Finance Review

CPIPG cares deeply about the quality of our reporting and data transparency, to ensure our banks and bond investors can clearly see the strong positioning of our business.

Pavel Měchura, Group Finance Director

Budda-Bar Hotel, Prague, Czech Republic

In 2019, CPIPG continued to optimise and diversify our capital structure. We further improved our credit metrics, strengthened our liquidity and tightened our financial policy.

During 2019, CPIPG continued our successful track record on the international capital markets, increasing the depth and diversity of our global investor base by issuing across multiple currencies and formats. We improved our debt maturity profile by issuing in longer maturities, as well as breaking new ground by becoming the **first corporate issuer from our region to issue a benchmark-size Euro-denominated green bond.**

Over the course of the year, we issued over **€1,200 million** equivalent of unsecured bonds under our EMTN programme across Euros, Hong Kong Dollars and US Dollars (in both cases fully swapped back into Euros). In March 2019, we also issued Schuldschein loans of **€170 million,** followed by the issuance of a further **€550 million** of subordinated “hybrid” notes in April.

In the first half, proceeds from issues were partially used to refinance debt and repay drawings under our revolving credit facility, while the rest was held in cash to pre-fund potential future acquisitions. Our sole issuance in the second half of the year, a €750 million senior unsecured green bond, was issued to support our acquisitions of green certified office buildings in Warsaw.

We further strengthened our liquidity by signing a **€510 million** three-year revolving credit facility with 11 regional and international banks, replacing the Group's €150 and €80 million facilities signed during 2018. In keeping with the Group's objective to achieve **“high BBB”** credit ratings in the future, **we tightened our financial policies** in July with regard to net LTV and net ICR targets, as well as providing our stakeholders with greater clarity around the amount of FFO we intend to retain on an annual basis.

CPIPG's **Financial Policy**

1 Rating commitment

Absolute commitment to strong investment grade ratings

Focused on achieving **“high BBB”** ratings in coming years

2 Leverage

We now target a **Net LTV of 40% or below**

CPI may consider a Net LTV up to 45% temporarily for strategic acquisitions

3 Interest coverage

CPI now intends to maintain an **ICR of 4x or above**

4 Shareholder distributions

Shareholder distributions will be subject to **50% – 100% FFO retention annually**

No intention to institute dividend distributions

5 Funding strategy

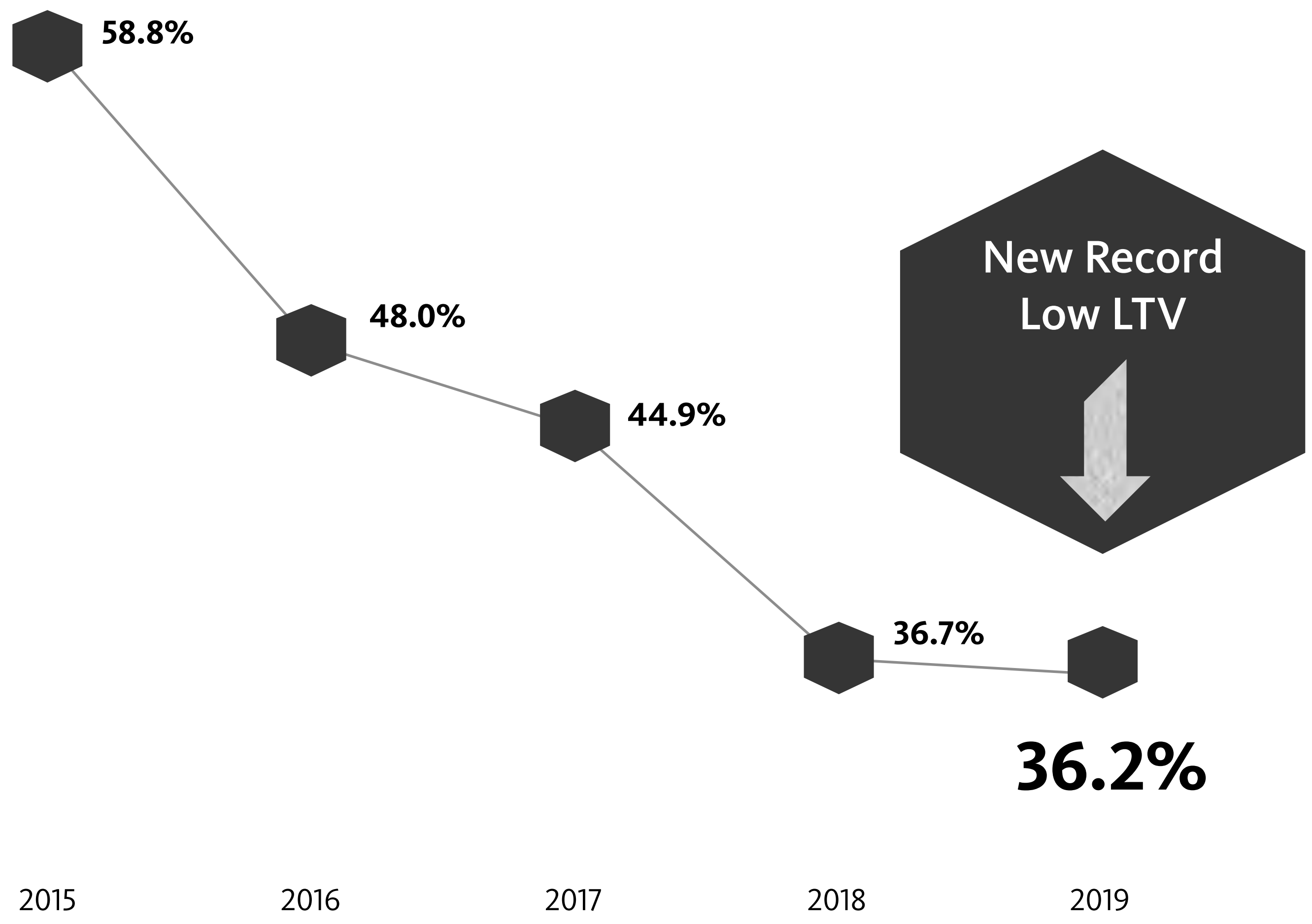
Maintain a high level of unencumbered assets

Proactive management of our maturity profile

6 Access to liquidity

In March 2019, we signed a new 3-year revolving credit facility totalling **€510 million**

LTV in Period 2015–2019 (%)



The Group's net LTV improved further to 36.2% at the end of December 2019, even as the property portfolio increased by **€1.6 billion** since the end of 2018. CPIPG targets a net LTV of **40% or below,** but we may consider an LTV of up to 45% in the case of acquisitions with high strategic merit. CPIPG recognises that a conservative leverage policy is important for our bondholders, lenders, rating agencies and other counterparties.

Eurocentrum, Warsaw, Poland

Senior Unsecured Financing

CPIPG issued €1,234 million equivalent of senior unsecured bonds under our EMTN programme during 2019 across Euros, Hong Kong Dollars and US Dollars. We issued an inaugural green bond in October of €750 million, becoming the first CEE corporate issuer to issue benchmark-sized Euro-denominated green bonds. With a 7.5-year tenor, we also improved the average maturity of our debt profile. Earlier in the year, we also issued €82 million equivalent in Hong Kong Dollars with maturities in 2024 and 2026, as well as €402 million equivalent in US Dollars, maturing in 2023. Foreign currency bond proceeds were entirely swapped to Euros. In addition, the Group also completed Schuldschein loans for €170 million in March 2019.

Undated Subordinated (“Hybrid”) Notes

In April 2019, the Group issued €550 million of undated 4.875% fixed rate resettable subordinated “hybrid” notes. The notes were issued under the Group's €5 billion Euro Medium Term Note programme (EMTN). The notes are classified as equity under IFRS and receive 50% equity credit treatment from S&P and Moody's. Together with the inaugural hybrid issuance in May 2018, CPIPG's total hybrid capital stood at €1.1 billion at the end of the year. In January 2020, an additional €99 million equivalent was issued in Singapore Dollars.

Active Presence on the Capital Markets

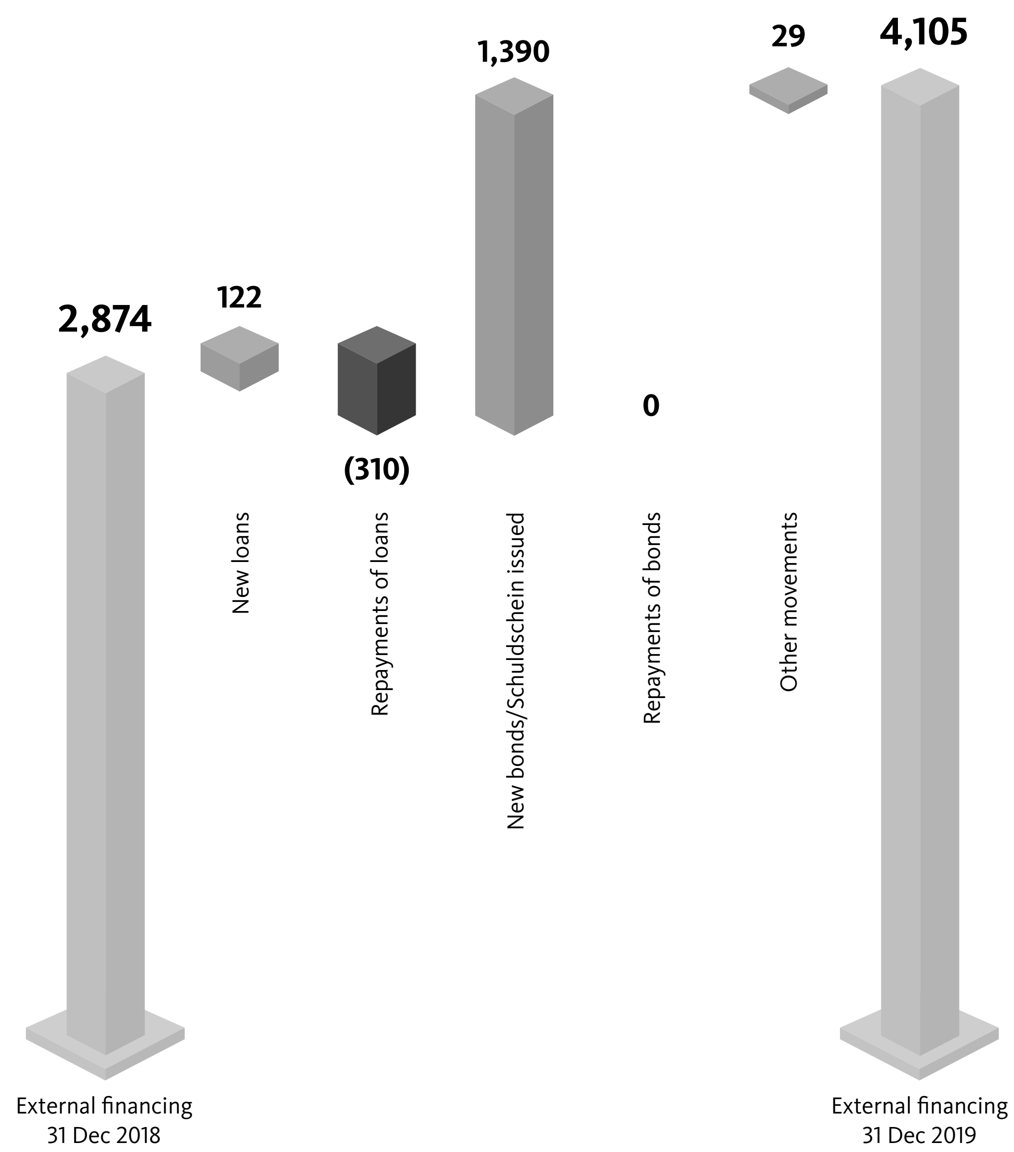
The Group has established itself as an active issuer on the international capital markets since October 2017. Within that time, CPIPG has issued senior unsecured bonds via our EMTN programme in Euros, Swiss Francs, Japanese Yen, Hong Kong Dollars and US Dollars. In 2018 and 2019, the Group issued Euro hybrid bonds under our EMTN programme, and in 2019 issued three tranches of Euro-denominated Schuldschein (assignable loans). Furthermore, after the year-end, CPIPG gained access to new markets and investors by issuing a senior unsecured bond in Sterling (€411 million equivalent) and additional hybrid capital in Singapore Dollars (€99 million equivalent)

Issue Date	Currency	Amount (million)	€ equivalent (million)	Coupon (%)	Maturity Date	Format	% swapped to €
Feb 2020	HKD	250	29	3.014	Feb 2030	EMTN	100%
Jan 2020	SGD	150	99	5.800	Jul 2025	EMTN (hybrid)	100%
Jan 2020	GBP	350	411	2.750	Jan 2028	EMTN (green)	100%
Oct 2019	EUR	750	750	1.625	Apr 2027	EMTN (green)	–
Jun 2019	HKD	283	32	4.450	Jun 2026	EMTN	100%
Apr 2019	EUR	550	550	4.875	Perpetual	EMTN (hybrid)	–
Mar 2019	EUR	111	111	FRN	Mar 2023	SSD	–
Mar 2019	EUR	49	49	FRN	Mar 2025	SSD	–
Mar 2019	EUR	10	10	2.696	Mar 2027	SSD	–
Mar 2019/Jul 2019	USD	450	402	4.750	Mar 2023	EMTN	100%
Feb 2019	HKD	450	50	4.510	Feb 2024	EMTN	100%
Dec 2018	JPY	8,000	62	1.414	Dec 2021	EMTN	100%
Dec 2018	JPY	3,000	23	1.995	Dec 2028	EMTN	100%
Oct 2018	CHF	165	145	1.630	Oct 2023	EMTN	61%
Oct 2018	EUR	610	610	1.450	Apr 2022	EMTN	–
May 2018	EUR	550	550	4.375	Perpetual	EMTN (hybrid)	–
Oct 2017/Dec 2017	EUR	825	825	2.125	Oct 2024	EMTN	–

Note: EMTN denotes issuance under our EMTN programme; all bonds are senior unsecured unless otherwise noted. SSD denotes Schuldschein. Terms on the Schuldschein (covenants, etc.) are completely aligned/match our EMTN programme.

Changes in External Financing During 2019

(€ million)

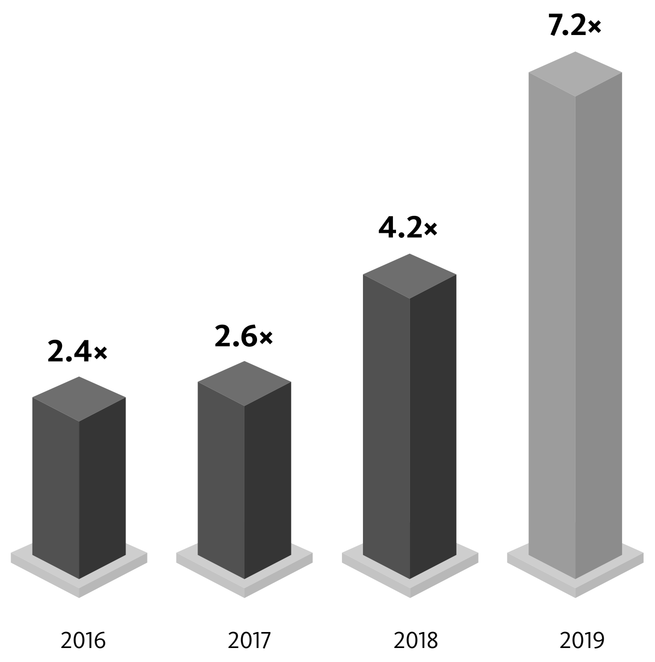


Note: the chart above does not include the impact of our €1.1 billion hybrid bonds, which are treated as equity for IFRS purposes.

Atrium Centrum and Atrium Plaza, Warsaw, Poland

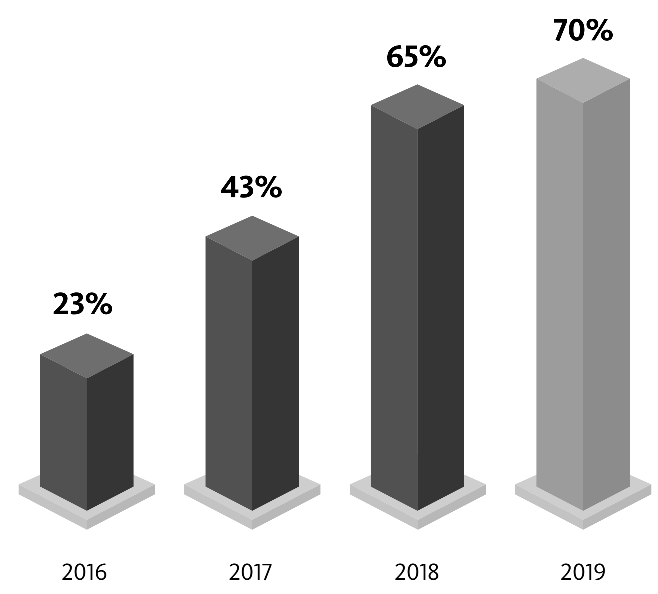
Improvement in the Group's Net Interest Coverage (ICR)

Due to significant refinancing activity in 2018 and 2019 and through continual improvements in profitability, the Group's Net ICR has improved significantly to 7.2× in 2019. We tightened our financial policy in 2019 and revised the ICR target to 4× or above.



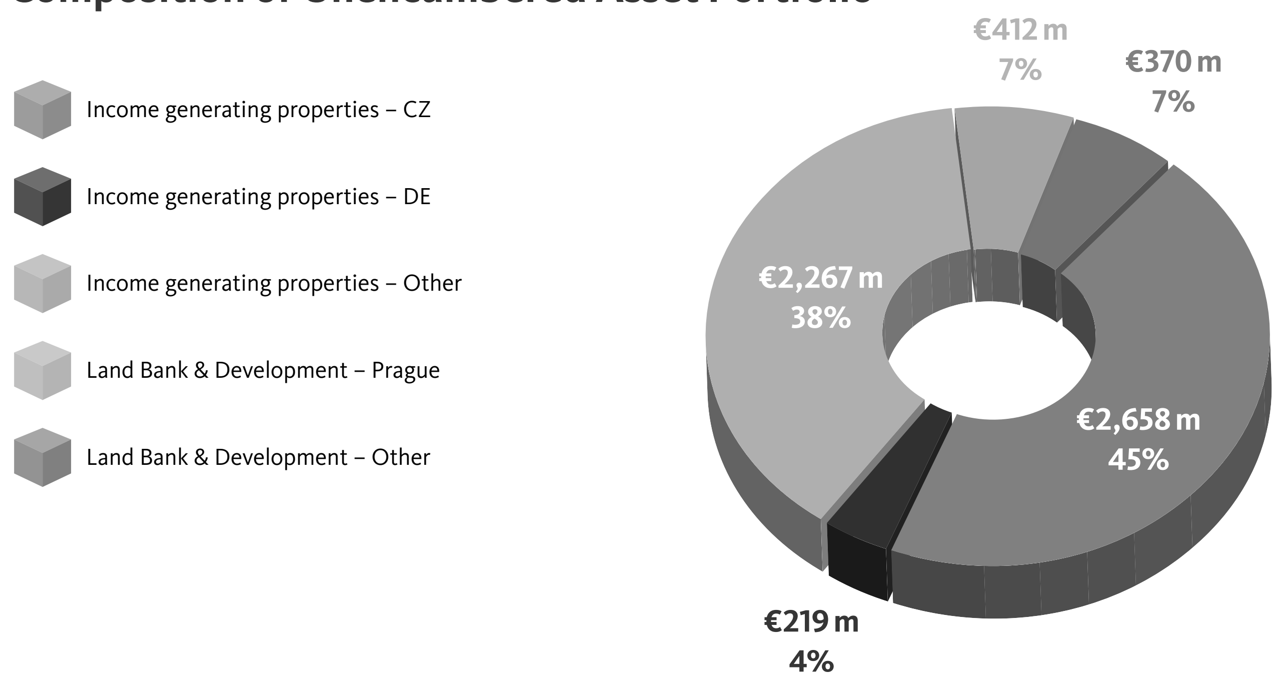
Increased Level of Unencumbered Assets

The Group reached a record 70% of unencumbered assets at the end of 2019, relative to 65% at the end of 2018. Unencumbered assets primarily consist of retail and office properties in the Czech Republic, along with high-quality land bank, residential assets and selected assets in Germany and other geographies of the Group.



