions project team:**

**Evan Bruner (Amsterdam)**  
Project Manager  
evan.bruner@sustainalytics.com  
(+31) 20 205 0027

**Cristhian Veintimilla (Amsterdam)**  
Project Support  
cristhian.veintimilla@sustainalytics.com  
(+31) 20 205 02 09

**Jean-Claude Berthelot (Amsterdam)**  
Client Relations  
susfinance.emea@sustainalytics.com  
(+44) 20 3880 0193

## Introduction

CPI Property Group (“CPIPG”, “CPI Property” or the “Company”) owns primarily income-generating properties in the Central and Eastern Europe (CEE) region and Berlin. The company’s portfolio mostly comprises real estate assets in the office, retail, hospitality and residential segments. The company’s largest portfolios are in the Czech Republic, Germany, Hungary and Poland.

CPIPG has developed the CPIPG Green Bond Framework (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that improve the environmental performance of its buildings. The Framework defines eligibility criteria in four areas:

1. Green Buildings
2. Energy Efficiency
3. Renewable Energy
4. Environmentally Sustainable Management of Living Natural Resources and Land Use

CPIPG engaged Sustainalytics to review the CPI Property Group Green Bond Framework, dated May 2020, and provide a second-party opinion<sup>1</sup> on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).<sup>2</sup> This Framework has been published in a separate document.<sup>3</sup>

### Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.4.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of CPIPG’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. CPIPG representatives have confirmed (1) they understand it is the sole responsibility of CPIPG to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CPIPG.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The

<sup>1</sup> This SPO, was originally published April 2019, and updated on August 15, 2019. The current update, dated June 29, 2020, is to account for additional information provided by CPIPG in relation to inclusion of equity REIT investments that meet the Use of Proceeds eligibility criteria, and portfolio reporting.

<sup>2</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>3</sup> The CPI Property Group Green Bond Framework is available on CPI Property Group’s website at: <https://cpipg.com/for-investors-en>

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that CPIPG has made available to Sustainalytics for the purpose of this SPO.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the CPI Property Group Green Bond Framework

Sustainalytics is of the opinion that the CPI Property Group Green Bond Framework aligns with the four core components of the GBP. Sustainalytics highlights the following elements of CPIPG's Green Bond Framework:

- Use of Proceeds:
  - CPIPG intends to use the proceeds of the Green Bond to finance and/or refinance, in whole or in part, existing and/or future green buildings, energy efficiency, renewable energy projects and projects aimed at promoting ecological value, biodiversity, and organic agriculture within their real estate portfolio. These activities are aligned with those recognized by the GBP.
  - All equity investments that meet the eligibility criteria for the use of proceeds are an eligible expenditure for the proceeds from the green bonds.
  - CPIPG will finance and/or refinance buildings that have achieved a BREEAM (Very Good and above) or LEED (Gold and above) certification. With regards to the certification schemes, Sustainalytics has conducted an evaluation of these standards and considers them to be robust and credible. For additional information on green building certification schemes, please consult Appendix 1. Additionally, it is worth noting that CPIPG conducts Life Cycle Analysis (LCA) on all new constructions over 10,000m<sup>2</sup>. Sustainalytics views this as a strong approach for assessing the impacts of new construction.
  - Buildings that fall within the top 15% most energy efficient properties in the local market are eligible under the CPIPG Green Bond Framework. CPIPG has commissioned a report from third-party consultant EnergySim, to determine the top 15% most energy-efficient buildings in the Czech Republic. Based on these findings, a threshold has been established by which buildings with a primary energy of ≤180kWh/m<sup>2</sup> are eligible. Sustainalytics considers the threshold of the top 15% of the local market to be consistent with market practice, and views positively the use of an independent assessment defining a methodology to determine eligibility.
  - Proceeds will also be used to finance and/or refinance renovations and retrofitting to reduce the carbon intensity of a given building by a minimum of 30% or to facilitate two-grade improvements in local Energy Performance Certificate (EPC) requirements. Sustainalytics views CPIPG's intention to reduce the carbon emissions intensity of buildings by at least 30% as a robust and transparent criterion. With regards to the approach for EPC labels, Sustainalytics considers an upgrade of two levels to be significant, though the scale of impact will vary across the markets in which CPIPG operates, as different countries set energy performance levels differently.
  - The proceeds of the bond will be used to make investments into the operation and maintenance of 12,000ha of certified EU Organic<sup>5</sup> farmland. While the Green Bond Principles indicate a preference for project finance, Sustainalytics believes that OPEX directly linked to the operation and maintenance of certified organic farmland will be important to sustaining positive environmental impacts. Sustainalytics views the EU organic certification as credible and robust