Mamaison Residence Downtown Prague, Czech Republic

Composition of Unencumbered Asset Portfolio

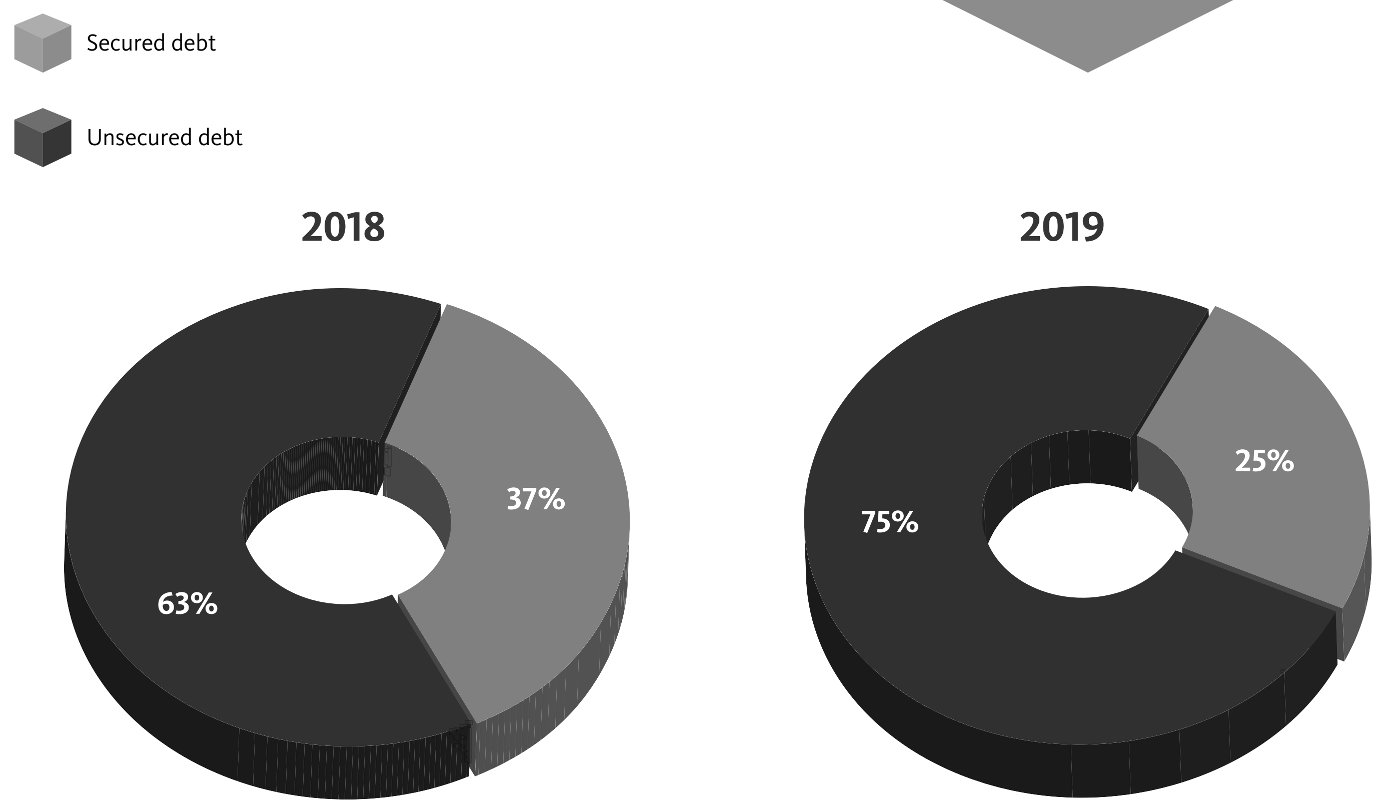


Senior Unsecured Debt a Majority of Funding

The Group further reduced the level of secured debt as a percentage of total debt to 25% at the end of 2019, relative to 37% at the end of 2018. CPIPG intends to maintain a simple, flexible capital structure focused primarily on senior unsecured financing. Nevertheless, we also believe retaining access to secured bank financing is an important element of liquidity and financial flexibility for the group, which also supports strong interest cover given historically low base rates in Europe.

New Record
Low Secured Debt

25%



Spa & Kur Hotel Harvey, Františkovy Lázně, Czech Republic

Unsecured Revolving Credit Facilities

In March 2019, the Group signed a new **€510 million** three-year revolving credit facility with eleven international and regional banks, replacing the **€150 million** and **€80 million** facilities signed during 2018. Revolving credit facilities offer CPIPG significant flexibility to access cash quickly and at low cost. The Group draws and (repays) our revolving credit facilities regularly for general corporate purposes and to manage short-term cash needs. In light of the significant amount of liquidity the Group has retained throughout the year and even after the year-end in order to support the acquisition pipeline, the new facility has remained undrawn since it was signed.

Debt Maturity Profile

The Group has no significant debt maturities until 2022 and is confident in our liquidity position. We will continue to monitor market conditions for appropriate opportunities to refinance debt well in advance of maturity and extend our debt maturity profile.

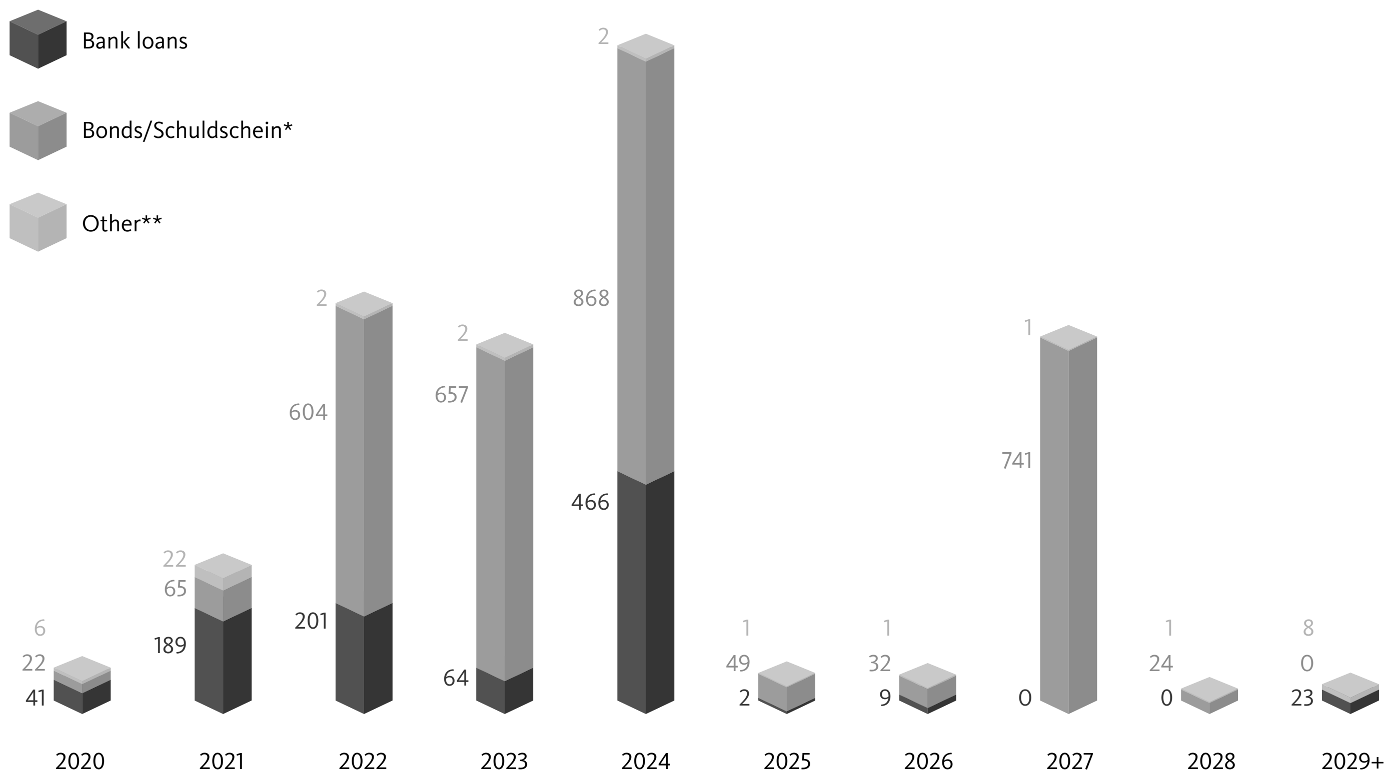
The Group's hybrid bonds issued in May 2018 and April 2019 totalling **€1.1 billion** are callable in 2023 and 2025 respectively. While the hybrids are classified as equity under IFRS, the Group incorporates the hybrid into our internal financing and refinancing plans and sees hybrids as an important part of the Group's capital structure.

Total Available Liquidity of the Group

At the end of December 2019, the Group had over **€1.3 billion** of available liquidity. Considering CPIPG's limited amount of debt maturities until at least 2022, as well as the fact that the majority of the Warsaw pipeline acquisitions (over **€560 million**) were already completed in the fourth quarter of the year, this provided significant flexibility for the group looking ahead for 2020.

Cash as at 31 December 2019 (€ million)	805
(+) RCF – fully undrawn	510
Total liquidity as at 31 December 2019	**1,315**

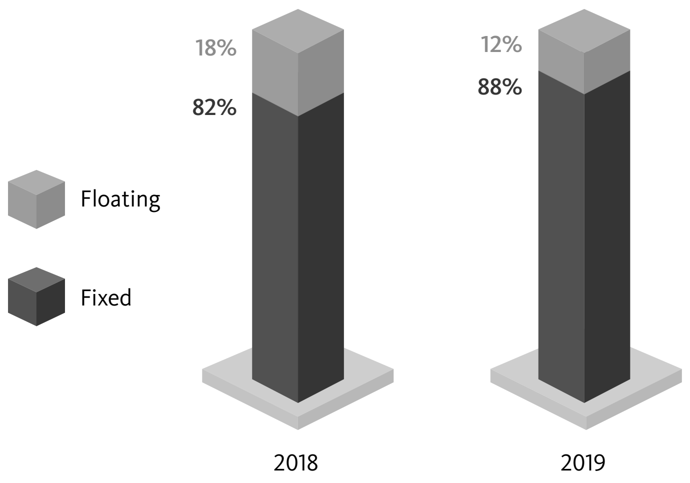
Maturity profile of external debt by type of debt (€ million)



* *Bonds/Schuldschein 2020 include only accrued interest payable in 2020.*
** *Other debt comprises non-bank loans from third parties and financial leases.*

Fixed Versus Floating Rated Debt

The Group's level of fixed-rate debt was approximately 88% at the end of 2019, relative to 82% at the end of 2018. We target a **minimum of 80% fixed-rate debt going forward.** The Group therefore has a **high degree of protection against interest rate volatility.** If interest rates on all of our variable borrowings increase by 3 p.p., the cost of the Group's external debt will rise only by 0.4 p.p. In addition to our bonds which carry fixed coupons, many of our loan agreements include arrangements which convert the loan to a fixed rate obligation. The Group can also make use of hedging instruments as required to manage the level of fixed and floating rate debt.



Average Interest Rate Sensitivity

(% p.a.) as of 31 December 2019*

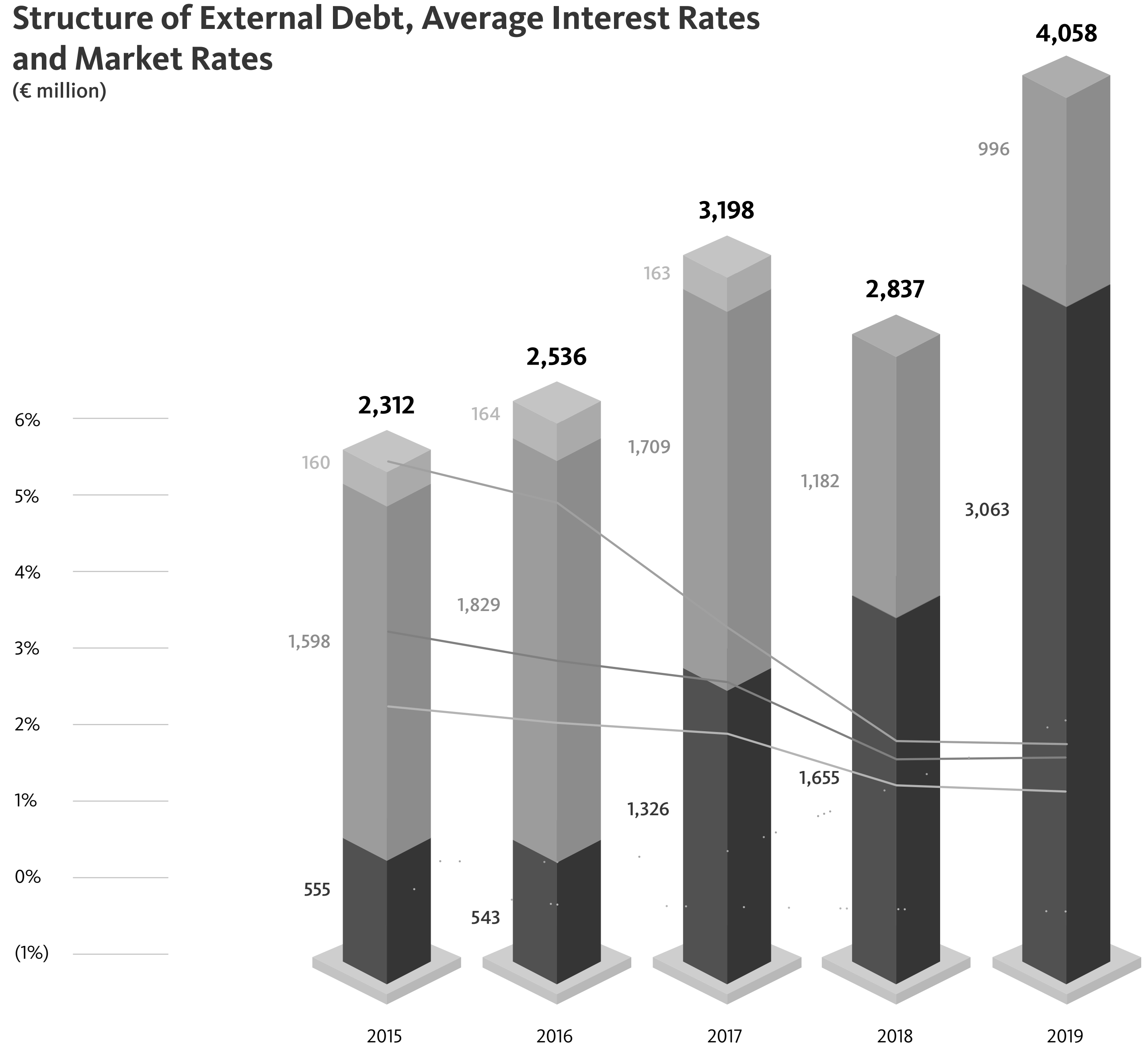
Type of liability	Share of external debt	Average interest rate as at 31 Dec 2019	if market interest rate +1 p.p.	if market interest rate +2 p.p.	if market interest rate +3 p.p.
Bonds/Schuldschein	75%	1.8%	1.9%	1.9%	2.0%
Bank loan	24%	1.2%	1.4%	1.7%	1.9%
Leasing	1%	0.8%	0.8%	1.0%	1.1%
Non-bank loan	0%	1.5%	1.5%	1.6%	1.6%
Total	100%	1.6%	1.7%	1.9%	2.0%

* *Includes impact of contracted interest rate swaps.*

Gateway Office Park, Budapest, Hungary

Structure of External Debt, Average Interest Rates and Market Rates

(€ million)



		2015	2016	2017	2018	2019
	Project bonds	160	164	163	0	**0**
	Bank loans	1,598	1,829	1,709	1,182	**996**
	Corp. bonds/Schuldschein	555	543	1,326	1,655	**3,063**
	Avg. bank loan interest rate	2.32%	2.10%	1.96%	1.29%	**1.19%**
	Avg. bond/SSD interest rate	5.46%	4.93%	3.34%	1.84%	**1.81%**
	Total average interest rate	**3.29%**	**2.89%**	**2.60%**	**1.61%**	**1.65%**
	Average 3m EURIBOR	(0.02%)	(0.27%)	(0.33%)	(0.32%)	**(0.36%)**
	Average 3m PRIBOR	0.31%	0.29%	0.41%	1.27%	**2.12%**

At the end of 2019, the Group's cost of debt remained broadly stable in the comparison with the end of 2018. Given that we were able to issue in longer tenors this year, primarily as a result of the 7.5-year green bond issuance in October, maintaining stable cost of debt overall reflects our ability to achieve tighter like-for-like issue levels on our bonds compared to 2018.

CPIPG is fully committed to our credit ratings, and views business decisions through the lens of financial policy.

Joe Weaver, Director of Capital Markets

Secured Bank Loans

At the end of 2019, only 25% of the Group's total debt was secured, having decreased significantly versus 37% at the end of 2018. The vast majority of the Group's bank loans are denominated in Euros. The largest portion of the Group's secured loans (57%) relate to Berlin, which is due for renewal primarily in 2024. 93% of outstanding secured bank loans are drawn from six banks. In total, the Group has secured loans from 13 banks who are active in the CEE region and Germany.

Breakdown of Secured Bank Debt by Principal

as of 31 December 2019

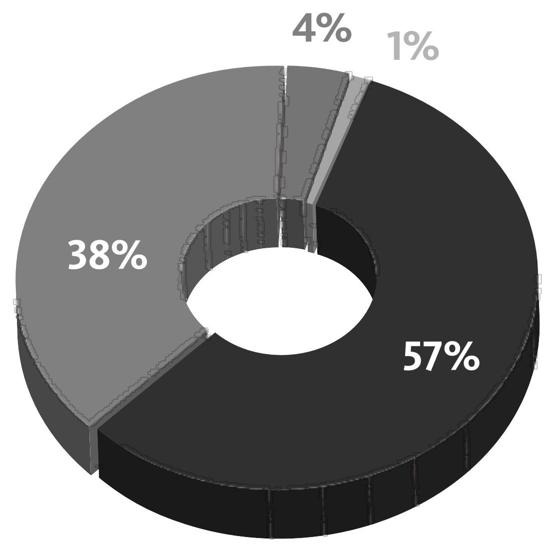
Secured Bank Debt by Geography

Germany

Czech Republic

France

Switzerland



Secured Bank Debt by Bank

Berlin Hyp

UniCredit Group

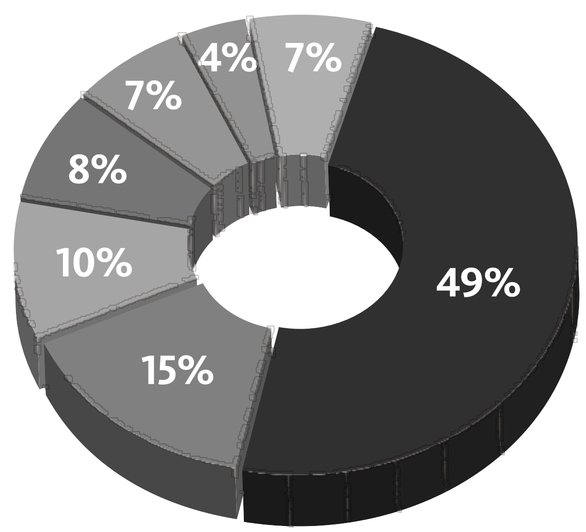
Komerční banka

Československá obchodní banka

DZ HYP

Česká Spořitelna

Other (seven banks)



Mamaison Residence Downtown Prague, Czech Republic

Foreign Exchange Risk

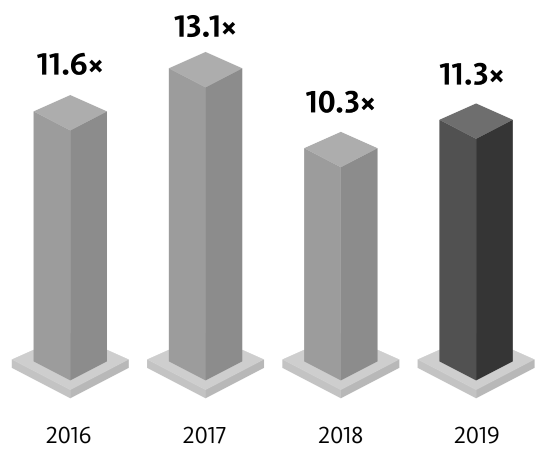
The Group is exposed to fluctuations in foreign currencies, primarily the Czech Koruna (CZK). The impact of foreign exchange is mostly unrealised (non-cash) and arises whenever there is a mismatch between the currency in which a property is valued and the functional currency of the entity into which the property is consolidated. 29% of the property portfolio is valued in CZK and is consolidated through sub-holdings into CPIPG which is a Euro functional currency company. To a lesser extent, there is also an effect related to intra-group loans. During 2019, due to the slight appreciation of CZK relative to EUR, CPIPG recorded an unrealised FX loss of €17 million on Euro-denominated assets in the Czech Republic. In addition to the non-cash effects, the Group is exposed to foreign currencies (primarily CZK) through rental income and expenses. In 2019, 28% of the Group's gross rental income was received in CZK. However, 54% of the Group's property operating expenses and 43% of administrative expenses were also denominated in CZK. As a result, the net remaining exposure to CZK is limited. The analysis below demonstrates the effect that a depreciating CZK would have on CPIPG's net loan-to-value (LTV), net interest coverage ratio (ICR), and EBITDA. Because the Group's CZK expenses largely cancel out CZK income, and because a large majority of properties are valued and generate income in EUR, even a sharp move in the CZK would have a negligible effect on CPIPG's key figures.

FX Sensitivity

CZK depreciation against €	5%	10%	15%	20%	25%
LTV	+0.5 p.p.	+1.0 p.p.	+1.5 p.p.	+1.9 p.p.	+2.3 p.p.
Net ICR	(0.09×)	(0.18×)	(0.25×)	(0.32×)	(0.38×)
EBITDA	(€2.2 m)	(€4.1 m)	(€5.9 m)	(€7.6 m)	(€9.1 m)

EBITDA and Net Debt/EBITDA Measurements

The Group reports Consolidated adjusted EBITDA per the request of our rating agencies and investors. However, the Group does not focus on EBITDA as a profitability measure. Some of the Group's investments, including refurbishment and maintenance, are reflected in property operating expenses. Finally, as a diversified portfolio, EBITDA margins vary considerably. For instance, the margin is much higher in office than in hotels. In general, the Group's target is to continue reducing the level of Net debt/EBITDA, although we may consider increasing the level in a short-term period in the case of acquisitions with high strategic merit. The level of Net debt/EBITDA increased moderately in 2019 compared to the prior but remained below 2016 and 2017 levels. The increase in 2019 was affected primarily by the Group's acquisition of over €560 million of offices in Warsaw in the final quarter of 2019, for which only a small EBITDA contribution from the properties was recognised in 2019. The assets acquired generate strong rental income with attractive yields, which should contribute positively on the ratio in future.



Commitment to Retain FFO

CPIPG does not pay dividends. Instead, our shareholder prefers to reinvest back into the company's properties and capital structure. Unlike a Real Estate Investment Trust (REIT) which typically pays a significant portion (i.e. 90%) of Funds From Operations (FFO) as dividends, CPIPG is able to retain and reinvest the majority of income generated.

The Group has conducted share repurchases from time to time. **In July 2019, the Group established a financial policy stipulating that we will retain at least 50% of FFO in any given year. In 2019, CPIPG retained 51% of FFO.** Share repurchases may be conducted in future on an ad hoc basis, but we do not expect these to occur annually.

Our primary shareholder has also contributed equity into the company over the years, particularly in 2016/2017 to support acquisitions and improve the balance sheet. In 2016, Mr. Vítek converted bonds issued by CPIPG, which he was holding personally, into shares. In total, our shareholder has contributed €886 million into CPIPG since 2016.

51%

FFO retained in 2019

	2016	2017	2018	2019	Total
FFO	103	127	164	220	614
Share Repurchases	–	–	(145)	(109)	(254)
FFO Retained	100%	100%	12%	51%	59%

Results & Net Assets

Net rental income grew by 8% to €294 million, versus €272 million in 2018.

The positive development in net rental income was predominantly driven by an increase in our gross rental income.

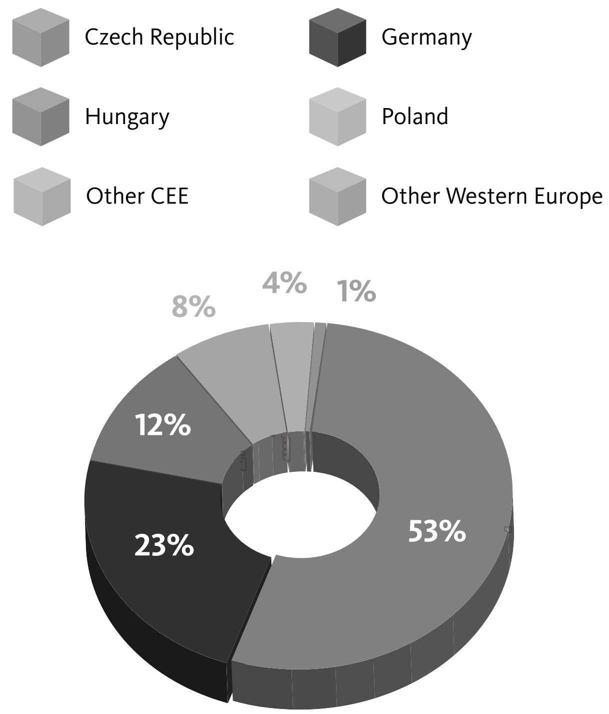
Net hotel income remained stable reflecting 1% increase of RevPAR and ADR and proportional increase of operating expenses.

Income Statement (part 1)

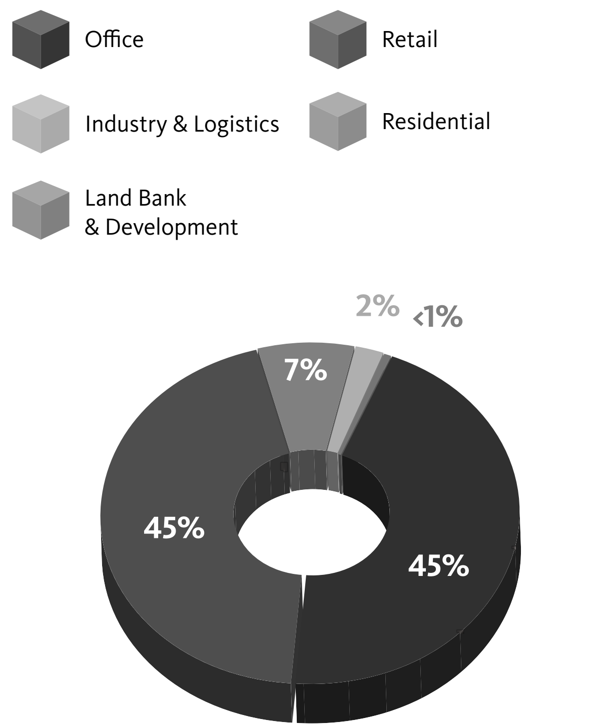
€ million	2019	2018
Gross rental income	319	302
Service charge and other income	123	111
Cost of service and other charges	(88)	(85)
Property operating expenses	(60)	(56)
Net rental income	**294**	**272**
Development sales	50	30
Development operating expenses	(46)	(31)
Net development income	**4**	**0**
Hotel revenue	134	122
Hotel operating expenses	(94)	(82)
Net hotel income	**40**	**40**
Other business revenue	46	38
Other business operating expenses	(39)	(30)
Net income from other business operations	**7**	**8**
Total revenues	672	604
Total direct business operating expenses	(327)	(284)
Net business income	345	320
Administrative expenses	(53)	(49)
Consolidated adjusted EBITDA	292	270

In 2019, the Group generated gross rental income of €319 million, representing a y-o-y increase of 6% compared to €302 million in 2018, reflecting our successful asset management and the impact of properties acquired during 2018 and 2019, partially offset by the impact of disposals.

Gross Rental Income by Country



Gross Rental Income by Segment

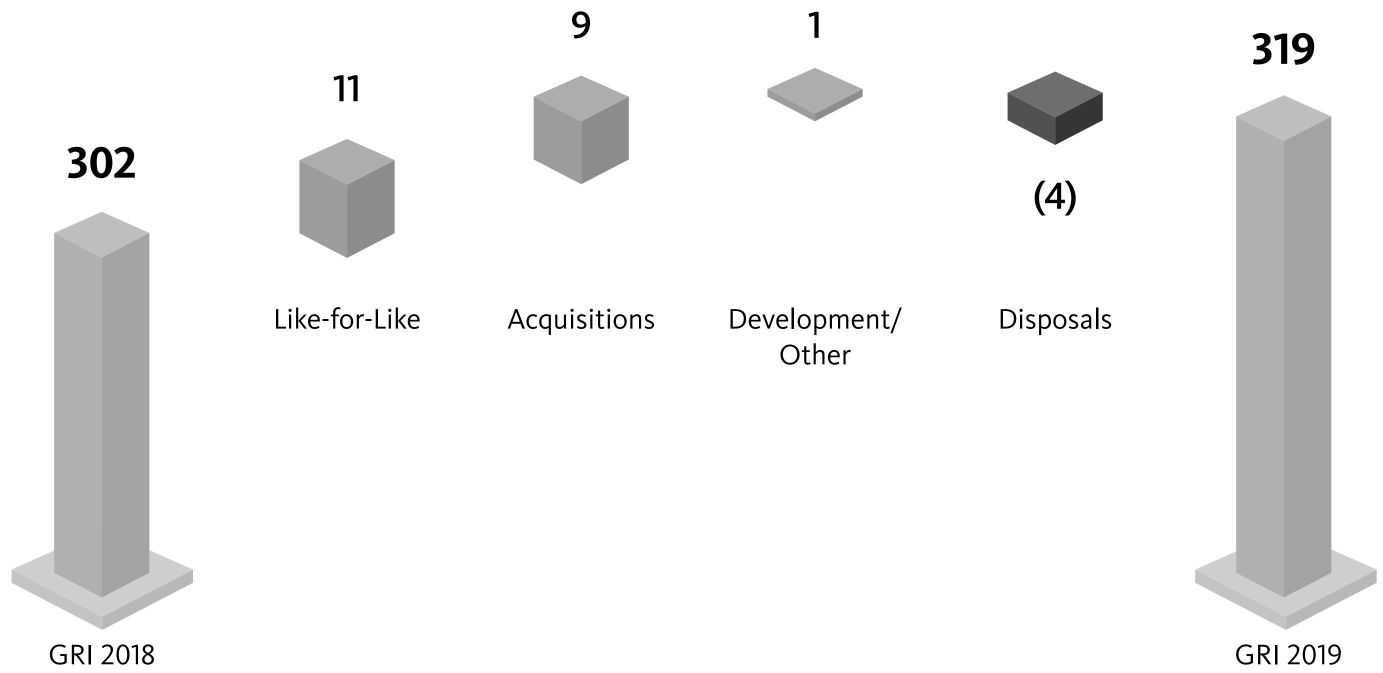


Our focus to continually improve the performance and quality of our assets is reflected in the robust 4.4% increase in gross rental income on a like-for-like basis.

The growth occurred across all countries and asset classes; the greatest increase (10.5%) was realised in Berlin's office properties.

The like-for-like growth was fully driven by an increase of rents, while occupancy slightly decreased on a like-for-like basis.

Like-for-like gross rental income	2019 € m	2018 € m	Increase/ (decrease)
Czech Republic	**129.5**	127.2	1.8%
Germany	**71.3**	64.6	10.5%
Hungary	**36.4**	35.0	4.1%
Poland	**14.0**	13.7	2.0%
Slovakia	**8.3**	8.1	2.4%
Other	**3.2**	3.1	2.9%
Total like-for-like gross rental income	**262.7**	251.7	4.4%
Not like-for-like gross rental income			
Acquisitions/Transfers	**19.9**	10.6	
Disposals	**12.4**	16.7	
Development	**23.2**	21.9	
Other	**0.8**	0.7	
Total gross rental income	**319.1**	301.7	5.8%



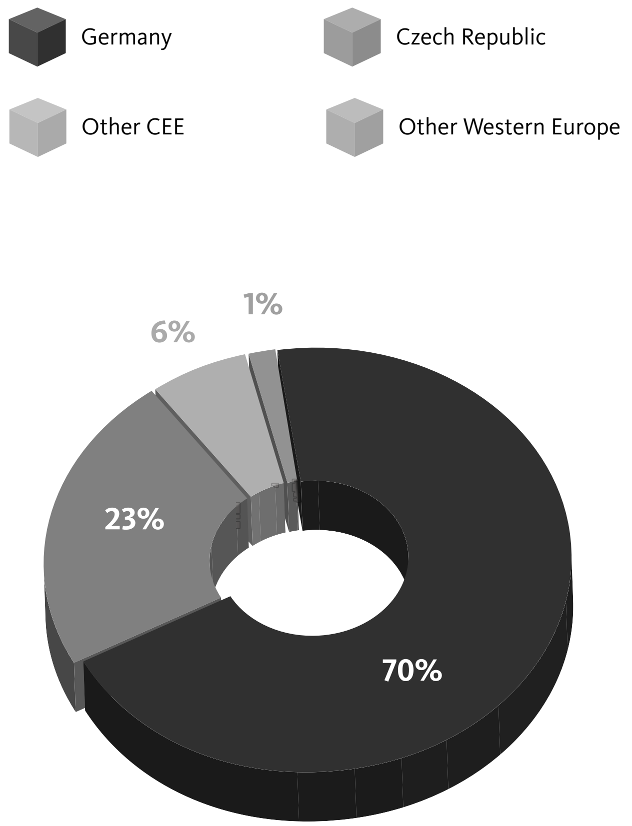
Income Statement (part 2)

€ million	2019	2018
Consolidated adjusted EBITDA	**292**	**270**
Net valuation gain	550	579
Net gain or loss on the disposal of investment property and subsidiaries	2	1
Amortization, depreciation and impairments	(42)	(64)
Other operating income	10	7
Other operating expenses	(7)	(7)
Operating result	**805**	**786**
Interest income	14	14
Interest expense	(54)	(78)
Other net financial result	0	(72)
Net finance income / (costs)	**(40)**	**(136)**
Share of profit of equity-accounted investees (net of tax)	0	(1)
Profit / (Loss) before income tax	765	649
Income tax expense	(80)	(18)
Net profit / (Loss) from continuing operations	685	631

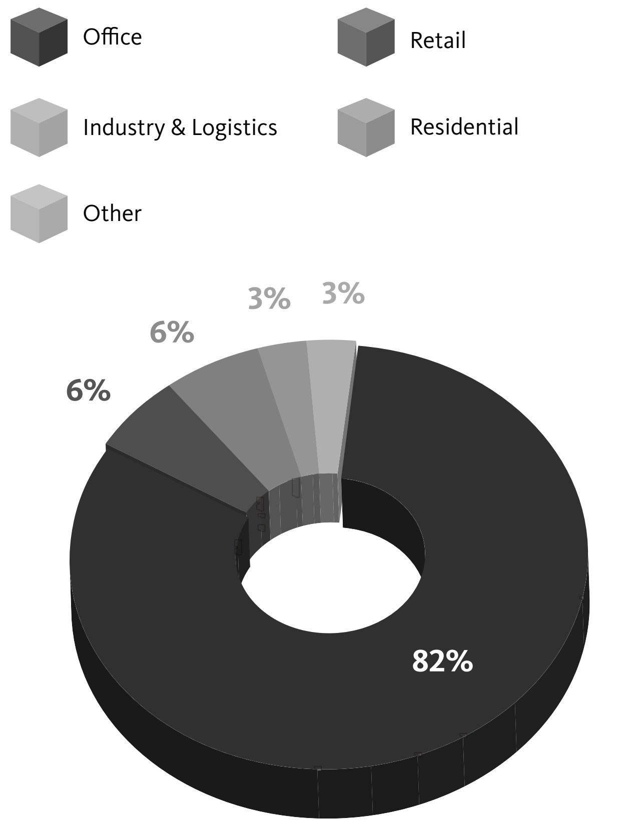
Net valuation gain of €550 million results principally from the valuation gain on the office portfolio in Berlin. The gain was driven by the significantly improved performance of our properties together with a market characterised by strong economic fundamentals and high investor demand.

The following graphs show the split of net valuation gain 2019 by country and segment.

Valuation Gain by Country



Valuation Gain by Segment



Interest expense was €54 million in 2019 compared to €78 million in 2018.

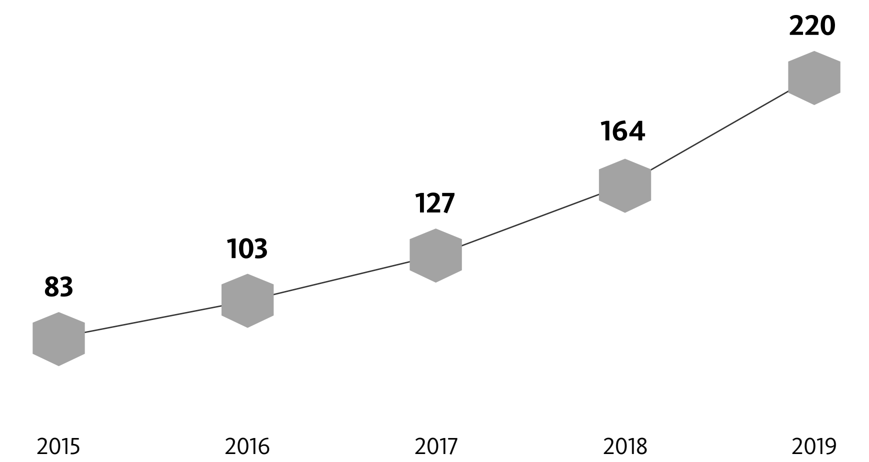
This significant decrease reflects the change in the Group's capital structure when a substantial portion of high-coupon bonds and secured bank loans was repaid during 2018.

Interest Expenses (€ million)	2019	2018
Interest expense from bank and other loans	(18.2)	(33.9)
Interest expense on bonds issued	(35.2)	(43.8)
Interest expense related to leases	(0.5)	(0.5)
Other interest expenses	(0.3)	(0.2)
Total interest expenses	(54.2)	(78.4)

Change in other net financial result is attributable to a slight strengthening of the CZK/EUR exchange rate during 2019, relative to a depreciation of CZK/EUR during 2018. The impact of foreign exchange relates principally to intra-group loans. In 2018, other net financial result was also negatively affected by early repayment of the subsidiary bonds.

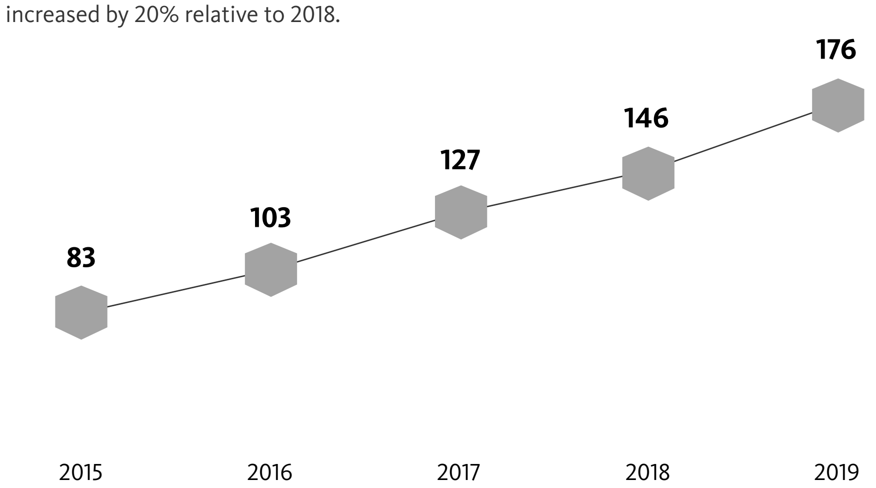
Funds from Operations – FFO (€ million)

Funds from operations (FFO) increased to €220 million, up 34% relative to 2018.



Funds from Operations – FFO II (€ million)

FFO II, which includes the effect of coupon payments on hybrid bonds, increased by 20% relative to 2018.



Balance Sheet

€ million	31 Dec 2019	31 Dec 2018
Non-Current Assets		
Intangible assets and goodwill	**107**	110
Investment property	**8,157**	6,687
Property, plant and equipment	**886**	736
Deferred tax asset	**168**	195
Other non-current assets	**246**	91
Total non-current assets	**9,564**	7,819
Current Assets		
Inventories	**51**	72
Trade receivables	**81**	68
Cash and cash equivalents	**805**	99
Assets held for sale	**22**	67
Other current assets	**151**	134
Total current assets	**1,109**	440
Total assets	**10,673**	8,259
Equity		
Equity attributable to owners of the Company	**4,334**	3,776
Perpetual notes	**1,085**	542
Non controlling interests	**50**	44
Total equity	**5,469**	4,362
Non-Current Liabilities		
Bonds issued	**2,871**	1,648
Financial debts	**1,165**	1,062
Deferred tax liabilities	**806**	762
Other non-current liabilities	**74**	53
Total non-current liabilities	**4,916**	3,525
Current liabilities		
Bonds issued	**21**	7
Financial debts	**48**	158
Trade payables	**86**	98
Other current liabilities	**133**	110
Total current liabilities	**287**	372
Total equity and liabilities	**10,673**	8,259

Property Portfolio (IP, PPE, INV, AHFS)
Change in PP by €1,554 million primarily due to:

- Acquisitions of €789 million, mainly attributed to three office properties in Warsaw, Poland (over €560 million), two hotels in the Czech Republic and two properties in London;
- Change in fair value of €627 million;
- CAPEX and development of €240 million;
- Disposals of €77 million.

Total Assets
Total assets increased by €2,414 million (29%) to €10,673 million as of 31 December 2019, primarily driven by higher investment property (€1,470 million) and cash and cash equivalents (€706 million).

Equity
Equity increased by €1,107 million mainly due to:

- + €633 million profit for the year
- + €543 million hybrid issued
- + €32 million hedging and translation reserves
- + €25 million revaluation reserve
- − €109 million share repurchase

Financial Debts
Financial debts slightly decreased due to:

- − €68 million of bridge loan repaid
- − €50 million of term loan repaid
- − €34 million of RCF repaid
- − €74 million of bank loans repaid
- + €170 million of Schuldschein drawn
- + €36 million of new bank loans

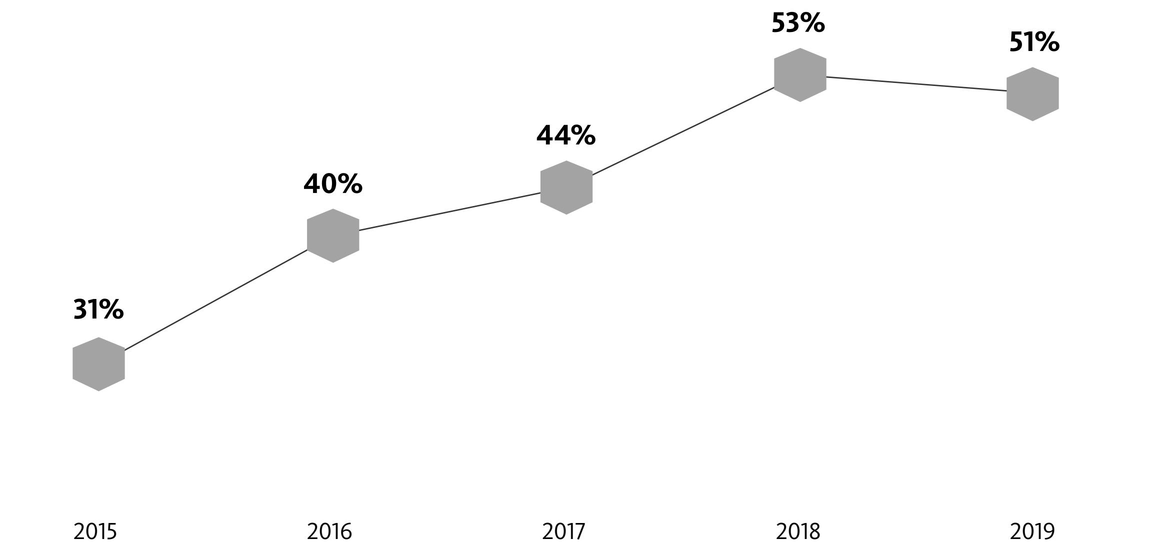
Bonds Issued
All bonds issued are represented by notes used by CPI PROPERTY GROUP S.A. under our EMTN programme.