---

<sup>5</sup> EC, "EU Organic", (2020), at: [https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/legislation\\_en](https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/legislation_en)

## CPI Property Group Green Bond Framework

---

- (see Appendix 2). For more information on the positive impacts of organic agriculture see section 3.
- Proceeds will be used for the development of rooftop gardens and rooftop installations such as beehives and artificial nesting sites for birds. Sustainalytics notes that these activities do not include the active management and restoration of wild ecosystems. Rather, CPIPG has confirmed to Sustainalytics that these investments will be made primarily at buildings that are already undergoing refurbishments financed by green proceeds in conjunction with the eligibility criteria related to Green Buildings and Energy Efficiency. As such, these activities are considered as complimentary to broader environmental performance improvements taking place at these sites.
  - With regards to refinancing, CPIPG has incorporated a look-back period of 36 months from the issuance of any Green Bond. Furthermore, the issuer has confirmed its intention to allocate all proceeds upon issuance, suggesting that the majority of investments to be financed by the first issuance will be refinancing. For future issuances, Sustainalytics encourages the issuer, where practical, to report on the share of new financing vs. refinancing.
  - Project Evaluation and Selection:
    - Project selection and evaluation will be carried out internally by CPIPG's Green Bond Team, which is composed of representatives from the legal, finance and investor relations departments and will be chaired by the Chief Financial Officer. The Green Bond Team will evaluate projects according to the Framework and their internal policies. Projects are sent to the CSR Committee, which is formed by the CPIPG Board of Directors, and is responsible for supervising the corporate governance and sustainability strategy of the Group. The CSR Committee is also responsible for oversight of the project evaluation and selection process. The Committee will conduct a final review of projects proposed by the Green Bond team before providing its conclusion to the Board of Directors.
    - Projects will be periodically reviewed to ensure compliance with the Green Bond Framework. The Green Bond Team will conduct an annual review of the allocation and determine if any changes are required, e.g. if a project has been completed or is no longer eligible. These processes will be overseen by the CSR Committee.
    - Sustainalytics considers CPIPG's approach to project evaluation and selection to be robust. Particularly noteworthy is the broad representation included in the Green Bond Team and direct oversight of the process by the issuer's board level CSR Committee.
  - Management of Proceeds:
    - CPIPG will establish a Green Financing Register to manage the proceeds of the CPIPG Green Bond using a portfolio approach. The Register will contain information on the details of the bond and the use of proceeds, including the summary of project eligibility, total allocation, any unallocated amounts and estimated impact. Proceeds will be earmarked against eligible projects. The register will be reviewed annually by the Green Bond Team to account for any re-allocation, repayments or drawings on the eligible projects.
    - CPIPG intends to fully allocate proceeds of the Green Bond at issuance for its first green bond issuance. However, in the event that proceeds are not allocated, unallocated proceeds will be held in cash or other short-term instruments until allocation. Sustainalytics views this approach to be in line with market practice.
  - Reporting:
    - CPIPG commits to provide, on an annual basis, a detailed report on the allocation of the net proceeds for the entire green bond portfolio. CPIPG will provide a portfolio level breakdown by eligible project categories, a list eligible projects financed, the remaining balance of any non-allocated proceeds and the share of financing/refinancing. Where feasible CPIPG will include case studies of projects allocated with the green bond(s) proceeds. Annual reporting will begin no later than one year after the date of the first green bond issuance. The annual report will be made publicly available on the company's website.
    - CPIPG intends to report on impact metrics on an annual basis in alignment with metrics provided under the Harmonized Framework for Impact Reporting. Indicators include the level of building certification by property, annual reduction in water consumption, annual GHG emissions avoided, annual energy savings, renewable energy capacity added, estimated land area with biodiversity management and quality enhancement of soil and/or water through management

practices associated with EU organic agriculture practices. Sustainalytics views CPI Property's impact and allocation reporting commitments to be in line with market practice.