Bonds issued increased due to:

- + €733 million of Green bonds
- + €401 million of USD bonds
- + €85 million of HKD bonds

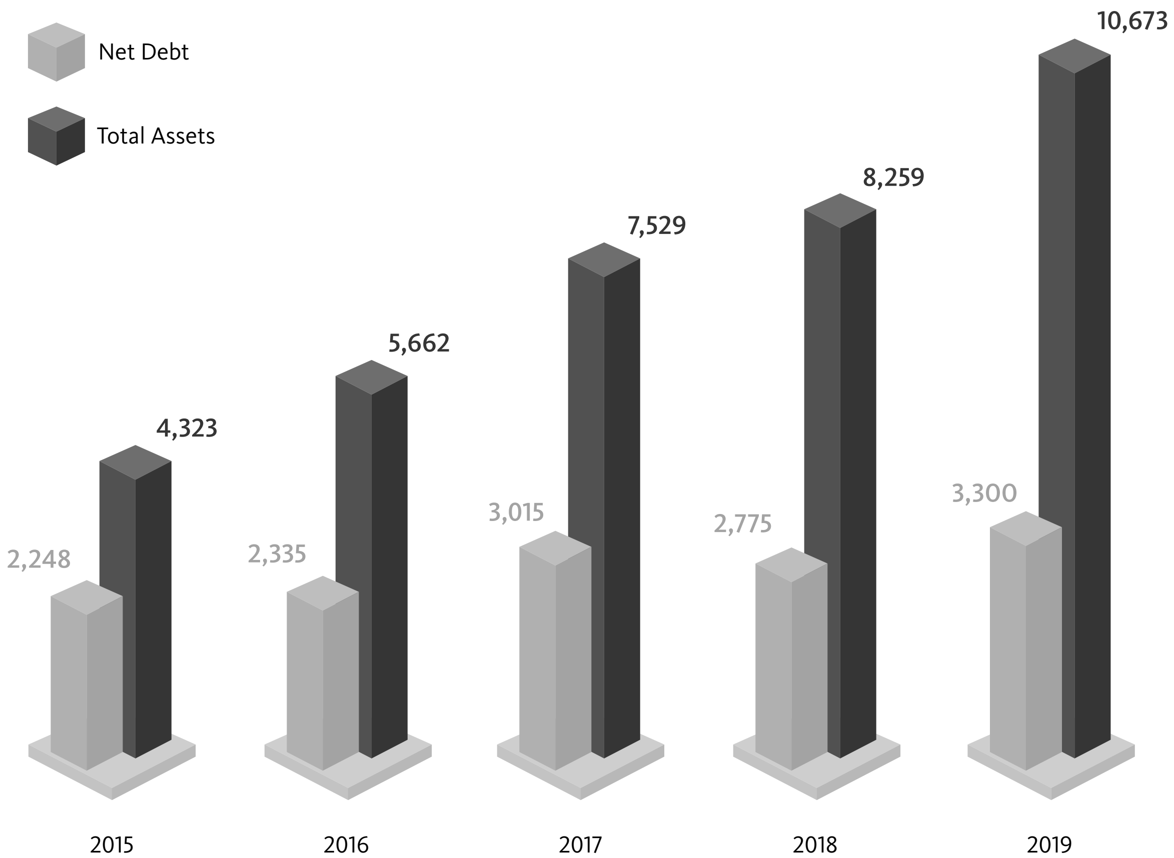
Equity Ratio

Despite the Group's retention of profit, higher property portfolio valuations and hybrid bond issuance in 2019, CPIPG's equity ratio slightly decreased in 2019 compared to 2018 due to issues of senior unsecured bonds.



Total Assets and Net Debt

In 2019, the Group continued increasing total assets through acquisitions and revaluations and via hybrid bond issuance, while also increasing total debt via senior unsecured bonds issues with proceeds partially held in cash at the end of 2019.



Governance & Sustainability

Olympia Plzeň Shopping Centre, Czech Republic

Governance Principles

CPIPG believes that good corporate governance safeguards the interests of our stakeholders including shareholders, bondholders, lenders, tenants and employees. Our objectives are excellence and transparency in our management controls, external reporting and internal procedures. We believe this supports a corporate culture which is balanced between entrepreneurial spirit and the identification, control and prevention of risk.

CPIPG continually reviews and implements industry best practices with respect to corporate governance and has adjusted our internal practices to meet international standards. CPIPG aims to communicate regularly with our shareholders and stakeholders regarding corporate governance and to provide regular updates on our website.

Sustainability Principles

CPIPG's goal is to gradually increase the share of green and certified buildings in our portfolio and to utilise environmental certification schemes to validate the sustainability of key assets in all main environmental areas (management, health & well-being, energy, water, materials, waste, land use, pollution, transport). Our key sustainability principles are:

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

Our governance standards are already high, but CPIPG never stops elevating our goals and expectations.

Martin Matula, General Counsel

CPIPG's Approach to Corporate Governance

The Group believes that sustainability begins with good corporate governance to safeguard the interests of all our stakeholders: shareholders, bondholders, lenders, tenants, employees, suppliers and contractors, communities and local authorities.

The Group's corporate governance practices primarily follow the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange **("The X Principles")**. The Group's equity and debt securities are listed on several regulated exchanges including Frankfurt, Luxembourg, Dublin, Tokyo, Warsaw and Zurich. In each listing venue, CPIPG must also comply with applicable disclosure and governance rules.

CPIPG has implemented industry best practices with respect to corporate governance policies and external reporting. In 2019, the Group approved the "Code of Business Ethics and Conduct of CPI Property Group" (the **"Code of Ethics"**) and also newly updated policies governing procurement, supplier and tenants' conduct, anti-bribery and corruption, anti-money laundering, sanctions and export controls, whistleblowing, human capital and employment and corporate social responsibility (CSR).

The X Principles

CPIPG primarily follows the X Principles of Corporate Governance of the Luxembourg Stock Exchange.

The X Principles provide companies with guidance in the application of corporate governance rules and have evolved over time in line with changes in regulations and market practices. 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). The X Principles can be summarized as follows:

I Corporate Governance Framework

The Company has adopted the X Principles as its main corporate governance framework. The Board of Directors considers corporate governance as vital for the Company's operation and progress. The Board regularly reviews the governance policies, works of its committees and communications with shareholders and investors. The Company publishes a statement on corporate governance in its annual report. The Group has a set of policies regulating the corporate governance framework.

II The Board of Directors' Remit

The Board is responsible for the management and supervision of the Group. It acts in the best corporate interest of the Company, its shareholders and other stakeholders. The key goal of the Board is to ensure the long-term success of the Company.

The Board takes into account the Group's corporate social responsibility and the interests of all stakeholders in Board's deliberations. During its meetings, the Board regularly evaluates its conduct and operation and relations with management.

III Composition of the Board of Directors and of the Special Committee

The Board of the Company is composed of highly experienced and qualified real estate and finance professionals with an excellent track record and thorough knowledge of the Group and its business. The Board is composed of executive directors, two independent directors and non-executive directors representing shareholders. A new independent Board member, Omar Sattar, was appointed by the AGM during the first half of the year. The Board has established an Audit Committee, a Remuneration and Related Party Transaction Committee (the **"Remuneration Committee"**) and a Corporate Social Responsibility Committee (the **"CSR Committee"**) with specific roles and responsibilities.

IV Appointment of Members of the Board of Directors

The composition of the Board has been stable given their conduct and the Company's performance. Candidates for appointment to the Board are carefully evaluated. The Board, before submitting candidates to shareholders' general meeting for voting, conducts interviews and evaluations such that all prospective candidates are competent, honest, and qualified persons with relevant professional background and experience.

V Professional Ethics

The Board as a governing body as well as each of the directors exercises their respective mandates with integrity and commitment. The Board represents the shareholders as a whole and makes decisions in the Company's interest. A director who has a direct or indirect conflict between his interests and those of the Company in any business or matter to be resolved upon by the Board (i) must promptly inform the Board of such potential conflict; (ii) must request that it is stated in the minutes of the Board meeting; and (iii) cannot take part in such deliberations nor vote in relation to the matter in which such director is conflicted.

The Code of Ethics, as an integral part of our internal rules, together with our Group policies, forms a framework for our Corporate Governance and Compliance. It states basic standards of conduct for all employees and agents acting on behalf of the Group, as well as for all members of the Group's corporate bodies and management (employees, agents and members of the Group's corporate bodies and management hereinafter the "Representatives"), and is intended to prevent illegal, unethical or otherwise socially improper conduct.

VI Executive Management

The Company has become a very successful real estate group, which has experienced significant growth in recent years. A swift decision-making process and co-operative atmosphere are among the Company's competitive advantages. To ensure a seamless continuation of this success, the Company has formally established an Executive Board comprised of its top executives. The Executive Board reports to the Board of Directors, receives instructions therefrom and is responsible for managing all day-to-day matters of the Group.

In order to streamline the decision-making process and clarify responsibilities, the members of the Executive Board have been assigned divisions and departments under their direct responsibilities and reporting lines. The co-ordination and communication among various divisions and departments and principally the people themselves are vital for the Company's success and have the full support of management.

VII Remuneration Policy

The Directors and the members of the Company's Executive Board are remunerated in a manner that is compatible with the long-term interests of the Company. To attract and also maintain best talent, the Group strives to provide employees with competitive wages and other employment-related benefits, while ensuring observance of the equal pay for equal work rule.

Aside from cash remuneration, the Group uses various other tools to retain people. The Group conducts regular satisfaction surveys and encourages its Representatives to share feedback with the Group so that actions can be taken to maintain a healthy work atmosphere and work-life balance. The Group hires and develops leaders, not bosses, and offers valuable learning experiences and career development tools. Last, but not least, the Group strives to create a brand that the Representatives will feel proud to be part of.

VIII Financial Reporting, Internal Control and Risk Management

The Company has established a set of rules and procedures designed to protect the Group's interests in the areas of financial reporting, internal control and risk management, including cyber risks. The Group's overall approach to risk is conservative. Key risks are assessed by ranking exposure on the basis of probability and magnitude and are closely managed. Analysis of sensitivity to these key risks is conducted at Group level.

IX Corporate Social Responsibility (CSR)

CPIPG's Board of Directors has created a CSR Committee focusing on the supervision of sustainability, environmental, corporate social responsibility, green financing, and compliance matters for the Group.

The Group is fully committed to shared responsibility with the communities and environments wherever it is active. It strives to act transparently, ensure accountability and promote accessibility, inclusivity and smart livelihoods through its assets. The Group considers itself a reliable, responsible, equitable and proactive partner for all stakeholders and communities. In this spirit, it actively seeks relevant stakeholders, develops communication channels and addresses grievances.

The Group endorses all the 17 Sustainable Development Goals 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 Sustainable Development Goals in all its operations.

In 2018, CPIPG began working with the University Centre for Energy Efficient Buildings (UCEEB) of the Czech Technical University in Prague. UCEEB helped CPIPG to establish and quantify environmental KPIs and advised CPIPG in setting up the regular monitoring, reporting and targeting process to align with ISO 14001, GRI and EPRA environmental reporting guidelines.

Through the partnership with the University the Group continuously works to improve its environmental performance and establish a strong EMS comprising processes and practices designed to promote environmental objectives.

In 2019, the Group became a member of the Czech Green Building Council (CZGBC). The CZGBC was established in 2009 to support the principles of sustainable building. The CZGBC is a member of the European Regional Network of the World Green Building Councils and can influence EU legislation in its initial phase. It closely cooperates with the certification organizations operating LEED, BREEAM, DGNB and Czech SBToolCZ. Current activities are focused around: energy management and innovations, sustainable materials and waste, water management, healthy internal environment and brownfields/industrial.

X Shareholders

The Company's primary purpose is the creation of value for its shareholders. The Company respects the rights of its shareholders and ensures that they are treated equally. The Company constantly improves its communication with shareholders and the transparency of its reporting and conducts regular communication with its investors through our semi-annual and annual management reports, press releases, presentations, investor roadshows and semi-annual investor webcast.

Involvement of Stakeholders

CPIPG maintains a continuous dialogue with a wide range of stakeholders including tenants, employees, investors, and members of local communities. The Board of Directors, through the CSR Committee, supervises and directs these efforts.

The Group's Key Principles of Stakeholders' Involvement:

- Commitment to maintain strong relationships with our tenants;
- Open communication with our investors and financial stakeholders;
- Active dialogues with local governments and authorities;
- Participation in industry-level working groups (such as the CZGBC) and public inquires with respect to sustainability, regulatory and financial topics;
- Actively collecting and responding to feedback from our tenants, employees, and investors.

In 2019, the Group conducted an anonymous employee survey covering over 750 of our employees in the Czech Republic, Germany, Hungary, Slovakia, Poland and Croatia. The response rate was more than 95% (excluding sick/holiday leave), with a large majority indicating a high degree of satisfaction.

The Group conducts periodic occupier satisfaction surveys to determine the level of tenant satisfaction with our properties. The surveys mix quantitative and qualitative questions and are voluntary, anonymous, and confidential.

Partially in response to feedback from our tenants, in 2019 the Group launched the "CPI Akademie" retail development and educational programme. The programme is designed to respond to the changing market and improve the competitiveness of traditional brick-and-mortar shops by creating a better customer experience at the point-of-sale, while also helping tenants to retain skilled staff.

While the Group strives to provide a healthy and comfortable indoor environment for our tenants, occupant preferences have a significant impact on energy and water consumption, production of greenhouse gases and solid and effluent wastes. We recognise the importance of engaging, educating and cooperating with occupants to reduce the environmental impact of our portfolio.

The Code of Ethics Sets the Following Standards of Conduct Towards Stakeholders:

Towards Customers

We endeavour to build a partnership with our customers (including tenants) that operates in a manner consistent with our values, including ethical, social and environmental aspects. We strive to ensure that our customers share our values. At the same time, our priority is to satisfy the of needs and expectations of our customers. Therefore, we conduct our business with due care and focus on protection and support of our customers' interests. We avoid any steps and actions which could damage our trustworthiness in our customers' eyes or distort their perception of our services.

Because Assurance of Infrastructural Health and Safety Compatibility is a Prerequisite to Our Customers' Satisfaction, we:

- Comply with the highest customer general safety and fire safety standards;
- Regularly monitor and assess safety-related issues as part of our extensive due diligence activities;
- Carry out regular on-site customer property management; and
- Ensure transparency of all measures and work conducted for customers.

We also pay attention to customers' complaints and inform them on handling of complaints, including remedial steps and measures to be taken. We always prefer an amicable solution to any disputes. If such an amicable solution cannot be reached, we inform the customer on all available out-of-court solutions to the respective dispute.

Towards Business Partners

We endeavour to build a partnership with our business partners (including suppliers and lenders) in a manner consistent with our values, including ethical, social and environmental aspects. We place the same ethical, social and environmental requirements on our business partners as on ourselves and our Representatives.

We establish and develop honest relationships with our business partners based on mutual trust and respect for contractual obligations. We prefer long-term relationships with our business partners and enter into relationships only with those adhering to applicable laws and using financial resources not resulting from illegal activities. In contractual negotiations and invoicing, we act in a fair and transparent manner. We respect the rights of our business partners to protect their trade secrets and other confidential information.

Towards Employees

We recognise and respect all legitimate rights of employees, including participation in trade unions. We create safe working conditions and an environment of trust and mutual respect, enabling each employee to develop his/her knowledge and skills. We strictly adhere to applicable laws on a healthy and injury-free workplace. We invest in continual education of our employees and participate in their professional development. We provide adequate remuneration for the work completed and, in addition, reward exceptional performance.

We neither support nor tolerate any kind of discrimination or harassment; we support diversity and create conditions for work engagement of disabled individuals. We respect the personal lives of our employees by facilitating work-life balance. We conduct background checks of candidates as to previous breaches of applicable laws or ethical rules.

On the other hand, our employees are expected to advance the Group's legitimate business interests. They shall not enter into competition with the Group, provide unjustified advantages to any third party to the detriment of the Group or take advantage of business opportunities available to the Group for themselves or for their family members.

Towards Shareholders and Investors

We strive for continuous long-term increasing value for our shareholders and investors (including bondholders). We apply Corporate Governance rules in order to achieve balanced relationships between shareholders, investors, corporate bodies, executive management, employees, customers and other stakeholders. We provide our shareholders and investors with information on a regular basis in transparent and non-discriminatory manner.

Towards Public Authorities and Regulators

We respect powers and competences of all relevant public authorities and regulators (including the respective stock exchanges), and their rules, decrees, decisions and other acts. We provide them with due and appropriate cooperation and information.

Towards Communities and Society as a Whole

We strive to contribute to friendly and peaceful cohabitation within our communities. We are committed to high standards in environmental, social and ethical matters. Our staff receive training on our policies in these areas and are informed when changes are made to these policies. Our environmental policy is to comply with applicable laws, while pursuing energy efficient solutions wherever possible.

Bicycle storage station at Futurum Shopping Centre, Kolín, Czech Republic

CPIPG employees in Quadrio, Czech Republic

I am excited about the environmentally friendly approach within the Group and the efforts pursued by the CSR Committee.

Sebastian Blecke, COO of GSG Berlin and CSR Committee member

photo: GSG Berlin © CHL

CSR Governance & Management

CSR Committee

In early 2019, CPIPG's Board of Directors created the CSR Committee focusing on the supervision of sustainability strategy, social and environmental risks management, corporate social responsibility, green financing, and compliance matters for the Group.

The main task of the CSR Committee is the supervision, oversight and active promotion of CSR principles across the Group.

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

(a) active use and promotion 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;
(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) increase of the share of the renewable energy sources in all Group's operations, such as equipping existing assets with solar panels;
(f) high-standard performance, including green LEED/BREEAM certifications, as well as other relevant external certifications, where possible;
(g) strengthened 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) increase of the share of green buildings in the Group's portfolio in line with the current strategy and seeking to apply real estate life cycle assessment on new 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 CSR Committee monitors and enhances:

(a) transparency and accountability within the Group and vis-à-vis its stakeholders. The CSR 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 policies and applicable legal standards.
(f) Proper disclosures in relation to corporate social responsibility efforts on regular basis.

The members of the Committee are appointed by the Board of Directors. The Composition shall have at least five members. Any member of the Committee may be removed with or without cause (*ad nutum*) by a simple decision of the Board of Directors.

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.

As at 31 December 2019, the CSR Committee is comprised of the following members:

- Sebastian Blecke, COO, GSG Berlin;
- David Greenbaum, CFO;
- Edward Hughes, Chairman of the CSR Committee, independent, non-executive member of the Board of Directors;
- Martin Matula, General Counsel;
- Tomáš Salajka, Director of Acquisitions, Asset Management & Sales, executive member of the Board of Directors, and;
- Marie Vítek, non-executive member of the Board of Directors.

During 2019, the CSR Committee held two meetings with 100% attendance. The CSR Committee dealt with the scope of its works and responsibilities, division of internal roles, tasks and framework under which it operates. The CSR Committee appointed Edward Hughes as its chairman. The CSR Committee reviewed the CSR initiatives within the Group and dealt with green bond related matters, including the green bond framework, allocation of proceeds as well as overall strategy with regard to green financing.

Balance Loft, Budapest, Hungary

Responsible Procurement Policy

The Group introduced a procurement policy, the aim of which is to set out universal standards for Group procurement processes, so that all procurement within the Group is conducted in a cost-effective, transparent and non-discriminatory manner and in compliance with applicable laws, and to ensure that the Representatives understand all their responsibilities relating to the procurement and procurement processes.

The Main principles in Relation to the Procurement Within the Group are the following:

- **Legality:** The procurement and procurement processes shall be conducted in accordance with applicable laws and the Group's internal rules.
- **Non-Discrimination:** The procurement and procurement processes shall be conducted in a non-discriminatory manner, and all current and potential suppliers shall be treated equally and without any special preference. The suppliers may be placed upon the black list for material reasons only.
- **Transparency:** The procurement and procurement processes shall be conducted in a transparent manner. All relevant processes, qualifications, evaluations and communications shall be conducted in a way which does not raise doubts about proper selection of the most suitable supplier for the Group. The relevant documentation must be properly archived to allow subsequent reconstruction of each procurement process.
- **Cost-Efficiency:** The purpose of the procurement shall be to optimize the value-for-money ratio, i.e., to determine which supplier can provide the Group with the best price, quality and added value.
- **Binding Nature:** The procurement policy or the principles relating to the procurement and procurement processes, as the case may be, shall not be circumvented. The Representatives are prohibited to split or manipulate any relevant documents (including orders or invoices) or in any other way distort the processes prescribed herein in order to avoid application of procurement policy or the principles relating to the procurement and procurement processes, as the case may be.
- **Confidentiality:** The Representatives are prohibited to provide any third party with information related to specific terms and conditions, especially prices, under which the Group procures or intends to procure goods or services from its suppliers or potential suppliers.

CPIPG expects suppliers and business partners to meet the same ethical, social and environmental standards as the Group. Relationships with business partners are governed by the Group's suppliers and tenants' codes of conduct and the procurement policy. Compliance with these policies is monitored through on-site visits and periodic reviews of suppliers. The Group reserves the right to exclude suppliers from new projects if breaches of policy are identified.

Ensuring Business Ethics

At CPIPG ethical practice is a core component of our corporate philosophy and we are committed to transparency in our management structure, corporate reporting and internal procedures and rules. We believe that this supports a corporate culture which is balanced between entrepreneurial spirit and core ethical values. An ethical approach combined with proper corporate governance enables us to conduct our European-wide business with the highest ethical and legal standards, which we owe to our stakeholders, communities and public authorities.

The Group's essential tenet is to comply with applicable laws, industry standards and best practices. Therefore, we obey applicable laws, both in letter and in spirit, and continually review and implement industry standards and best practices, including those relating to Corporate Governance and Compliance. This approach ensures that our internal procedures and rules comprise all pivotal pillars of Corporate Governance and Compliance, including environmental issues, conduct of employees, suppliers and tenants, sanctions and export controls, whistle-blowing, procurement, data and information protection, conflict of interests, as well as prevention of insider trading, bribery, corruption, fraud, money laundering, terrorist financing and anti-competitive practices.

The Code of Ethics, as an integral part of our internal rules, together with our Group policies, forms a framework for our Corporate Governance and Compliance. It sets basic standards of conduct for all employees and agents acting on behalf of the Group, as well as for all Representatives, and is intended to prevent illegal, unethical or otherwise socially improper conduct.

We also expect our shareholders, investors, customers and other business partners to comply with the Code of Ethics.