### Alignment with Green Bond Principles 2018

Sustainalytics has determined that the CPI Property Group Green Bond Framework aligns to the four core components of the GBP 2018. For detailed information please refer to Appendix 3: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Strategy of CPIPG

### Contribution of framework to CPI Property Group's sustainability strategy

At the group level, CPIPG's board level CSR Committee has oversight of the group's sustainability strategy, social and environmental risk management, corporate social responsibility, green financing and compliance. CPIPG's Corporate Social Responsibility and Sustainability Policy<sup>6</sup> is structured around a clear commitment to high standards of environmental, social and ethical actions within its business operations as well as its corporate culture. The group has defined five primary CSR principles:<sup>7</sup>

1. Promoting a sustainable approach towards real estate development and management;
2. Contributing to environmental protection and the development of local communities in which the Group operates;
3. Pursuing a sustainable business model that allows the Group to achieve its business objectives without placing an excessive burden on the environment;
4. Actively managing the Group's assets to continually improve environmental performance, quality and resilience; and
5. Encouraging cooperation with all employees, tenants and customers to foster close relationship with all our stakeholders.

To implement its approach, CPIPG identified two key focus areas, for which CPI Property Group has already engaged various activities:

- **Green Energy:** CPIPG has installed more than 25,250 solar modules over a 45,000 m<sup>2</sup> photovoltaic area generating around 9,448 MWh in total annual output, creating Berlin's largest photovoltaic system. In addition, CPIPG Property owns and operates six cogeneration plants in its Berlin portfolio, each generating around 800 KW in electrical output and supporting the company's carbon offsetting capabilities.<sup>8</sup>
- **Green Properties:** The Group acknowledges the importance of improving resource efficiency and implementing sustainability principles at its properties. The goal is to increase the percentage of green and certified buildings in its portfolio and to address all aspects of environmental impacts created by their properties, including energy performance, water consumption, use of eco-friendly construction materials, recycling infrastructure, land use, pollution, transportation and local environmental conservation. As of 2019, certified buildings (BREEAM and LEED) represented 14% share of the Group's GLA<sup>9,8</sup>, and 20.3% of total portfolio value.<sup>3</sup> Furthermore, CPIPG conducts Life Cycle Analysis (LCA) on all new constructions over 10,000m<sup>2</sup>.<sup>3</sup>

Sustainalytics considers that the green bond proceeds will be used to bolster a number of these measures, specifically those related to green building certification and energy efficiency, and views positively CPIPG's sustainability commitments and track record of environmental performance. Sustainalytics encourages the company to add time-bound and quantifiable targets to support its transition to a low-carbon profile. Overall, Sustainalytics considers CPIPG to be well placed to issue green bonds and believes these bonds will play an important role in furthering the issuer's sustainability strategy.

### Well positioned to address common environmental and social risks associated with the projects

Sustainalytics acknowledges the importance of renewable energy, energy efficiency and green building projects and believes the outcome of such activities will be overall positive. However, Sustainalytics also recognizes that real estate development and refurbishment may expose workers to health and safety risks,

<sup>6</sup> CPIPG, "Property Corporate Social Responsibility and Sustainability policy", at: <http://sustainability.cpipeg.com/>

<sup>7</sup> CPIPG, "Management Report 2019", at: <https://www.cpipeg.com/uploads/3ab4bf98d1d54c67a78af8f364ebe52b3753a6d3.pdf>

<sup>8</sup> CPIPG, "Environmental Responsibility", at: <http://sustainability.cpipeg.com/environment.php>

<sup>9</sup> Gross Lettable Area

create unintended waste and wastewater discharges, as well as pollution and land-use risk. For example, through land clearing, the operation of diesel engines, demolition, etc. construction sites generate high levels of particulate matter that can travel long distances and have an impact on air quality, causing a risk to humans and wildlife. Additionally, the company needs to be aware of and engage surrounding communities to mitigate any potential stakeholder issues.