The Code of Ethics Helps us Build Openness and Trust by Explaining Our Core Values:

- **Compliance with applicable laws, industry standards and best practices** – In all countries where we operate, our primary concern is to comply with applicable laws, industry standards and best practices. Therefore, we prevent conflict of interest, money laundering and terrorist financing and neither support, nor tolerate any insider trading, sanctions circumventing, bribery, corruption or fraud, anti-competitive conduct, discrimination or harassment. We protect the environment and support sound social values and good relationships with our employees, shareholders, investors, customers, business partners and stakeholders.
- **Fairness, Integrity and Professionalism** – We promote the highest standards of integrity by always conducting our affairs in an honest and ethical manner. Each of us makes a commitment not to allow any kind of situation to undermine our standards for fairness and integrity in dealing with employees, shareholders, investors, customers and other business partners, public authorities, communities and other stakeholders. We always keep the highest standards of professional correctness and courtesy in any interaction and communication with our employees, shareholders, investors, customers and other business partners, public authorities, communities and other stakeholders.
- **Experience, Quality and Entrepreneurship** – We have excellent know-how in our field of expertise, understand our business thoroughly and intend to deliver solely top-quality performance to our customers. We actively support a culture of empowerment and accountability, in which our employees can thrive personally and professionally, enhancing creativity in every discipline of the Group.
- **Pro-Active Approach and Teamwork –** Each of us is committed to take a pro-active approach in relation to our shareholders, investors, customers and other business partners, public authorities and communities, as well as our fellow employees. We try to satisfy wishes and needs of other people, and to recognize and understand their problems. The Group is proud to comprise a Europe-wide team of people who are aligned, motivated and rewarded for contributing to the team and to the long-term value of the Group.
- **Stability** – We are a strong, successful and stable Group, standing as a symbol of reliability to our employees, shareholders, investors, customers and other business partners and stakeholders.
- **Safety** – We are committed to a healthy and injury-free workplace and to the safety of our employees, contractors, visitors and communities in which we operate. Safety is fundamental to our overall operational and managerial excellence.
- **Community** – As our corporate culture is centred around respect and professionalism, we believe in giving back to our communities. We contribute to the sustainable economic, social and environmental development of our communities.

It is our policy to comply with applicable laws of each country where we operate. Our Representatives* shall be aware of applicable laws that impact our business, comply therewith and refrain from any activity which is unethical, illegal or would endanger the safety of others. Our Representatives shall also ensure that their actions cannot be interpreted as being, in any way, in violation of applicable laws. The Group will not condone any activity of any Representative who achieves results through violation of applicable law or through non-ethical business dealings.

Conflicts of Interest

A conflict of interest may arise when a Representative's personal interests (or personal interests of his/her family members) interfere or appear to interfere with his/her ability to act in the best interest of the Group.

We respect the rights of our Representatives to manage their personal affairs and investments, and we do not wish to impinge on their personal lives. However, any activities that create or may create a conflict of interest are prohibited, unless specifically approved in compliance with applicable laws and the Group's internal rules. In turn, our Representatives may not engage in transactions directly or indirectly which lead to or could lead to a conflict of interest.

Even the appearance of a conflict of interest, where none exists, can be detrimental to the Group and shall be avoided. This also means that, as in all other areas of their duties, Representatives working with customers, business partners, competitors or any other persons cooperating with the Group shall act in the best interests of the Group to exclude consideration of personal preferences or benefits.

We expect our Representatives to be free from influences that conflict with the best interests of the Group or might deprive the Group of their undivided loyalty in business dealings. Our Representatives are required to refuse any intervention, coercion or influence that could jeopardize the impartiality of their decision-making relating to our business affairs and, at the same time, to inform their supervisor and the Compliance Officer of the Group (the “Compliance Officer”). The same notification duty applies if such Representative is uncertain whether a conflict of interest exists or will exist. Members of the Group's corporate bodies and management shall in such cases report to, and consult with, the Audit Committee of CPIPG.

Whistle-blowing

We expect our Representatives, as well as shareholders, investors, customers and other business partners and stakeholders to speak out if they have any concerns about breaches of applicable laws, the Code of Ethics, the Group's internal rules or any other illegal or unethical matters. We have a whistle-blowing procedure which enables anyone to raise in confidence, whether anonymously or otherwise, concerns on such possible improprieties relating, but not limited, to:

- Conduct, which is an offence or breach of applicable laws, the Code of Ethics, other Group's internal rules;
- Alleged miscarriage of justice;
- Health and safety risks;
- Unauthorised use of public funds;
- Possible fraud, corruption and bribery;
- Sexual, physical or verbal harassment;
- Bullying or intimidation of employees, customers or other persons;
- Abuse of authority; or
- Other illegal or non-ethical conduct.

Reports can be made to the e-mail whistleblowing@cpipg.com. All reports made in good faith shall be kept confidential and no person making a report will be subject to discrimination or adverse treatment by virtue of making that report. However, anyone making that report under the whistle-blowing procedure shall acknowledge and accept that the Group may, by reason of the matters reported, need to address this with the relevant public authorities, and that it may have consequences for the reporter under applicable laws.

Under the whistle-blowing procedure, arrangements are in place for independent investigations and for appropriate follow-up actions to be taken.

Prohibition of Corruption, Bribery and Fraud

We do not tolerate corruption, bribery or fraud in any form. Regardless of our geographic location, the Group and its Representatives shall comply with applicable anti-corruption, anti-bribery and anti-fraud laws (including the UK Bribery Act of 2010 and US Foreign Corrupt Practices Act of 1977). No Representative shall directly or indirectly:

- Offer, make, promise or authorize the transfer of anything of value to a public official (or his/her family member) to obtain or retain a business advantage or to influence any decision by such official in his/her official capacity, unless authorised by applicable laws;
- Offer, make, promise or authorize the transfer of anything of value to any private person or entity to improperly influence that person in the legitimate performance of his/her expected duties and obligations; and
- Accept or receive anything of value from any person, where such a thing is offered, promised or given with the intention of improperly influencing that Representative to obtain or retain business for the Group or secure an improper business advantage.

Our Representatives are required to report any actual or suspected corruption, bribery or fraud to the Compliance Officer or through the whistle-blowing procedure. For the purposes of combating corruption, our employees have an anti-corruption clause in their employment contracts. Any violation of the above rules is considered a gross violation of work discipline.

Further, as giving gifts or entertainment to public officials is highly regulated and very often prohibited, each Representative shall avoid any activity that may be construed as a bribe, corruption or improper payment. In such cases, the Representatives shall always obtain relevant approval within the Group, and never offer gifts or entertainment to public officials without first checking with the Compliance Officer.

Procurement within the Group shall be conducted in a cost-effective, transparent and non-discriminatory manner and in compliance with applicable laws. Therefore, we expect our suppliers and other business partners to compete fairly and vigorously for our business and endorse the principles of the Code of Ethics and other relevant Group's internal rules. We select our suppliers and other business partners strictly on merit, rather than on improper benefit given or offered. Our Representatives may neither give to, nor accept from, anyone who conducts or seeks to conduct business with the Group, any gift, service or special treatment of any kind, unless:

- It is provided with good intentions and for legitimate business purposes;
- It is consistent with good business practices and ethical standards;
- It is permitted by applicable laws and the Group's internal rules;
- It is permitted by the counterparty's own business policies;
- It is of value not exceeding normal business practices, not in the form of cash payment and cannot be interpreted as a bribe or reward;
- There is no expectation that such special treatment will follow;
- It does not create an appearance of impropriety;
- Potential publicizing the information on providing such gift, service or special treatment of any kind would not be detrimental to the Group's reputation; and
- Providing such gift, service or special treatment of any kind was approved within the Group, if required.

We always treat our customers honestly, fairly and objectively. Our Representatives may provide gifts or entertainment to, or receive gifts or entertainment from, existing or potential customers only if conditions set out in the preceding paragraph are met.

Otherwise, our Representatives are obliged to refuse any such gift, entertainment, service or special treatment of any kind, warn the counterparty of the inadmissibility of such conduct and inform the Compliance Officer. If a Representative cannot avoid accepting such gift, entertainment, service or special treatment of any kind above the value of normal business practices, he/she must report it to the Compliance Officer, who will decide on further steps and measures to be taken.

Finally, any Representative may never try to induce by any means any business partner to give him/her any gift, entertainment, service or special treatment of any kind.

Anti-Money Laundering and Counter-Terrorism Financing

The Group's business activities are to be conducted in accordance, and all Representatives shall at all times comply, with applicable laws on the prohibition and prevention of money laundering and terrorism financing. This means, among others, that we must always have thorough knowledge of the business partners we do business with. In addition, we take steps and measures to prevent misusing our services for money laundering and terrorism financing.

** defined as employees, agents and members of the Group's corporate bodies*

Prohibition of Securities Fraud and Insider Trading

Our Representatives may have access by reason of their position in, or relation to, the Group to information that is not public (including information on financing, mergers and acquisitions) and that would probably result in a significant impact on the share price of any company inside or outside the Group or on related financial derivative instruments, had it been released.

As we comply with applicable laws on prohibition of securities fraud and insider trading, neither the Group, nor its Representatives may trade in the shares or other securities of any company in question, either directly or through another person, as long as this information has not been made public, and may not disclose such information, other than in the normal course of business.

In addition, within the Group any inside information shall only be disseminated to other Representatives on a need to know basis, such as a business purpose, and each Representative shall exercise care to keep such information secure from unnecessary or unintended disclosure, including disposal of documents containing such information.

International Sanctions and Export Controls

A number of countries have adopted laws regulating the import and export of goods, services, software and technology. Failure to comply with foreign economic and trade sanctions, export controls, embargoes and international boycotts of any type may constitute a crime and the sanctions for non-compliance can include fines and imprisonment. An entity that does not comply may also be denied the right to participate in foreign trade with the state whose laws were breached.

Therefore, the Group and its Representatives comply with applicable laws of the European Union, USA, United Kingdom and other countries concerning the import and export of goods, services, software and technology, foreign economic and trade sanctions, export controls, embargoes and international boycotts of any type.

Participation in Public Procurement and Public Tenders

We comply with laws on public procurement and public tenders, if applicable to us. We have a zero-tolerance policy in respect of any illegal or unethical practices relating to public procurement and public tenders, including bribery, corruption and fraud.

Prohibition of Cartels and Anti-Competitive Practices

Our policy is to conduct business honestly and fairly, and to comply with applicable competition and antitrust laws. This means that (i) the Group utilises competitive advantages while treating competitors appropriately, (ii) neither the Group, nor any of its Representatives may participate in illegal anti-competitive acts, including abuse of dominance or agreements to fix prices, manipulate or divide markets, limit production or otherwise unfairly restrict competition, and (ii) neither the Group nor any of its Representatives may exchange any commercially sensitive information with the Group's competitors.

Violations of competition and antitrust laws may result in severe penalties and significant fines against the Group. There may also be sanctions against individual Representatives, including substantial fines and prison sentences.

Protection of Intellectual Property

We recognise and respect the intellectual property rights of other persons and entities and fulfil all ethical and legal obligations concerning use of intellectual property.

Tamás Pásztor, Head of Legal and Operation, CPI Hungary; Gisbert Schwarze, Head of Legal, GSG Berlin; Martin Matula, General Counsel; Ivan Mimica, Head of Legal, Sunčani Hvar; Kamil Lewandowski, Head of Legal Asset Management, Poland

The Group requires Representatives to respect copyrights, trademarks, patents and other intellectual property rights of all persons and entities to any material (including material downloaded from the internet and computer software), through:

- Using all proprietary information, property and rights only for the purposes for which they are intended and approved for use; and
- Avoiding copying, improper use or distribution of any work subject to intellectual property rights without the owner's prior permission, as violations of the above may result in civil or criminal liability for the Group or the Representatives.

Additionally, software purchases on behalf of the Group are permitted only with the appropriate approval granted within the Group, and any software shall be installed only by employees designated by the Information Technology department of the Group or through processes and resources sanctioned by the Information Technology department of the Group. In the majority of cases, computer software is licensed to the Group by the software developer, thus such software and related documentation is not owned by the Group. Unless authorized by the software developer, neither the Group, nor any Representative have the right to reproduce or copy the software or related documentation.

On the other hand, the Group reserves all rights to any intellectual property, including patents, trademarks and copyrights, developed by the Representatives on the Group's time or utilising the Group's resources during the course of their relationship to the Group.

Protection of Confidential Information

One of our most important assets is confidential (or otherwise privileged) information, including our internal information and trade secrets. Such information, whether developed by us or provided to us by our customers, suppliers or other business partners, may include the list of current and prospective customers, suppliers or assets of the Group, financial and technical information concerning the Group's assets (e.g., period of renewal of leases, rents and expenses, financial projections, maintenance level of buildings and projects, or information relating to future disposals or acquisitions of assets), as well as training and organisational documents.

Each Representative shall comply with applicable information protection laws, which implies that each Representative has a duty to refrain from disclosing confidential information, unless and until such information is released to the public through approved channels, or unless he/she obtained the approval of the responsible member of the Group's management to disclose the confidential information. Additionally, before disclosing such information, the individual or entity receiving the information shall enter into a confidentiality or non-disclosure agreement with the Group. The aforesaid also requires that Representatives shall refrain from discussing confidential information with outsiders and even with other Representatives, unless those fellow Representatives have a legitimate need to know the information in order to perform their duties.

Unauthorised posting or discussion of any confidential information concerning the Group's business or prospects on the internet is prohibited, and all e-mails, voice mails and other communications within

Nisa Shopping Centre, Liberec, Czech Republic

the Group are presumed confidential and shall not be forwarded or otherwise disseminated outside the Group, except where required for legitimate business purposes. Representatives leaving the Group shall return to the Group all confidential information in their possession as unauthorised keeping, use or distribution of such information could be illegal and result in civil liability and/or criminal penalties.

Finally, the Representatives shall take care not to inadvertently disclose confidential information. For this reason, all materials that contain confidential information, such as memos, notebooks, computer disks and laptop computers shall be stored securely.

Protection of Personal Data

We comply with applicable laws on privacy and data protection, including Regulation (EU) No. 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (GDPR).

We collect and retain personal data only to the minimum extent and for proper purposes as required by applicable laws and the Group's operational requirements. We also take all necessary or appropriate steps and measures to comply with applicable laws to safeguard and fairly process personal data, to maintain the confidentiality of personal data and prevent any accidental destruction, alteration, modification, loss, misuse, unlawful use or processing of, or unauthorized access to, personal data.

Certain Group companies have appointed Data Protection Officers with the functional and organisational responsibility for compliance with applicable laws and the Group's internal rules on personal data protection. The Group companies and their Representatives shall report any alleged breach of applicable laws or the Group's internal rules on personal data security to the relevant Data Protection Officer.

Use of Group's Assets

The Group's assets, facilities and services provided to the Representatives are for professional use only. Without prior authorization it is forbidden to take possession of or use the Group's assets for personal gain or advantage, to alter, remove or destroy the Group's assets, or to use the Group's services or equipment for personal purposes. Also, the Group's landlines and cell phones, e-mail services, internet access and other equipment and subscriptions must be used primarily for professional purposes. Concerning access to the internet, it is forbidden to download non-professional data or to visit websites whose content is unlawful or could be otherwise detrimental to the Group's reputation.

Use of Agents

Honesty and integrity are key standards for the selection and retention of those who represent, or act on behalf of, the Group. Our policy is that agents acting on our behalf must be willing to certify their compliance with our internal rules and procedures, including the Code of Ethics, and may never be retained to circumvent our ethical and business standards.

Political Involvement, Lobbying and Public Policy

We encourage our Representatives to become involved in civic affairs and to participate in the political process. This way, we can all practice good citizenship and make meaningful contributions to our communities. However, any political activity on the Representative's own behalf must occur strictly in an individual and private capacity, not on behalf of the Group, strictly in the Representative's own time and may not be detrimental to the reputation of the Group.

Moreover, use of the Group's resources or funds to campaign for an elected position or make a contribution to a political party or candidate is strictly prohibited. The Representatives interested in serving in an elected or appointed public position shall advise the Compliance Officer to ensure understanding of the Group's internal rules and possible legal ramifications and to manage possible conflicts of interest, including anti-bribery and anti-corruption compliance requirements.

Any lobbying activities on behalf of the Group may be pursued only by persons duly authorised thereto. Any such activities may never be detrimental to the reputation of the Group or conflict with rules concerning the prohibition of corruption, bribery and fraud (as specified in the above section on Prohibition of Corruption, Bribery and Fraud).

Protecting Our Reputation

In order to avoid inappropriate or inaccurate publicity related to the Group, we disclose information concerning the Group and its work to the media (whether printed, broadcasted or on the internet) or otherwise to the public only through authorised persons and specific limited channels. We disclose only true, accurate and not misleading information. We also use only decent and ethical marketing and advertising. Representatives may not provide any information to the media or public about the Group on or off-the-record, for background only, confidentially or secretly. All inquiries or calls from the press shall be referred to the PR and Marketing Director of the Group.

Accounts on social networks under the Group's brand can be established only with prior consent of the Group. Information published by Representatives on social networks via their private accounts may not be detrimental to the Group's reputation.

Rules for Gifts and Hospitality

Giving gifts to or accepting gifts from, as well as providing hospitality to or accepting hospitality from, individuals or entities that we do business with may be a valuable way for the Group to establish and maintain good business relationships. However, it may never conflict with rules concerning prohibition of corruption, bribery and fraud (as specified in the above section on Prohibition of Corruption, Bribery and Fraud).

Rules for Charity and Sponsorship

We believe that charity and sponsorship are important to the communities where we operate. We respect our local communities and do our best to broaden recognition of the Group's capabilities and improve community relations. We provide financial support to specific sport, cultural, charitable and social projects and activities; however, never in order to obtain illegal or unethical benefit or advantage. We always keep an apolitical position and never provide financial or other support to political parties or movements.

Board of Directors

The Company is administered and supervised by the Board of Directors appointed as a collegiate body by the general meeting of shareholders. The Board of Directors represents the shareholders as a group and acts in the best interests of the Company. All members, and in particular the independent and non-executive members, are guided by the interests of the Company's stakeholders including shareholders, bondholders, creditors, tenants, and employees.

Appointment of Directors

The members of the Board of Directors are elected by the general meeting of shareholders for a period not exceeding six years. The Board of Directors shall be composed of the number of members determined by the general meeting of the shareholders and shall amount to at least three (3) members. The members of the Board of Directors are eligible for re-election and may be removed at any time by a resolution adopted by a simple majority of votes of the general meeting of shareholders. The Directors may be either natural persons or legal entities. In the event of a vacancy on the Board of Directors, the remaining members may co-opt a new member.

Powers of the Board of Directors

The Board of Directors is empowered to perform any acts necessary or useful in achieving the Company's objectives. All matters not expressly reserved to the general meeting by law or by Company's articles of association are within the competence of the Board of Directors.

Deliberations

Meetings of the Board of Directors may be convened by any Director. The Board can validly deliberate and act only if the majority of its members are present or represented. Resolutions shall require a majority vote. In the case of an equality of votes, the chairman of the meeting (if designated) will have a second or casting vote.

Delegation of Powers

The Board of Directors may delegate all or part of its powers concerning the day-to-day management and the representation of the Company in connection therewith to one or more Directors, corporation's directors, chief operating officers, chief executive officers, managers or other officers, who need not be shareholders of the Company. Currently, Martin Němeček, has been appointed as the Company's Managing Director.

Current Board of Directors

The current Board members were appointed during the Company's annual general meeting held on 29 May 2019 and their term expires at the annual general meeting of 2020 concerning the approval of the annual accounts of the Company for the financial year ending 31 December 2019.

In 2019, the Board of Directors proposed to the Company's annual general meeting a second independent board member, Mr. Omar Sattar, a former managing director of Colliers International in the Czech Republic and a long-time CEE real estate specialist.

As at 31 December 2019, the Board of Directors consists of the following members:

Edward Hughes, independent, non-executive member. Chairman of the Board of Directors, president of the Audit Committee, president of the Remuneration Committee, and president of the CSR Committee.

Edward, 53, has been the member of the Board of Directors since 10 March 2014. He has been engaged in real estate investment, consultancy and brokerage activities in the Czech Republic and other Central European countries for more than 20 years. Through his finance and real estate background Edward is an experienced professional and has significant experience in asset acquisition, project preparation and developments. In 1996, he established Lexxus and developed it to become the leading real estate agency in Prague and Bratislava. Prior to establishing Lexxus, in 1996, Edward was Associate Director of GE Capital Europe, responsible for Central European business development and subsequently, in 1997, he became Finance Director of Multiservis, a GE consumer finance company in the Czech Republic. Edward started his career in Arthur Andersen in London in 1988, qualifying as a Chartered Accountant in 1991. In September 1991 he transferred to work for Arthur Andersen in Prague. Edward is a graduate of Trinity College, Dublin where he majored in Business and Economics with Honours (1988).

Mr. Philippe Magistretti, executive member. President of CMA s.a. Crans Montana.

Philippe, 63, has been a member of the Board of Directors since 28 May 2014. Before joining CPI Property Group, Philippe acted as Chairman of Seveneast, a private wealth management firm in Switzerland, from 2009 to 2015. He was a Member of the Executive Committee and Head of Wealth Management at Renaissance Investment Management in Moscow from August 2006 to January 2008. Prior to joining Renaissance Investment Management, Philippe worked with UBP for two years where he was a Member of the Executive Committee and Head of Private Banking. Philippe worked for Lazard Group for more than ten years, as a General Partner of Lazard Frères & Co., New York (from January 1994 to January 2002), Managing Director of Lazard Brothers, London (from January 2002 to February 2004) and CEO of Crédit Agricole Lazard Financial Products Bank, London, a derivatives subsidiary of Lazard Group (from April 1995 to June 2003). Prior to that, Philippe held executive positions at AIG Financial Products, Credit Suisse First Boston and Solomon brothers in New York. Philippe was a member of the board of Fellows at Harvard Medical School for ten years (1992-2002). He holds an MBA from IMD (Lausanne) and a Doctorate in Medicine from the University of Geneva (1982-1984) (Nuclear Medicine), is Fellow of the Harvard Medical School (1978- 1981), received an MD degree from the University of Geneva in 1980 and holds a Masters in Philosophy from the University of Geneva.