- The Group is committed to reducing the environmental impact caused by operational activities. Prior to project investment, the Group conducts a risk assessment.<sup>7</sup> In 2018, CPIPG began the establishment of the Group's KPIs and set up monitoring, reporting and targeting processes, to align with ISO 14001. The Group is working towards standardizing environmental practices for its existing assets and for new developments and acquisitions.
- CPI Property is committed to ensuring that waste management practices at buildings are in compliance with local legislation and ensures waste separation into streams relevant to building operation, recycling and occupants needs.
- In accordance with EU regulation on construction and demolition waste (CDW), CPI is required to follow the guidelines set out by each of the Member States that the company operates in. These regulations are aimed at ensuring waste management is carried out without endangering human health or causing harm to the environment.<sup>10</sup>
- Additionally, CPIPG confirmed to Sustainalytics its compliance with EU legislation related to worker health and safety and its focus on raising awareness and training of teams on occupational health and safety risks. The company publicly reports on OSHA figures in their annual Corporate Social Responsibility report and recorded a total of 54 accidents in 2019, with no recorded fatal injuries.<sup>7</sup> Moreover, the countries where CPIPG operates are classified as "Designated Countries" by the Equator Principles, suggesting the existence of strong environmental and social governance systems and institutional capacity designed to protect the local environment and communities.<sup>11</sup>
- Since March 2020, the Group's Board of Directors resolved that top management remuneration will depend on the fulfilment of ESG related KPIs.<sup>3</sup>
- Regarding stakeholder engagement, CPIPG confirmed to Sustainalytics its practices aimed at fostering responsibility within the communities which it operates. In this regard, CPIPG actively engages communities in the project development stages by conducting surveys to garner stakeholder feedback and incorporate that into the planning and implementation phases. CPIPG noted that stakeholder engagement is an iterative process and that it is committed to providing the community with multiple opportunities and platforms to voice their opinions. The company is also actively engaged in community activities that support the health and well-being of tenants.<sup>7</sup>

Based on the programmes, policies and procedures discussed above, Sustainalytics is of the opinion that CPIPG has adequate measures in place to mitigate the potential risks associated with the activities that will be carried out with this Green Bond.

### Section 3: Impact of Use of Proceeds

#### Importance of renewable energy and energy efficiency in European buildings

The EU's real estate sector accounts for 40% of the European block's total energy consumption and 36% of its CO<sub>2</sub> emissions.<sup>12</sup> This problem is particularly relevant in Central and Eastern Europe (CEE), where the real estate sector can account for up to 50% of a countries' total energy consumption, such as in Hungary.<sup>13</sup> Additionally, the Czech Republic has been specifically identified by the EU for its failure to improve the transparency around building energy performance,<sup>14</sup> which can limit transparency and slow efforts to improve building energy performance. Furthermore, the European Commission has concluded that high energy consumption levels are directly correlated with the age of buildings. Approximately 36% of the EU's building stock is over 50 years old, and approximately 75% of EU building stock is considered energy inefficient.<sup>12</sup> According to the EC, through the renovation and retrofit of existing buildings significant energy savings can

<sup>10</sup> EU, "Waste Framework Directive", (2008), at: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32008L0098&from=EN>

<sup>11</sup> The Equator Principles, "Designated Countries", at: <https://equator-principles.com/designated-countries/>

<sup>12</sup> European Commission, "Document on the energy performance of buildings in the European Union", at: <https://ec.europa.eu/energy/en/topics/energy-efficiency/energy-performance-of-buildings>

<sup>13</sup> Corporate Leaders Group, "The Energy Transition in Central and Eastern Europe", (2018) at: <https://www.corporateleadersgroup.com/reports-evidence-and-insights/publications/publications-pdfs/cee-energy-transition-report.pdf>

<sup>14</sup> European Commission, "Energy efficiency in buildings: Commission refers Czechia and Slovenia to Court for failure to ensure proper display of energy performance certificates for buildings", (2019) at: [http://europa.eu/rapid/press-release\\_IP-19-464\\_en.htm](http://europa.eu/rapid/press-release_IP-19-464_en.htm)

be achieved, with the potential of reducing the EU's total energy consumption by 5-6% and lowering total CO<sub>2</sub> emissions by about 5%.<sup>12</sup>

Given that there is a particular need for renovating buildings in CEE, where efficiency gains stand to have a greater overall impact on carbon reduction,<sup>13</sup> Sustainalytics is of the opinion that CPIPG's green buildings and energy efficiency projects will provide a meaningful contribution towards the EU's decarbonization efforts, and that CPIPG's focus on achieving EPC labels for its properties will contribute to improving transparency on energy performance in the market. Specifically, investments in more energy efficient buildings, the pursuit of green building certification and the expansion of photovoltaic infrastructure will reduce energy demand and carbon intensity and increase renewable energy use.

#### **Benefits of organic farming, rooftop gardens, beehives and artificial bird nesting**

While most of the proceeds for this Green Bond will be used to finance CPIPG's building portfolio in accordance with the criteria for green buildings, energy efficiency and renewable energy, CPIPG will dedicate a small portion of the proceeds to manage and maintain their organic farmland assets and to develop green building installations that act as a habitat for a range of species, such as gardens, beehives and nesting sites. Regarding organic farming, the impacts of conventional agriculture are well established, ranging from pollution to biodiversity loss and natural resource depletion.<sup>15</sup> EU Organic farming standards help to mitigate some of these impacts and contribute to more sustainable food production. For example, through carbon sequestration, a reduced dependence on fossil-fuel inputs and the use of renewable energy, organic agriculture can contribute to reducing energy consumption and mitigating the impacts of carbon emissions.<sup>16</sup> Similarly, the FAO has indicated that "organic agriculture provides management practices that can help farmers adapt to climate change through strengthening agro-ecosystems, diversifying crop and livestock production, and building farmers' knowledge base to best prevent and confront changes in climate."<sup>16</sup> CPIPG is also financing the implementation of climate-smart agriculture management practices on their organic farmland, including active herd health management, soil remediation and organic soil fertility management. Active herd management is practiced with the aim that the health of livestock is not only maintained, but optimized, by focusing on providing high quality nutrition, natural living conditions and avoiding the unnecessary use of vaccines and antibiotics. Soil remediation and organic soil fertility management are practiced to ensure that the farmland is not overused by livestock and involves regular treatment<sup>17</sup> and pasture rotation.<sup>18</sup>

Sustainalytics views EU certified organic farming to be a credible, robust and science-based standard that positively contributes to the transition towards a sustainable food system and the mitigation of climate change, and considers CPIPG's application of climate-smart agricultural practices on these farms to add additional impact. Furthermore, CPIPG's promotion of organic agriculture in Central and Eastern Europe, the Czech Republic specifically, is notable, given that over 50% of organic farming in the EU takes place in Spain Italy, France and Germany.<sup>19</sup> As such, Sustainalytics considers that the CPIPG green bond framework will support organic agricultural practices in European countries that have currently lower levels of organic food production.