Martin Němeček, executive member. CEO & Managing Director. Martin, 44, has been the member of the Board of Directors since 10 March 2014. Martin is responsible for the Group's corporate strategy, business development and legal matters. He led the integration of CPI and GSG into CPIPG in 2014, managed the foreign expansion of the Group and has completed acquisitions with a total value exceeding €2.5 billion. Martin also oversees the bank project financing and legal affairs of CPI Group. From 2001 to 2011, he worked for Salans (today Dentons), Linklaters and Kinstellar law firms. Martin graduated from the Faculty of Law of the Charles University in Prague and from the University of Economics, Prague.

Tomáš Salajka, executive member. Director of Acquisitions, Asset Management & Sales, member of the CSR Committee.
Tomáš, 44, has been the member of the Board of Directors since 10 March 2014. Tomáš is responsible for asset management of the Group's portfolio, including all the transactions and platforms in Germany, Poland and Hungary. Before joining CPI Property Group, Tomáš was CEO of Orco Property Group and also was working over the last 10 years for GE Real Estate Germany/CEE where his latest position was the Head of Asset Management & Sales CEE and before that for CSOB in the Restructuring Department. He studied foreign trade at the University of Economics in Prague, Czech Republic (VSE).

Omar Sattar, independent, non-executive member. Member of the Audit Committee, member of the Remuneration Committee, and member of the CSR Committee.

Omar, 49, has been the member of the Board of Directors since 29 May 2019. Omar is a seasoned property professional and a RICS qualified Chartered Surveyor with over 25 years of experience. Omar is from the UK, but has spent most of his career working in the CEE region in roles such as the Managing Director of Colliers International and DTZ Zadelhoff in the Czech Republic and has also held senior Director positions at both Avestus Capital Partners and the Orco Property Group. Omar currently runs his own independent real estate advisory business and holds a BSc (Hons) degree in Land Economics from the University of West of Scotland.

Oliver Schlink, executive member. CFO and Managing Director of GSG Berlin.

Oliver, 49, has been the member of the Board of Directors since 28 May 2014. Oliver has been working for GSG Berlin for approximately six and a half years. Oliver is solely responsible for finance areas (accounting, controlling, tax, financing), legal, HR and financially driven communication of GSG Berlin and has shared responsibility, with the other GSG Berlin managing directors, for the areas of IT and development. Oliver started his career at KPMG in 1998, where he worked for four years. In 2001 he joined Deutsche Annington (today Vonovia), where he worked for almost ten years, mostly as the Head of Controlling. In 2001, Oliver was responsible for managing one of the four regions of the Deutsche Annington group, comprising 43,000 flats in Westphalia. Oliver holds a dual degree in Business Administration and Engineering from TU Berlin, where he graduated as Diplom Wirtschaftsingenieur in 1997.

Radovan Vítek, non-executive member representing shareholders. Member of the Remuneration Committee.

Radovan, 49, has been the member of the Board of Directors since 10 March 2014. Radovan is an entrepreneur, investor and founder of CPIPG. He started his investment career in Slovakia in the early 1990s' voucher privatisation, before moving his business activities to the Czech Republic to focus on real estate investments in Prague. In 1996, Radovan acquired an investment fund, Boleslavsko, which he transformed into his key real estate investment vehicle (now CPI). In the early 2000s, CPI acquired a wide portfolio of real properties and land in the Czech Republic and Slovakia. His primary focus was the quickly developing retail sector, as the Czech Republic was preparing to join the European Union in May 2004. During the economic downturn, in the absence of competitive bidders, Radovan significantly increased his investment into the office segment.
In 2014, Radovan established CPIPG in its current format by the combination of CPI and GSG Group (the leading owner-operator of commercial real estate in Berlin), creating a platform that has become one of the largest CEE real estate groups.

Marie Vítek, non-executive member representing shareholders.

Marie, 43, has been the member of the Board of Directors since 26 May 2017. Member of the CSR Committee. Between 2012 and 2016 Marie worked at CPI Property Group as a Strategic Financial Manager. Previously she managed the ZIBA Glass Experience Museum, an extensive glass exhibition project in Prague. Currently, Marie oversees investments in Crans-Montana in Switzerland. Before joining CPI Property Group, she worked for Wotan Invest as the Director of Acquisitions and Project Financing. Marie gained further years of experience with her own company focused on organising golf tournaments and economic congresses and finally as an advisor to Heineken during its years of expansion. Marie graduated from the Faculty of Business and Management at the University of Technology in Brno Management.

Board of Directors meetings in 2019

During 2019 the Board of Directors held a total of fifteen meetings, out of which four were quarterly meetings, and thirteen were ad hoc board meetings, dealing with transactions and ongoing business matters of the Group. The average participation rate during the 2019 meetings of the Board of Directors was 98%, of which 83% represents personal attendance and 15% representation by another director pursuant to ad hoc proxy.

Independence

The Group is committed tocontinual enhancements to board transparency and independence. The Board proposed to the Company's annual general meeting a second independent board member, Mr. Omar Sattar, a former managing director of Colliers International in the Czech Republic and a long-time CEE real estate specialist.

Omar has been appointed to the Audit Committee and the Remuneration Committee. These committees are comprised of independent and non-executive members only, whereas the majority is independent.

The independence criteria are is revised semiannually, and is assessed in line with the X Principles. An independent director must not have any significant business relationship with the company, close family relationship with any member of the executive management, or any other relationship with the company, its controlling shareholders or members of the executive management which is liable to impair the independence of the director's judgment.

The potential conflict of interest is taken very seriously. In accordance with the Luxembourg law of 10 August 1915 on commercial companies, as amended, a director who has a direct or indirect patrimonial conflict between his interests and those of the Company in any business or matter to be resolved upon by the Board of Directors (i) must promptly inform the Board of Directors of such potential conflict; (ii) must request that it is stated in the minutes of the Board of Directors' meeting; and (iii) cannot take part in these deliberations nor vote in relation to the matter in which such Director is conflicted. These provisions are strictly enforced by the Board of Directors. In addition, the Group requests the members of the Board of Directors and senior management lists of their related parties for review and check of related parties transactions and potential conflict.

Audit Committee

The Audit Committee reviews the Company's accounting policies and the communication of financial information. In particular, the Audit Committee follows the auditing process, reviews and enhances the Group's reporting procedures by business lines and reviews risks factors and risk control procedures.

As at 31 December 2019, the Audit Committee is comprised of the following members:

- Edward Hughes, independent, non-executive member.
- Iveta Krašovicová, independent, non-executive member.
- Omar Sattar, independent, non-executive member.

Following the appointment Omar Sattar as the new independent, non-executive member of the Board of Directors, the Board agreed to appoint Omar to the Audit Committee. This appointment further strengthened the composition of the Audit Committee and the number of independent members. Philippe Magistretti agreed to resign from the Audit Committee. The current composition of the Audit Committee ensures the proper mix of audit, accounting and real estate experience.

During 2019, the Audit Committee focused mainly on the ongoing review of the Group's financial statements: (i) review of the Annual Management Report and consolidated financial statements for the years ended 31 December 2018, (ii) review of the Interim Management Report and unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2019, and (iii) review of the unaudited financial results for the first and third quarter of the 2019 financial year. The Audit Committee also reviewed and discussed the implementation of new or amended IFRS standards and interpretations that are mandatory for the preparation of the financial statements for the 2019 financial year. The Audit Committee focused on valuation of the property portfolio, revenue recognition, accounting treatment of major acquisitions and risk of misstatement due to fraud or error.

The Audit Committee focused on valuations of the property portfolio and reviewed the outcomes of the Valuation Committee on quarterly basis. The Audit Committee was involved in the Group's financing and capital structure, mainly in relation to senior unsecured bonds, hybrid bonds and green bonds and their accounting treatment.

Last but not least the Audit Committee dealt with external and internal audit. In relation to the external audit, the Audit Committee actively participated in the tender process for a new auditor. The Audit Committee recommended EY as a new auditor and approved White list of tax and non-audit services to be provided by Ernst & Young and their thresholds. The Committee members held a number of meetings with auditors to discuss audit planning.

In 2019, the Audit Committee held six meetings. The average attendance was 95.5% (one absence in total).

Remuneration and Related Party Transaction Committee

The Remuneration and Related Party Transaction Committee (the "Remuneration Committee") presents proposals to the Board of Directors concerning remuneration and incentive programs to be offered to the management and Directors of the Company. The Remuneration Committee also deals with the related party transactions.

As at 31 December 2019, the Remuneration Committee is comprised of the following members:

- Edward Hughes, independent, non-executive member.
- Omar Sattar, independent, non-executive member.
- Radovan Vítek, non-executive member.

During 2019, the Board of Directors took over the role of the Remuneration Committee. In particular, the Board of Directors discussed and agreed to increase the number of independent members of the Board. The Board proposed Omar Sattar to the Company's shareholders for the appointment.

Following the appointment Omar Sattar as the new independent, non-executive member of the Board of Directors, the Board agreed to appoint Omar Sattar to the Remuneration Committee. This appointment further strengthened the composition of the Remuneration Committee and the number of independent members. Philippe Magistretti agreed to resign from the position in the Remuneration Committee.

The Board also discussed and reviewed its composition and composition of the committees, checked related party transactions and cross-board mandates of the members. The Board also appointed the CSR committee, and approved plans to link a portion of management's variable compensation to fulfillment of ESG objectives.

Financial Reporting, Internal Control and Risk Management

The Company has organized our internal control environment by identifying the main risks to which we are exposed, determining the level of control over these risks, and strengthening the reliability of our financial reporting and communication processes. The Group's overall approach to risk is conservative. There are inherent risks determined by the nature of our business, such as fluctuations in the value of assets, vacancies, volatility in market rents or risks associated with development activities. Key risks are assessed by ranking exposure on the basis of probability and magnitude and are closely managed. Analysis of sensitivity to these key risks is conducted at Group level. The Group's management structure is designed to enable effective decision making. The periodic reviews of key performance indicators are conducted: tenants' turnovers, vacancies, rent collection, arrears and doubtful debtors, and review of performance against budgets are schedules. An internal audit and cost control functions are regularly performed. Strict procedures are also observed for the periodic production of quarterly and annual figures on the basis of the adopted policies. There are clearly defined guidelines and approval limits for capital and operating expenditures and other key business transactions and decisions. The internal management reporting system is designed to identify fluctuations in the value of investments, income and expenses. Capital projects, major contracts and business property acquisitions are reviewed in detail and approved by the Board of Directors where appropriate.

Financial Risk

The Group maintains a prudent financial policy. Foreign exchange risks are effectively managed by shifting risks associated with movements in exchange rates to its tenants in most of its Euro-denominated contracts in order to hedge exposure to currency risks in its loans; it uses interest rate swaps to hedge against interest rate risks and uses a credit rating scorecard to manage credit risk associated with its tenants. The Group is also able to draw on a diverse range of capital and liquidity sources including international capital markets bonds issued under the Company's EMTN programme, RCF, secured loans from its relationship banks and equity investment from its majority shareholder. The Group has strong credit metrics, which management believes provide it with the capacity to further de-lever. For financial risk, comprising of credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk) please refer to Note 7 in Consolidated Financial Statements as of 31 December 2019.

Information Technology Risks

The Group has developed a strong information technology team, with dedicated information security specialists. The threat of data breach and loss or cyberattacks are taken very seriously. IT systems used across the Group are designed and developed in order to provide maximum security. Information security risk is carefully monitored and information security policies are reviewed and updated. Employees are regularly guided to be aware of potential IT and cyber security related risks. The Group makes use of electronic data processing within automated information systems. Offsite data back-up and recovery measures are in place.

Legal Risk

The Group has established a legal team at the central and local level to ensure proper implementation of legal services and compliance with applicable laws and regulations. Internal legal teams support management in daily operations with respect to ongoing transactions and legal relationships with clients, customers, banks, suppliers, administrative and governmental bodies, as well as courts. The legal teams monitor legislative changes and regulatory changes to minimise associated legal risks.

Complex transactions, litigation as well as certain legal services are outsourced to reputable law firms to ensure obtaining of the highest standards of legal services and minimization of legal risks.

Local legal departments provide regular litigation reports to the general counsel who reports directly to the CEO. Legal reports, including litigation updates, are provided to the Board on quarterly basis, with major legal issues being reported immediately.

Development, Construction and Refurbishment Projects

The Group employs construction and development experts and skilled project managers for its construction and refurbishment projects. The suppliers of architectural, permitting, construction and refurbishment works are always tendered from reputable companies with relevant experience and financial capacity.

Project timing, progress and budgets are carefully monitored, mostly with the support of external project monitoring organizations. Health, safety and environmental risks are monitored before and during construction.

Transaction and Asset Management Risk

Acquisitions of new assets are carefully examined through a detailed financial, legal, and operational evaluation prior to Board approval. Reputable external advisors are engaged to assist with acquisition processes starting from evaluation, due diligence, transaction negotiation and implementation.

Asset management initiatives are carefully scrutinized before implementation, taking costs and benefits into account. An experienced asset management team evaluates market pricing of lease transactions and also assists with acquisition processes.

An experienced property management team monitors retail tenants turnovers, vacancies, rent collection, arrears and doubtful debtors. Rent collection is closely monitored and enforced in cooperation with the legal team. The tenant base is well diversified and there is limited exposure to individual tenants.

Asset Protection/Insurance

The Group insures all income-producing properties with all-risk property insurance at reinstatement cost, business interruption (revenues for 24 months) and third-party liability insurance. Some properties are also insured against terrorist acts. Properties under development have construction all-risk insurance. Insurance is contracted from reputable international insurers. The Audit Committee and the Remuneration Committee have specific duties in terms of internal control.

Subsequent Events Including COVID-19 Impact

Please refer to Note 11 of the Financial Statements as of 31 December 2019.

Financial Risks Exposure

For detail description of the principal risks and uncertainties, please refer to Note 2 Basis of Preparation of the Consolidated Financial Statements as of 31 December 2019.

Required Information

In reference to the information required by paragraphs (a) to (k) of Article 11(1) of the Law of 19 May 2006 transposing Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, the Board of Directors states as follows.

(a) *The structure of the capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents:*

The share capital of the Company is represented by 8,651,716,331 ordinary shares of one class, out of which 112,135,971 shares (approximately 1.3% of the total number of shares), registered under ISIN code LU0251710041, are admitted to trading on the regulated market of the Frankfurt Stock Exchange in the General Standard segment. The remaining 8,539,580,360 Company shares (approximately 98.7% of the total number of shares) are currently not listed and are non-tradeable on a regulated market.

The Extraordinary General Meeting of the shareholders of the Company held on 26 June 2017 decided to introduce the possibility to create and issue up to ten billion (10,000,000,000) non-voting shares, having a par value of ten eurocents (€0.10) each, and also the possibility to create and issue up to ten billion (10,000,000,000) beneficiary shares without any voting rights and being under registered form only. None of these shares have not been issued by the Company yet.

(b) *Any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to Article 46 of Directive 2001/34/EC:*

There are no restrictions on the transfer of Company's shares or other securities issued by the Company. However, final terms of certain series of the notes issued under Company's €5,000,000,000 Euro Medium Term Note (EMTN) Programme include a "Prohibition of Sales to EEA Retail Investors" legend. In such case these notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA, within the meaning of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, MiFID II); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the Insurance Mediation Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

(c) *Significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross shareholdings) within the meaning of Article 85 of Directive 2001/34/EC:*

Based on the latest shareholders' declarations received as at 31 December 2019, the following table sets out information regarding the ownership of the Company's shares:

Radovan Vítek (directly or indirectly)	7,847,502,824	90.70%
Others	484,911,259	5.60%
Treasury shares held by the Company's indirect subsidiary CPI FIM SA (directly or indirectly)	319,302,248	3.69%
Total	**8,651,716,331**	**100%**

(d) *The holders of any securities with special control rights and a description of those rights:*

None of the Company's shareholders has voting rights different from any other holders of the Company's shares. The Company respect the rights of its shareholders and ensure they receive equitable treatment. The Company has established a policy of active communication with the shareholders.

(e) *The system of control of any employee share scheme where the control rights are not exercised directly by the employees:*

The Company has no employee share scheme.

(f) *Any restrictions on voting rights, such as limitation on the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities:*

There are no restrictions on voting rights of the securities issued by the Company, except for the own shares held by the Company, where the voting rights are suspended under law.

(g) *Any agreements between shareholders which are known to the company and may result in restrictions on the transfer of securities and/or voting rights within the meaning of Directive 2001/34/EC:*

To the knowledge of the Company, there are no shareholders or similar agreements entered into by and between shareholders that are in effect as of the date of this report with similar effects.

(h) *The rules governing the appointment and replacement of board members and the amendment of the articles of association:*

The Company is managed by a Board of Directors appointed as a collegiate body by the general meeting of shareholders. The Board of Directors shall be composed of the number of members determined by the general meeting of the shareholders and shall amount to at least three members. The Directors are elected by the general meeting of shareholders for a period of maximum six years. The directors are eligible for re-election and may be removed with or without cause at any time by decision of the general meeting of shareholders by simple majority vote. In the event of a vacancy in the Board of Directors, the remaining members may co-opt a new member. The Directors may be either natural persons or legal entities. The articles of association may be modified by an extraordinary general meeting of the shareholders, deliberating with a quorum of at least half of the corporate capital and deciding by a vote of at least a two-thirds majority of the votes cast.

(i) *The powers of board members, and in particular the power to issue or buy back shares:*

The Board of Directors is empowered to perform any acts necessary or useful in achieving the Company's objectives. All matters not expressly reserved to the general meeting by law or by Company's articles of association are within the competence of the Board of Directors. In particular, the Board of Directors has the following tasks and competencies, without such list being exhaustive:

- Setting the objectives and management policies of the Company;
- Preparing the annual operating and financing plans;
- Managing the Company's business affairs and performing all the acts and operations relating to the corporate purpose that do not fall within the duties attributed to other bodies of the Company;
- Representing the Company in or out of court;
- Acquiring or selling real estate;
- Incorporating companies;
- Adopting resolutions regarding the issuance of bonds, or borrowings;
- Approving issuance of new shares pursuant to the authorized share capital.

As at 31 December 2019, the authorized share capital of the Company amounts to €4,975,000,000, which would authorize the Board of Directors to issue up to 39,750,000,000 new ordinary shares and up to 10,000,000,000 new non-voting shares in addition to the shares currently outstanding. As at 31 December 2019, the Company is authorized to redeem/repurchase up to 637,847,673 own shares under the buy-back programme approved in 2019. For more details on the authorized share capital and the buy back please refer to Note 6.10 of the Consolidated financial statements as of 31 December 2019.

(j) *Any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements:*

The base prospectus dated 30 May 2019, prepared in connection with the Company's €5,000,000,000 Euro Medium Term Note Programme, as amended (the "Programme") contains a change of control put clause, i.e. redemption at the option of the noteholders upon a change of control, provided certain other criteria defined in the Programme occur. Change of control event pursuant to the Programme occurs in case any person or any persons acting in concert (other than Mr. Radovan Vítek, any member of his immediate family or any entity directly or indirectly controlled by him or them) shall acquire a controlling interest in (A) more than 50 per cent., of the issued or allotted ordinary share capital of the Issuer or (B) shares in the issued or allotted ordinary share capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer, subject to further conditions. For exact terms please refer to Condition 7.6. of the base prospectus of the Programme. Changes of control provisions are stipulated in the Revolving Credit Facility and Schuldschein agreements entered into by the Company in 2019. Certain credit facility documentation with financing banks of the Group contain market standard change of control.

(k) *Any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.*

Not applicable as of 31 December 2019.

Energy Transition & Circular Economy

Energy intensity in Like-for-Like performance reduced by **2.7% YoY**

Intensity of GHG in Like-for-Like performance reduced by **1.4% YoY**

Share of certified buildings in portfolio by value increased to **20.3%**

Zlatý Anděl, Prague, Czech Republic

> **CPIPG's environmental strategy** and objectives are a **core element** of our overall approach to *sustainability.*

CPIPG's environmental strategy is designed to reduce the environmental impact of each of the Group's properties, making them resilient to climate change risks and ensuring transition into a portfolio of ecologically-sound properties, while maintaining the quality and services demanded by our tenants.

Contribution to UN Sustainable Development Goals

CPIPG backs all the 17 Sustainable Development Goals (SDGs), as defined by the United Nations for the period 2015-2030. CPIPG sees the SDGs as part of the business decision-making processes at all levels within the Group. In addition, the Group endorses the 2015 Paris Agreement within the United Nations Framework Convention on Climate Change.

CPIPG has Identified Priority Goals for Which it Intends to Play a Key and Increasing Role:

CPIPG has Established Long-term Targets to Mitigate the Impact of Climate Change

The Group is committed to continuously improving the environmental performance of its portfolio. It is fully aware of the global challenge of climate change, and CPIPG is willing to contribute to the goals of the Paris Agreement and European energy regulations by setting appropriate targets for the Group. In February 2019, the Group set objectives for the reduction of GHG emissions and water consumption (20% and 10% reductions respectively compared to the 2018 baseline). The Group will closely monitor further development of new EU legislation and standards that aligns with Paris Agreement objectives going forward.

The Group has Tools to Finance Projects that will Contribute Towards these Objectives

In April 2019 CPIPG developed a green bond framework (the "Framework") under which the Group has committed to use proceeds from green bonds to finance or refinance existing or future projects which improve the environmental performance of CPIPG's property portfolio and contribute to the Group's climate impact mitigation objectives. The Framework defines eligibility criteria according to four types of green assets/initiatives: certified green buildings, energy efficiency, renewable energy and the promotion of sustainable farming. The Framework is fully aligned with ICMA GBP 2018[1] and has a Second Party Opinion (SPO) provided by Sustainalytics. In August, the framework was updated to increase the scope of energy efficiency to include new or existing commercial buildings belonging to top 15% most energy efficient buildings in the Czech Republic, based on a study we published with the help of EnergySim.