Green roofs can offer several environmental benefits. For example, green roofs can act as a heat-mitigation strategy, which can result in a lower demand for air-conditioning, thus leading to a decrease in air pollution and energy savings.<sup>20</sup> The Environmental Protection Agency (EPA) found that "vegetation can also remove pollutants and GHG emissions from the air through dry deposition, and carbon sequestration and storage, respectively".<sup>20</sup> It is important to note that the impact of a green roof will be dependent on a number of factors including the type of green roof,<sup>21</sup> local environmental conditions and total area of coverage.<sup>22</sup> Furthermore, when planted with indigenous fauna, it is possible for rooftop gardens to attract native bird populations and stimulate local biodiversity, as has been demonstrated in the United States and Europe.<sup>22</sup> Sustainalytics considers these activities to be impactful, especially when considering that they will mostly be pursued for

<sup>15</sup> Rodriguez, E. (2004), "Negative Effects of Agriculture on our Environment" at:

[https://www.researchgate.net/publication/246925467\\_Negative\\_Effects\\_of\\_Agriculture\\_on\\_Our\\_Environment](https://www.researchgate.net/publication/246925467_Negative_Effects_of_Agriculture_on_Our_Environment)

<sup>16</sup> FAO, "Organic Agriculture and Climate Change", (2018) at: <http://www.fao.org/organicag/oa-specialfeatures/oa-climatechange/en/>

<sup>17</sup> Sowing, mowing, mulching, aerating, verticutting, etc.

<sup>18</sup> CPIPG, "Environmental Responsibility", at: [http://sustainability.cpipeg.com/environment.php#green\\_agriculture](http://sustainability.cpipeg.com/environment.php#green_agriculture)

<sup>19</sup> European Commission "Organic Farming in the EU, a Fast Growing Sector", (2019) at: [https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/market-brief-organic-farming-in-the-eu\\_mar2019\\_en.pdf](https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/farming/documents/market-brief-organic-farming-in-the-eu_mar2019_en.pdf)

<sup>20</sup> EPA, "Using Green Roofs to Reduce Heat Islands", (2018) at: <https://www.epa.gov/heat-islands/using-green-roofs-reduce-heat-islands>

<sup>21</sup> CPI has not indicated if they will be pursuing the development of Extensive Green Roofs or Intensive Green Roofs. For more information, see the EPA link above.

<sup>22</sup> Audubon, "Roofing Revolution: How (Gorgeous) Green Roofs Benefit", (2016) at: <https://www.audubon.org/news/roofing-revolution-how-gorgeous-green-roofs-benefit-birds>

buildings that comply with other elements of CPIPG's green bond framework, indicating that they are part of a broader programme to enhance the environmental performance of these buildings.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goal and target:

Use of Proceeds Category	SDG	SDG target
Green Buildings Energy Efficiency	7. Affordable and clean energy	7.3. By 2030, double the global rate of improvement in energy efficiency
Renewable Energy	7. Affordable and clean energy	7.2. By 2030, increase substantially the share of renewable energy in the global energy mix
Environmentally Sustainable Management of Living Natural Resources and Land Use	12. Responsible consumption and production	12.2. By 2030, achieve the sustainable management and efficient use of natural resources

## Conclusion

CPIPG's Green Bond Framework will contribute to the company's goals of increasing its portfolio of certified green buildings and energy efficient buildings, expanding its renewable energy portfolio and promoting sustainable land management. By using the proceeds to invest in renewable energy and energy efficient technologies for new and existing buildings, obtaining green building certification and the maintenance and operation of organic agriculture, CPI Property Group is expected to achieve positive environmental impacts in the commercial real estate sector in which they operate properties and contributing to sustainable management of natural resources.

In addition, the project evaluation and selection process and management of proceeds are in line with market practice. Furthermore, the company's use of the Harmonized Framework for Impact Reporting is recognized as a strong approach.

Based on the above, Sustainalytics is of the opinion that CPI Property Group is well-positioned to issue green bonds and that the CPI Property Group Green Bond Framework is credible, impactful and aligned with the Green Bond Principles.