On 28 October 2019 the Group issued its inaugural Green bond of €750 million and became the first company in its region to issue a benchmark Euro-denominated green bond. This was followed by a subsequent green bond issuance in January 2020 of £350 million.

We are Focused on Continuous Improvement in our Data Collection and Reporting

Our objective is to continually improve the detail, accuracy and quality of our environmental performance reporting, as well as improve the tools used to collect data in our properties.

Considering the diversity of our portfolio, both geographically and by segment, an effective system for data collection and evaluation is essential.

2018 was the first year where we began reporting on the environmental performance of our property portfolio. Since then, the Group has made significant strides in 2019, with the support of various third party experts. For example, the Group has refined the list of environmental Key Performance Indicators (KPIs) and put in place a methodology to allow reporting in line with the GHG Protocol, with the help of CI2. CPIPG's online Environmental Impact Reporting Tool (ERT) was launched and utilised for 2019 data collection. This tool allows disclosure across the Group and all its segments and is tailored to report all scopes in line with GHG Protocol.

[1] International Capital Market Association: The Green Bond Principles (GBP) 2018

Our Objective is to Increase the Share of Certified Green Buildings in our Portfolio

CPIPG's acquisition strategy prioritises properties with strong green credentials, with certifications that will qualify according to our Framework. In addition, the Group makes significant annual investments into our properties in order to improve their quality and environmental performance, where possible achieving new or upgraded environmental certifications. We have "in-use" certifications on our properties, reflecting their performance under current operation.

At the end of 2019, the share of certified buildings in our portfolio had increased to **20.3% of total value and 14.0%[2] of total GLA.**

The Group Actively Participates in External Organisations and Initiatives

The Group is a member of a key industry initiative in the Czech Republic, the Czech Green Building Council ("CZGBC"). The Council was established in 2009 with the aim to support the principles of sustainable building. CZGBC is a member of the European Regional Network of the World Green Building Councils and can influence EU legislation in its initial phase. It closely cooperates with certification organisations including LEED, BREEAM, DGNB and Czech SBToolCZ.

In August 2019 the Group was **elected as a board member of CZGBC** and is represented by Petra Hajná.

Within CPIPG, Petra focuses on both the broader area of sustainable development and individual projects within the project management team.

By participating in task groups with leading developers, consultants, engineers and manufacturers we gain practical insights into innovative solutions for effective property management and access information on upcoming legislation and the process of EU law transposition to the region. Participation in task groups also allows for commenting and advising on new legislation that is drafted by government agencies.

Our ESG Ratings are Strong and Improving

In March 2019, CPIPG's ESG risk assessment by **Sustainalytics**[3] was improved to 17.2/100, representing "Low Risk" and in the 23rd percentile of all rated issuers.

According to Sustainalytics "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."

In October 2019, **MSCI** also affirmed the Group's ESG rating at BBB.

We Adopt Innovative Technologies to Improve Energy Performance in our Buildings

We look for opportunities to review existing building standards and where reasonable go beyond best practice to implement new innovative and efficient systems that improve environmental performance while contributing to tenant satisfaction. Examples include studies for flexible lighting systems, lighting control based on daylight intensity, fresh air ventilation based on CO_2 concentration, cooling and heating with high EER or energy recovery and water management technologies.

The **"Conscious Building"** pilot launched in Balance Hall in Budapest is a prime example of this approach, allowing tenants to understand the impact of their behaviour patterns on building performance and the environment in real-time. Predictive functions and advanced algorithms of building systems optimise building performance in changing weather conditions and significantly reduce energy consumption.

CPI Hotels launched a new program in 2019 called **"Join Pure Life"** across its entire operated portfolio, focused on sustainable procurement and use of resources, energy efficiency aligned with the Group's overall strategy and also encouraging customers to contribute to eco-friendly operation of the hotels.

[2] *For this comparison total area includes area of CPIPG owned hotels. GLA of residential portfolio is excluded.*

Petra Hajná, Project Manager and CZGBC Board Member

Key Sustainability & Environmental Achievements in 2019

- In January 2019, the Group **committed to carry out a Life-Cycle Assessment ("LCA")** for all new real estate projects over 10,000 m^2, new development projects which are assessed by sustainability certification schemes such as BREEAM or LEED and key capital expenditures beginning in March 2019

- In February 2019, CPIPG established **long-term group targets for the reduction of GHG emissions and water consumption** in line with original EU objectives set in October 2014

- In March 2019, our **Sustainalytics ESG risk assessment improved** to 17.2/100 ("Low risk")
- We also became a **member of the Czech Green Building Council** ("CZGBC")

- In April 2019, we published our **Green Bond Framework** and received a **Second Party Opinion** ("SPO") from Sustainalytics

- In collaboration with EnergySim and the Czech Green Building Council, we published a statistical analysis of the **top 15% most energy efficient commercial buildings in the Czech Republic[4], in order to improve our efficiency benchmarking of non-certified properties in the portfolio**

- In October 2019, we **issued our inaugural benchmark-size Euro-denominated Green bond,** a first for a corporate issuer in our region

In November 2019, we made further **significant improvements in CPIPG's environmental reporting framework and data collection capabilities,** such as:

- We launched phase 1 of our **Environmental Impact Reporting Tool**
- Inclusion of waste indicators in our reporting
- Reporting methodology updated to performance-based and aligned with the GHG Protocol, through cooperation with CI2

- Petra Hajná was **elected to the board of the Czech Green Building Council**
- By the end of December 2019, CPIPG had increased the share of certified buildings in our portfolio to **20.3% of total value and 14.0%[2] of total GLA**

[3] *Sustainalytics is the leading independent global provider of ESG and corporate governance research and ratings to investors. A global leader in sustainability research & analysis, serving investors & financial institutions with responsible investment solutions.*

[4] *Full methodology for the top 15% most energy-efficient buildings in the Czech Republic. is available here.*

Environmental Reporting Approach & Methodology

Working Closely with Experts

CPIPG integrates sustainability principles into the management processes across all segments. Since 2018, the Group has been working closely with the University Centre for Energy Efficient Buildings ("UCEEB") of the Czech Technical University in Prague ("CTU"). UCEEB acts as a technical support provider and adviser for the implementation of environmental reporting, supports the establishment and quantification of environmental Key Performance Indicators (KPIs) and co-defines principles for regular monitoring and reporting in line with the global environmental reporting standards (GRI, EPRA, GHG Protocol).

The Group Adopts a Rigorous Approach to Environmental Reporting, With an Emphasis on Continuous Improvement

CPIPG has implemented tools to monitor the environmental performance of its properties and performance of the Group's operations. This enables efficient data collection processes, the ability to track and analyse performance across multiple levels (site, segment, region, group) on a regular basis, assess results against targets, and implement suitable corrective measures.

We Utilise Innovative Tools to Enhance Our Data Collection and Reporting Capabilities

The Group has developed an Environmental Impact Reporting Tool. The platform facilitates data disclosure of metrics for KPI calculation across all segments in line with EPRA and GHG Protocol and differentiates all three Scopes.

The first phase of the tool was launched in the third quarter of 2019. All divisions in the Group were trained to annually report the environmental performance of their assets and portfolios and all historical data was uploaded into the tool before going live.

The second phase of the project will deliver an analytical platform for environmental management of an asset, portfolio or region and will simplify annual reporting disclosures.

Our Environmental Key Performance Indicators Are Compliant with Relevant Reporting Frameworks

In May 2019 the Group updated the list of KPIs that is currently composed of GRI and all the EPRA core indicators that allow tracking performance across segments and Group's core processes: operation, acquisition, development & refurbishment and impact reporting. KPIs cover climate change and resource use.

This report fully complies with EPRA Best Practices Recommendations ("BPR") on Sustainability Reporting. The Group integrated GRI Guidelines and reports against GRI G4 with a core approach. The Group plans to report its environmental performance utilising the 2020 Climate Change Information Request platform in our 2020 half-year reporting.

Reporting Values

Data is reported using KPIs in absolute values (energy and water consumption, GHG emissions, waste production) or normalised values (to show the efficiency and a comparative trend). In addition to the standard intensity that provides the ratio between an environmental indicator and the corresponding floor space (energy, GHG emissions and water consumption per m²), CPIPG utilises indicators reflecting specific use of a building (intensity per average occupancy, visitor rates, guest-nights) and the intensity of use relating to financial performance. Core EPRA KPIs are disclosed in this report.

Reporting Scope

The majority of CPIPG's portfolio is reported excluding France, the UK and Russia, which represented less than 0.5% of total reported area at the end of 2019 in terms of GLA.

Reported area – Retail, Offices, Logistics and Residential segments are reported on the basis of GLA. Hotels are reported based on the area that represents space leased to hotel operators. Farms are calculated based on agricultural land area. The ski resort Crans-Montana does not report intensities per area.

KPIs are reported in two ways:

Absolute values for the reported year – the value of an indicator for the year in question. This scope includes assets that were owned or operated by the Group in any period of the reported year. Assets which enter the portfolio in a given year through acquisition, completed development, major refurbishment or the delivery of a management mandate are included in the scope for the period of ownership beginning from the first full month following the entry into the portfolio. Divested assets or assets under construction are included up to the last full month prior to disposal or shut down.

Like-for-like YoY comparison – the change in an indicator between the reported year and the preceding year on a constant portfolio basis. This scope includes only group of assets that were owned or operated by CPIPG throughout an entire two-year comparison period. To expediently assess the positive impact of its management policy, CPIPG includes in the like-for-like scope for year (Y+1) sites acquired in year (Y) and/or managed as from year (Y), if and only if a complete set of data is available for the whole year (Y).

Monitoring Entire Assets, Even Including Areas Independently Operated by Tenants, Allows Us to Better Understand Building Performance and Identify Opportunities for Improvement

The Group reports on the environmental performance of assets in operation as a whole. The scope is further split based on operational control as follows:

- Assets and/or areas that are under CPIPG's operational control, where data on energy consumption and resources use can be measured and verified;
- Assets and/or spaces that are operated by tenants with limited operational control by CPIPG (metering);
- Assets or spaces that are leased in full with independent operation (measurement provided by tenants)

"Operational control" is assessed depending on whether the Group, or one of its subsidiaries, has full authority to introduce and implement its own policies at the operation. It is expected that except in very rare circumstances, if the Group or one of its subsidiaries is the operator of a property, it will have the full authority to introduce and implement its operating policies and thus has full operational control over the property.

The Group's long-term goal is to monitor the environmental performance of all assets and any activity that contributes to its revenue.

Changes in Reporting Scope

Changes in the reporting scope may occur as a result of the start or end of a management mandate; acquisition or disposal of assets; development of new assets or major realizations of major refurbishments and extensions. The following rules apply to reflect these situations:

- Developments in progress are not included in the reporting scope until the first full calendar month after a building goes into operation. The asset will be included in the like-for-like scope following the second full rolling calendar year in operation;
- Assets that are owned and/or operated for less than a full year are excluded from the calculations of intensities and like-for-like reporting in the reported year. Major refurbishment is defined as any alteration that affects more than 50% of the total building floor area or causes relocation of more than 50% of regular building occupants. For the setting of annual targets, we include assets that were under major refurbishment and disclose their total absolute consumptions, while GLA values are proportionately reduced to reflect the actual period of full operation in the year.

Changes in reporting scope are also made to increase the accuracy and scope of our reporting. In 2019, new regions were introduced (Croatia, Italy, Switzerland), new segments (Farms, Residential) as well as recently acquired and disposed assets.

Reported Values Split by Operation Mode

		Total	Operated by Landlord		Operated by Tenant					
			Metered by Landlord	%	Metered by Landlord	%	Provided by Tenant	%	% of reported value estimated	% of reported area not covered
Fuels	MWh pa	204,296	163,313	79.9	6,280	3.1	34,702	17.0	9.0	1.3
Electricity	MWh pa	473,331	243,192	51.4	77,454	16.4	152,686	32.3	19.5	1.3
DH&C	MWh pa	222,056	119,103	53.6	91,539	41.2	11,415	5.1	14.6	1.2
Water	m³ pa	2,472,057	1,410,275	57.0	953,090	38.6	108,692	4.4	1.3	1.3
Waste	t pa	50,424	11,517	22.8	22,638	44.9	16,269	32.3	17.3	23.9
Refrigerants	kg	46,511	28,317	60.9	2,493	5.4	15,701	33.8	0.0	23.9

Note: Waste values are disclosed for 2018.

Reporting Data for 2018 and 2019

Reported Period	Reported Area (m²)	No of Buildings	Average Age of Portfolio
Reported Scope in 2018	3,151,800	364	–
Revised Scope for 2018	3,673,340	1,073	38.8
Reported Scope in 2019	3,889,570	1,025	37.3

Notes: Reported area excludes Farms and ski resort Crans-Montana in Switzerland. Total reported area and Building count include the residential segment in the Czech Republic. Portfolio age is weighted based on reported area and excludes buildings under major refurbishment and farms in the Czech Republic. The number of buildings sums individual properties/units and does not correspond with building count in other sections of the report.

Reporting Period

CPIPG publishes environmental reporting KPIs consolidated over a calendar year. All data that is available in the data collection period until 28 February 2020 was considered. Some information related to 2019 operation was still not available within this period. This information will be included in subsequent environmental reporting.

Continuous Improvement of Definitions and Data Quality

The CPIPG portfolio is diversified and develops over time. To fully understand and evaluate its performance across segments and geographies, data quality and suitably selected metrics are critical. CPIPG continues to improve the quality and comparability of its environmental data, to develop internal benchmarks, and introduce sub-metering to collect necessary detail for analysis. As a result, adjustments may occur in data from the previous reported years whenever relevant.

Transparency & Accuracy are Critical for Understanding & Improving Portfolio Performance

Revisions to our environmental disclosures in 2018 are as follows:

- Updated reported 2018 renewable energy production in the Berlin portfolio;
- Inclusion of refrigerants installed on site and calculation of their impact from leakage and reuse;
- Inclusion of residential and agricultural segments in the Czech Republic;
- Inclusion of Croatia, Italy and Switzerland with proxy values for 2018;
- GHG calculation split by Scopes 1, 2 and 3;
- Utilisation of latest available market-based emission factors for GHG calculation of Scope 2 where available along with updated location-based emission factors;
- Inclusion of Scope 3 emissions from freshwater production and distribution and from waste management were added;
- Consolidated waste production for the Group is based on 2018 values as 2019 information was not available. 2019 data will be disclosed in our half-year 2020 report. Waste production contracted directly by tenants was not available for the Berlin portfolio and was estimated for part of the residential portfolio, and;
- All EPRA KPIs for 2018 were recalculated to include extended scope and updated emission factors

Revisions to our environmental reporting scope and disclosures in 2019 are as follows:

- Median values for all KPIs 1 through 6 were replaced with mean values KPIs defined through GRI and EPRA environmental reporting standards;
- Buildings are reported as a whole, but we make a distinction based on the level of operational control between landlord and tenant;
- Values for district heating in the Berlin portfolio were not available for 2019 and an estimate based on 2018 data is reported. Measured consumptions will be updated in the half-year 2020 report;
- Values for part of the residential portfolio in the Czech Republic for 2019 are estimated based on 2018 performance as measured data was not available. Disclosure for 2019 will be included in the half-year 2020 report;
- Improved alignment of our retail segment with our portfolio structure. As a result, some properties reported in 2018 have been moved to a new segment "Complementary Retail";
- Inclusion of car fleet fuel consumption within regions (proxy values are utilised for 2018), and;
- Accuracy of reported area has been improved

EPRA Environmental Performance Disclosure

Due to disparity in operational characteristics, EPRA environmental disclosures are reported separately for built assets in operation, ski resorts (Crans-Montana) and farms (Spojené farmy a.s.). Disclosures relating to built assets in operation represents the vast majority of the Group's assets.

Disclosure of EPRA Key Environmental Performance Indicators by geography

EPRA Sustainability Performance Measures – Environmental impact					Czech Republic			Germany			Hungary			Poland			Romania			Slovakia			Others			Total		
					Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance	
Impact area	EPRA Code	Units	Indicator		2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY
Energy	Elec-LfL	MWh pa	Electricity	Building operation	276,224	258,349	-5.1	71430.4	68,573	2.9	59,185	58,165	-5.1	33,293	28,173	-7.0	3,126	3,126	-6.7	14,676	13,233	12.8	15,396	13,831	4.7	473,331	443,450	-3.3
				Proportion of electricity from renewable sources	0.025	0.026	43.6	0.230	0.241	-8.4	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.021	0.022	38.3
	DH&C-LfL		District heating and cooling	Building operation	151,611	144,690	-3.1	56,278	53,890	-1.5	0	0		14,167	11,047	-5.6	0	0		0	0		0	0		222,056	209,628	-2.9
				Proportion of district heating and cooling from renewable sources	0.003	0.003	7.7	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.002	0.002	5.9
	Fuels-LfL		Fuels	Building operation	102,122	100,663	2.8	70,193	67,894	-1.5	19,641	18,510	-12.9	212	188	-33.8	1,614	1,614	-11.2	5,179	4,926	-10.4	5,335	2,971	9.6	204,296	196,766	-0.8
				Proportion of fuels from renewable sources	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000	
	Energy-Int	kWh/(m² pa)			262	258	-3.3	215	213	0.3	239	239	-7.2	329	335	-6.8	420	420	-8.3	225	226	5.5	233	240	5.6	249	247	-2.7
Greenhouse gas emissions	GHG-Dir-Abs, GHG-Dir-LfL	t CO_2 eq p	Direct	Fuels, Refrigerants	24,516	23,677	2.8	15,996	15,477	-1.5	4,967	4,611	-11.9	329	166	-15.1	405	405	-10.4	1,474	1,410	-8.4	1,568	1,014	9.3	49,256	46,761	-0.7
	GHG-Indir-Abs, GHG-Indir-LfL		Indirect	DH&C & Elec, Generation, Transmission & Distribution, Water & Waste	246,659	232,635	-2.5	65,934	63,870	0.9	27,694	27,215	7.8	34,075	28,489	-6.8	1,294	1,294	-6.2	3,171	2,833	9.5	12,248	11,678	1.6	391,073	368,014	-1.4
	GHG-Int	t CO_2 eq p/(m² pa)	Intensity		0.134	0.131	-2.3	0.089	0.089	0.7	0.099	0.099	4.4	0.241	0.244	-6.8	0.150	0.150	-7.2	0.053	0.053	2.9	0.155	0.181	2.2	0.122	0.120	-1.4
Water	Water-Abs, Water-LfL	m³ pa		Building operation	1,612,122	1,552,294	-1.2	235,702	225,261	4.1	246,981	236,246	5.2	90,923	78,303	-7.8	43,697	43,697	11.2	19,665	17,074	16.3	222,967	156,967	14.8	2,472,057	2,309,842	0.9
				Proportion of water obtained from other sources	0.013	0.014	1.3	0.000	0.000		0.001	0.001	-18.9	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.009	0.010	-1.2
	Water-Int	m³/(m² pa)	Intensity		0.793	0.795	-1.5	0.256	0.253	4.4	0.735	0.735	5.1	0.650	0.666	-7.8	3.868	3.868	11.2	0.226	0.212	16.4	2.506	2.238	14.8	0.683	0.671	0.8
Waste	Waste-Abs	tons pa		Building operation	25,240	24,553		14,802	14,681		2,822	2,822		560	483		233	233		1,339	1,062		5,427	5,412		50,423	49,246	
				Proportion of waste diverted from landfill	0.494	0.493		0.259	0.255		0.741	0.741		0.713	0.692		1.000	1.000		0.661	0.633		0.003	0.000		0.396	0.390	
Certifications	Cert-Tot			Number of sustainably certified assets	10	8		0	0		6	6		7	1		0	0		0	0		0	0		23	15	
				Percentage of the portfolio's total floor area	10.2%	8.5%	-0.3	0.0%	0.0%		28.7%	32.3%	0.0	74.0%	35.6%	0.0	0.0%	0.0%		0.0%	0.0%		0.0%	0.0%		13.8%	9.0%	-0.1

Notes: Only properties held for a full year in the portfolio are included for KPI per m², and full-year consecutive holding in 2018 and 2019 in Like-for-Like disclosure, excluding Crans-Montana resort and Farms. Region Czech Republic excludes Farms. Others excludes ski resort Crans-Montana in Switzerland. Regions include fuels consumed in the Group's car fleets. Waste values represent 2018 production.

The energy intensity of the Like-for-Like built assets in operation reduced by 2.7% Year-Over-Year. The savings were realised in all categories of energy consumption: electricity (-3.3%), district heating and cooling (-2.9%) and fuels (-0.8%). In the majority of geographies reductions in energy intensity ranged from 3.3% to 8.3%. **Intensity of GHG emissions decreased by 1.4%.** The main contributor to GHG emissions in 2019 was the Czech Republic (271,175 t CO_2 eq), followed by Germany (81,930 t CO_2 eq) and Poland (34,404 t CO_2 eq). The water consumption intensity rose by 0.9%.