## Appendices

### Appendix 1: Overview of Green Building certifications

	LEED	BREEAM
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance, and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990.  Based in the UK, BREEAM can be used for new, refurbished or extension of existing buildings and buildings in operation.
Certification levels	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• Pass</li> <li>• Good</li> <li>• Very Good</li> <li>• Excellent</li> <li>• Outstanding</li> </ul>
Areas of assessment	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>
Requirements	<p>Minimum requirements independent of level of certification; point-based scoring system weighted by category to determine certification level.</p> <p>The rating system is adjusted to apply to specific sectors, such as: New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, and Existing Buildings: Operation and Maintenance.</p>	<p>Prerequisites depending on the levels of certification, and credits with associated points.</p> <p>This number of points is then weighted by item and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p>
Qualitative Considerations	Widely accepted within the industry, both in North America and internationally, and considered a guarantee of strong performance.	Widely accepted within the industry, considered more flexible and able to be tailored to local conditions.
Performance display		

## Appendix 2: Overview of EU Organic certification

	EU Organic
Background	EU Organic is a European wide label organized under the European Commission's Regulation 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.
Clear positive impact	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.
Minimum standards	The EU Organic system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.
Scope of certification or programme	The EU Organic system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).
Verification of standards and risk mitigation	Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.
Third party expertise and multi-stakeholder process	The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission's typical legislative approach.
Performance display	
Qualitative considerations	Basis in European regulations provides cross-country uniformity and a legislated compliance regime.  Focused on environmental factors, with lesser consideration for social impacts.

## Appendix 1: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	CPI Property Group
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	CPI Property Group Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 29, 2020
Publication date of review publication:	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- |                                                            |                                                                                  |
|------------------------------------------------------------|----------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |                                                                                 |                                        |
|---------------------------------------------------------------------------------|----------------------------------------|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification                                           | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |                                        |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

## 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

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.

### Use of proceeds categories as per GBP:

- |                                                                                                                                                    |                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Renewable energy                                                                                               | <input type="checkbox"/> Energy efficiency                                                                          |
| <input type="checkbox"/> Pollution prevention and control                                                                                          | <input checked="" type="checkbox"/> Environmentally Sustainable Management of Living Natural Resources and Land Use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation                                                                         | <input type="checkbox"/> Clean transportation                                                                       |
| <input type="checkbox"/> Sustainable water and wastewater management                                                                               | <input type="checkbox"/> Climate change adaptation                                                                  |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input type="checkbox"/> Green buildings                                                                            |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other ( <i>please specify</i> ):                                                           |

If applicable please specify the environmental taxonomy, if other than GBPs:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

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.

### Evaluation and selection

- |                                                                                                                    |                                                                                                                    |
|--------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                  | <input type="checkbox"/> Other ( <i>please specify</i> ):                                                          |

### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification     In-house assessment
- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

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.

#### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

#### Additional disclosure:

- Allocations to future investments only     Allocations to both existing and future investments
- Allocation to individual disbursements     Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds     Other (please specify):

### 4. REPORTING

Overall comment on section (if applicable):

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.

#### Use of proceeds reporting:

- Project-by-project     On a project portfolio basis
- Linkage to individual bond(s)     Other (please specify):

**Information reported:**

- Allocated amounts
  Green Bond financed share of total investment  
 Other (*please specify*):

**Frequency:**

- Annual
  Semi-annual  
 Other (*please specify*):

**Impact reporting:**

- Project-by-project
  On a project portfolio basis  
 Linkage to individual bond(s)
  Other (*please specify*):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings
  Energy Savings  
 Decrease in water use
  Other ESG indicators (*please specify*):

**Frequency**

- Annual
  Semi-annual  
 Other (*please specify*):

**Means of Disclosure**

- Information published in financial report
  Information published in sustainability report  
 Information published in ad hoc documents
  Other (*please specify*):  
 Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- Consultancy (incl. 2<sup>nd</sup> opinion)
  Certification  
 Verification / Audit
  Rating  
 Other (*please specify*):

**Review provider(s):****Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

## Disclaimer

**Copyright ©2020 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. For over 25 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics 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. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in the policies, practices and capital projects. With 16 offices globally, Sustainalytics has more than 600 staff members, including over 200 analysts with varied multidisciplinary expertise across more than 40 industry groups. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).