Disclosure of ERPA Key Environmental Performance Indicators by Asset Type

EPRA Sustainability Performance Measures – Environmental impact					Offices			Retail Parks			Retail Warehouses			Shopping Centres			Retail Complementary			Hotels			Logistics			Residential		
					Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance		Abs	Like-for-Like performance	
Impact area	EPRA Code	Units	Indicator		2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2019	2019	% YoY	2018	2019	% YoY
Energy	Elec-LfL	MWh pa	Electricity	Building operation	154,956	146,295	-2.5	21,205	21,205	-2.5	42,153	40,710	7.3	140,559	126,502	-6.4	10,940	9,656	5.6	42,916	38,688	-2.9	27,156	26,959	-14.3	33,446	33,435	0.0
				Proportion of electricity from renewable sources	0.079	0.085	27.2	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000	
	DH&C-LfL		District heating and cooling	Building operation	79,751	74,243	-3.5	2,945	2,945	5.8	3,344	3,344	15.8	19,876	15,580	-4.2	5,283	4,452	-19.7	22,962	21,169	-6.1	278	278	-77.2	87,617	87,617	0.0
				Proportion of district heating and cooling from renewable sources	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.005	0.005	
	Fuels-LfL		Fuels	Building operation	96,234	93,532	-0.5	3,995	3,995	-19.9	11,559	11,305	-9.2	23,378	22,808	-1.1	3,154	2,917	17.9	17,692	14,230	2.6	7,588	7,417	7.3	27,994	27,859	0.0
				Proportion of fuels from renewable sources	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000	
	Energy-Int	kWh/(m² pa)			231	230	-2.0	168	168	-1.6	285	287	1.1	376	368	-5.5	180	176	-1.9	238	240	-2.8	274	274	-15.6	202	202	0.0
Greenhouse gas emissions	GHG-Dir-Abs, GHG-Dir-LfL	t CO_2 eq p	Direct	Fuels, Refrigerants	22,747	21,854	-0.5	1,110	1,110	-17.3	3,550	3,485	-6.9	6,692	6,216	-0.9	1,178	1,033	10.7	4,580	3,733	3.0	1,836	1,797	6.9	4,307	4,277	0.0
	GHG-Indir-Abs, GHG-Indir-LfL		Indirect	DH&C & Elec, Generation, Transmission & Distribution, Water & Waste	130,341	122,316	-0.1	12,093	12,093	2.6	24,901	24,564	5.2	95,184	85,136	-2.3	10,003	8,726	4.7	44,836	41,562	-3.6	16,479	16,389	-16.6	57,237	57,229	0.0
	GHG-Int	t CO_2 eq p/(m² pa)	Intensity		0.107	0.106	0.0	0.079	0.079	3.8	0.142	0.146	0.7	0.209	0.204	-2.3	0.104	0.101	4.1	0.142	0.147	-3.1	0.144	0.144	-17.8	0.083	0.083	0.0
Water	Water-Abs, Water-LfL	m³ pa		Building operation	553,045	527,573	-3.2	33,944	33,944	-5.9	56,777	54,186	-5.8	478,481	450,074	7.4	59,233	55,612	-3.0	567,592	466,732	4.1	43,469	42,899	-7.1	679,517	678,822	0.0
				Proportion of water obtained from other sources	0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.000	0.000		0.038	0.047	-3.9	0.007	0.007	-8.1	0.000	0.000	0.0
	Water-Int	m³/(m² pa)	Intensity		0.388	0.386	-3.0	0.203	0.203	-2.9	0.285	0.281	-8.4	0.977	1.005	7.3	0.550	0.573	-4.1	1.638	1.513	4.1	0.339	0.339	-10.4	0.919	0.919	0.0
Waste	Waste-Abs	tons pa		Building operation	18,044	17,847		802	802		4,355	4,078		6,797	6,549		1,703	1,272		6,308	6,284		3,653	3,653		8,760	8,760	
				Proportion of waste diverted from landfill	0.358	0.353		0.548	0.548		0.705	0.701		0.658	0.664		0.724	0.772		0.105	0.103		0.986	0.986		0.000	0.000	
Certifications	Cert-Tot			Number of sustainably certified assets	16	10		0	0		0	0		6	5		0	0		1	0		0	0		0	0	
				Percentage of the portfolio's total floor area	20.6%	12.0%	0.2	0.0%	0.0%		0.0%	0.0%		37.7%	33.1%	0.0	0.0%	0.0%		3.0%	0.0%		0.0%	0.0%		0.0%	0.0%	0.0

Notes: Only properties held for a full year in the portfolio are included for KPI/m², and full-year consecutive holding in 2018 and 2019 in like-for-like disclosure, excluding Crans-Montana resort and Farms). Segment Hotel excludes ski resort Crans-Montana in Switzerland.Waste values represent 2018 production. Performance of Residential portfolio in the Czech Republic is reported for 2018 and estimate is made for 2019. 2019 values will be disclosed in HY 2020 report.

The like-for-like segments contributing to energy savings were Offices (-2.0%), Shopping Centres (-5.5%), Retail Parks (-1.6%), Retail Complementary (-1.9%), Hotels (-2.8%) and Logistics (-15.6 %). The energy intensity increased in Retail Warehouses. GHG intensity decreased in most segments except for Retail Parks, Retail Warehouses and Retail Complementary segments and was flat in Offices. The intensity of water consumption decreased in all segments except Shopping Centres and Hotels.

Disclosure of EPRA Key Environmental Performance Indicators for Farms and Ski Resort Crans-Montana

EPRA Sustainability Performance Measures – Environment impact					Absolute performance (Abs) Farms	Absolute performance (Abs) Ski Resort
Impact area	EPRA Code	Units	Indicator		2019	2019
Energy	Elec-LfL	MWh pa	Electricity	Farm or Resort operation	2,075	9,718
				Proportion of electricity from renewable sources	0.396	0.302
	Fuels-LfL		Fuels	Farm or Resort operation	12,792	5,767
				Proportion of landlord-obtained fuels from renewable sources	0.0063	0.0596
	Energy-Int	kWh/(m^2 pa)			620	N/A
Greenhouse gas emissions	GHG-Dir-Abs	t CO_{2},eq p	Direct	(Fuels, Refrigerants, Agricultural production)	31,040	1,834
	GHG-Indir-Abs		Indirect	(DH&C & Elec, Gen., Trans. & Distri., Water & Waste, Refrigerants replacement)	3,688	714
	GHG-Int	t CO_{2},eq p/(m^2 pa)	Intensity		1.682	N/A
Water	Waste-Abs	m^3 pa		Farm or Resort operation	93,094	297,937
				Proportion of water obtained from other sources	0.636	0.986
	Water-Int	m^3/(m^2 pa)	Intensity		4.145	N/A
Waste	Waste-Abs	tons pa		Farm or Resort operation	43,844	165
				Proportion of waste diverted from landfill	0.995	0.982
Certifications	Cert-Tot			Number of sustainably certified farms	48	0
				Percentage of the portfolio's total agricultural land of certification attained	100%	0%

Note: Only performance in absolute values for 2019 is reported.

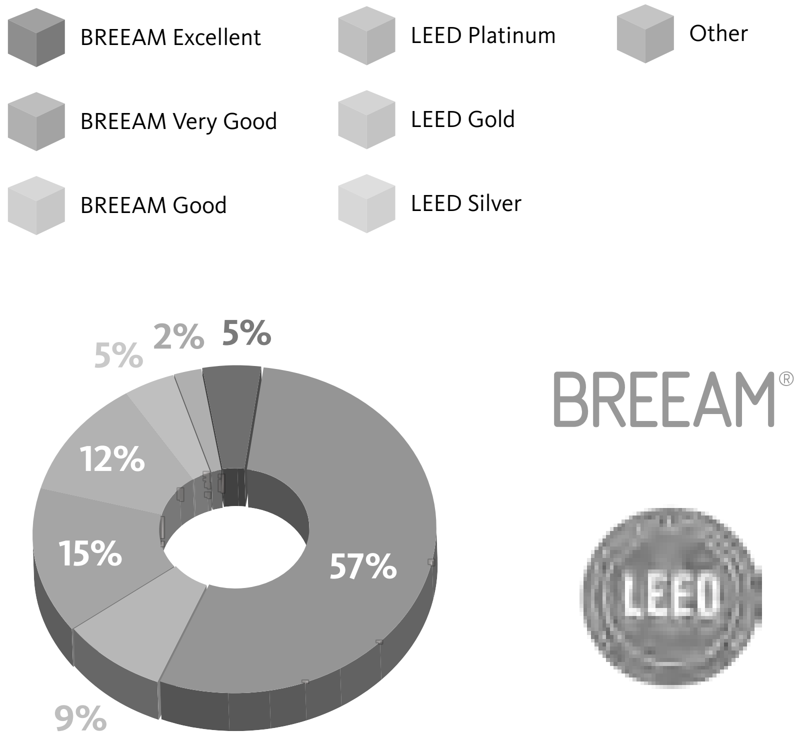
Environmental Certifications and Green Portfolio

Green buildings provide benefits such as higher asset value, operational efficiency, improved workplace productivity and health, climate risk mitigation and lower environmental impact.

90% of CPIPG's Certified Buildings are BREEAM "Very Good" or Above and LEED "Gold" and Above

The Group's goal is to gradually increase the share of green and certified buildings in its portfolio. Certification criteria are considered for new developments and major refurbishments as well as buildings in operation. Environmental certification schemes are a way to validate the sustainability of key assets in main areas of environmental impact and occupation comfort (management, health & well-being, energy, water, materials, waste, land use, pollution, transport). The target rating for all certifications is BREEAM Very good or better and LEED Gold or better from 2018 onwards. BREEAM[5] is the most widely used sustainable construction certification scheme in regions where CPIPG operates. For purposes of benchmarking, CPIPG utilises BREEAM certification scheme across its portfolio, particularly BREEAM In-Use for in-use assets, as this scheme reflects performance of an asset on an annual basis. Other certification schemes such as LEED are utilised upon request or achieved through acquisitions.

Certification Type per GLA



BREEAM®

LEED

CPIPG's Share of Certified Buildings Represented 14.0% of Reported GLA[6] and 20.3% of Total Portfolio Value at the End of 2019

New Development Projects

CPIPG considers environmental certifications for all of its new major developments and refurbishments at early stages of the design process. The structure of the project team encourages review and discussion about new innovations and lessons learned from operated buildings between teams and regionally across the Group.

New Constructions Planned to Add Over 130,000 m^2 of certified GLA

New development projects are in the process of certification or planned to be certified in the future in Prague (16,500 m^2), Berlin (80,700 m^2) and Budapest (33,100 m^2).

New developments are also reviewed from an energy efficiency perspective. The Group considers technical specifications targeting efficiency benchmarks for the top 15% most energy efficient buildings in the Czech Republic and in the case of the Berlin portfolio, compliance with Berlin Low Carbon Trajectory methodology set by the Climate Bond Initiative.

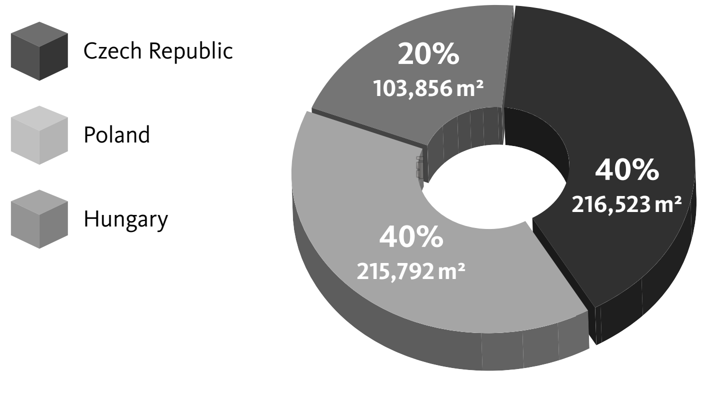
Assets in Operation and New Acquisitions

At the end of the reporting period, CPIPG's portfolio included 19 certified assets in operation. In 2019, certified GLA increased by 275,843 m^2 and €933 million in asset value, which represents an increase of over 100% in both metrics.

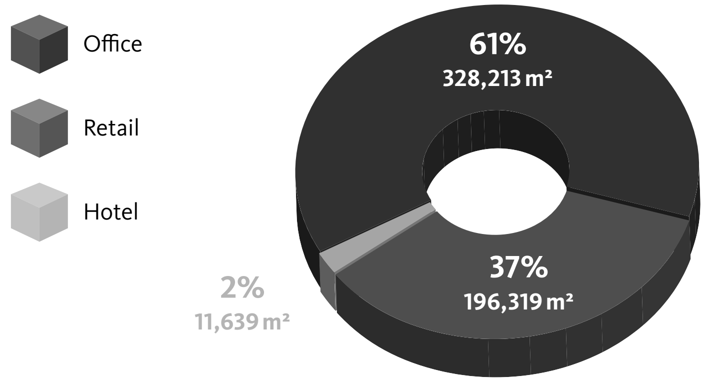
The Portfolio of Certified Assets in Operation Doubled in Size Over the Past Year

A significant portion of new certified assets is related to acquisitions in Warsaw made in the final quarter of 2019 where all acquired assets (156,227 m^2 GLA) hold LEED or BREEAM certifications. In addition, two shopping centres in the Czech Republic (80,255 m^2 GLA) and one office building in Budapest (9,440 m^2 GLA) achieved new BREEAM "Very Good" certifications during 2019.

Certified Buildings GLA[6] Split by Geography



Certified Buildings GLA[6] Split by Segment



We Expect to Achieve an Increase of In-operation Certified GLA of Over 13% in 2020

Certifications planned for 2020 within the in-use portfolio (excluding possible future acquisitions) accounts for 16,350 m^2. The acquisitions in Warsaw that were completed in the first quarter of 2020 represent an additional 57,460 m^2 GLA of certified office space and an estimated annual increase of 13.8% in certified GLA.

Balance Hall, Budapest, Hungary

[5] *BREEAM is an environmental assessment method and rating system for buildings launched in 1990. BREEAM sets a standard for best practice in sustainable building design, construction and operation and a measure of a building's environmental performance. It encourages designers, clients and others to think about low carbon and low impact design, minimising the energy demands created by a building before considering energy efficiency and low carbon technologies (see www.breeam.org for more information).*

[6] *For this comparison total compared area includes area of CPIPG hotels. GLA of residential portfolio is excluded.*

Green Building **Portfolio**

Certified Assets
(as at 31 December 2019)

- Office
- Shopping centre
- Hotel

SC Nisa
Location: Liberec, CZ
Year Built: 1999
PP value: €105 million
GLA: 50,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Olympia Plzeň
Location: Plzeň
Year Built: 2004
PP value: €157 million
GLA: 41,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Shopping Centre Ogrody
Location: Elbląg, PL
Year Built: 2002
PP value: €120 million
GLA: 42,000 m²
BREEAM 2009 Europe Commercial – Very Good
Year Certified: 2016

Eurocentrum
Location: Warsaw, PL
Year Built: 2006
PP value: €243 million
GLA: 85,000 m²
LEED BD+C – Platinum
Year Certified: 2017

Equator IV
Location: Warsaw, PL
Year Built: 2018
PP value: €58 million
GLA: 21,000 m²
BREEAM 2009 Europe Commercial – Very Good
Year Certified: 2018

Zlatý Anděl
Location: Prague, CZ
Year Built: 2000
PP value: €143 million
GLA: 21,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Quadrio
Location: Prague, CZ
Year Built: 2015
PP value: €258 million
GLA: 25,000 m²
LEED BD+C – Silver
Year Certified: 2014

Arena Corner
Location: Budapest, HU
Year Built: 2007
PP value: €72 million
GLA: 30,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Gateway Office Park
Location: Budapest, HU
Year Built: 2008
PP value: €83 million
GLA: 36,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Quadra – B30
Location: Budapest, HU
Year Built: 2006
PP value: €30 million
GLA: 13,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Balance Loft
Location: Budapest, HU
Year Built: 1996
PP value: €13 million
GLA: 7,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Atrium Centrum
Location: Warsaw, PL
Year Built: 2001
PP value: €47 million
GLA: 18,000 m²
BREEAM In-Use – Good
Year Certified: 2018

Warsaw Financial Center
Location: Warsaw, PL
Year Built: 1998
PP value: €261 million
GLA: 50,000 m²
LEED O+M – Gold
Year Certified: 2020

Ostrava City Hotel
Location: Ostrava, CZ
Year Built: 2007
PP value: €11 million
Hotel beds: 370
Green Key
Year Certified: 2020

Poland

Czech Republic

Hungary

Futurum Hradec Králové
Location: Hradec Králové, CZ
Year Built: 2009
PP value: €131 million
GLA: 39,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Balance Tower
Location: Budapest, HU
Year Built: 2001
PP value: €20 million
GLA: 9,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

City West B2 + B3
Location: Prague, CZ
Year Built: 2009
PP value: €80 million
GLA: 29,000 m²
BREEAM In-Use – Excellent
Year Certified: 2019

Andrássy Palace
Location: Budapest, HU
Year Built: 1997
PP value: €23 million
GLA: 8,000 m²
BREEAM In-Use – Very Good
Year Certified: 2019

Quadrio, Prague, Czech Republic

Climate Change

Possible effects of climate change on CPIPG's portfolio in the coming years will vary by region and by asset. The scale and severity of changes will determine the extent of the impact, along with factors such as age, location, construction methods, asset operational efficiency, local infrastructure quality, and capacity.

Risks to the Group's activities are likely to include: stringent governmental regulation in terms of energy efficiency and refrigerant use, higher insurance premiums; higher operating costs for energy, water and maintenance; a higher chance of flooding; and a higher risk of disruption to commercial activity from extreme weather events, including problems affecting local infrastructures that are outside the Group's control. However, thanks to CPIPG's strategic focus on major cities in continental Europe, there is a low likelihood of significant changes to the Group's activities due to tidal flooding, extreme temperature variations, aridity, demographic shifts, etc.

CPIPG's due diligence process for acquisitions and new development projects covers a wide range of financial and operational issues and takes many of these risks and opportunities into account. For example, the due diligence process includes a complete audit of technical, regulatory, environmental, and health and safety performance. The potential financial impact of identified risks is taken into account during negotiations and investments. Issues covered include asbestos, legionella, electromagnetic radiation and soil pollution.

As well as preparing its assets to face the potential effects of climate change, CPIPG is working to limit the impact of its activities on the climate. The Group's GHG emissions reduction strategy is based on energy-efficient behaviour, equipment replacements by low energy consumption technologies and, when possible, the use of low-carbon and renewable energies. The Group complies with regulatory requirements in each region with regard to flooding risks, water management, and drainage systems for exceptionally heavy rainfall.

We Have Appropriate Targets in Place to Reduce Our Carbon Footprint Over Time

The Group is committed to climate change mitigation and works with the target that was set by the EU in October 2014 to reduce GHG emissions by 40% compared to the 1990 baseline, which represents approximately a 20% reduction from GHG production reported in 2018. The Group is aware that this target doesn't align with the current Paris Agreement climatic goal to sustain global temperature below 2°C as well as the EU's ambition to increase the target for 2030 (55%) and the goal to become climate natural by 2050 (The European Green Deal) and closely watches development of new EU legislation and standards that aligns with Paris Agreement goals.

The carbon footprint was first calculated in the 2018 report. Since then, the Group has revisited the reporting method, extended the scopes and calculated indicators to evaluate areas for potential improvements.

Our Reporting is Aligned with the GHG Protocol

CPIPG teamed up with the CI2 initiative to review GHG reporting methodology and its implications to GHG strategy and target setting. The review added another level of transparency and verification to the reporting process and aligned with the GHG Protocol. The updated methodology will allow the Group to report its environmental performance in the CDP in 2020.

Scope 1, Scope 2 and Scope 3 approach reporting is based on operational control. Under the operational control approach, CPIPG accounts for 100% of the GHG emissions from operations over which it or one of its subsidiaries has operational control.

It consolidates emissions generated by the buildings in operation, which are owned and/or operated by the Group. The choice of this approach impacts the content counted in the different scopes according to the responsibilities of different parties i.e. between landlords and tenants. The split of carbon emissions relating to energy is as follows:

Scope 1: GHG emission from greenhouse gas sources (greenhouse gas source physical unit or process that releases a GHG into the atmosphere) owned or controlled by the organisation (Direct GHG emissions);

Scope 2: Energy indirect greenhouse gas emissions. GHG emission from the generation of imported electricity, heat or steam consumed by the organisation (Energy indirect GHG emissions);

Scope 3: Other indirect greenhouse gas emission emissions, other than energy indirect GHG emissions, which is a consequence of an organisation's activities, but arises from greenhouse gas sources that are owned or controlled by other organisations (Other indirect GHG emissions).

Assets and Scopes Relevancy

Assets	Scope 1	Scope 2	Scope 3
Headquarters	X	X	–
Shopping Centres	X	X	X
Hotels – Option A (owned and operated by CPIPG)	X	X	X
Hotels – Option B (owned but not operated by CPIPG)	–	–	X
Hotels – Option C (not owned but operated by CPIPG)	X	X	–
Office	X	X	X
Retail	X	X	X
Retail-warehouse	–	–	X

CPIPG occupies spaces within reported assets, so its operation is reported under Scope 1 and 2. Business travel is planned to be reported starting from 2021.

Below is list of relevant categories under Scope 3 the Group considers for phased inclusion in reporting scope over the medium term:

Relevant Categories Under Scope 3

Scope 3 category	Relevant for 2019 reporting	Relevant in future	Note
3.1 Purchased Goods and Services	Yes	Yes	Water consumption 2022 – Main purchased goods and services, Equipment acquisition, Assets refurbishment, etc.
3.2 Capital Goods	No	Yes	2022 – Main purchased or acquired capital goods
3.3 Fuel-and Energy-Related Activities Not Included in Scope 1 or Scope 2	Yes	Yes	A key category for Scope 3 reporting of CPI Group, described in detail below.
3.5 Waste Generated in Operations	Yes	Yes	Waste production
3.6 Business Travel	No	Yes	2021 – Reporting year
3.7 Employee Commuting	No	Yes	2021 – Reporting year
3.14 Franchises	Yes	Yes	CPI Hotels operation is reported under Scope 1+2

Dual reporting of electricity consumption is obligatory in the framework of the GHG Protocol: location-based and market-based methods. CPIPG is reporting both values separately. Location-based factors are sourced from the European Environmental Agency (EEA) database for a given country of operation – CO_2 emission intensity for electricity generation. Marked-based factors are sourced from electricity suppliers. In case emission factors from suppliers were not available, residual mix values or location-based factors were used as proxies.

GHG Emissions

The reporting of GHG emissions is aligned with the CDP. The GHG emissions are reported in absolute values per Scopes 1-3. Each Scope is split down into the main subcategories in the following table.

Scope 1 includes GHG emissions from fuels (including CPIPG's car fleet) and from modelled leakages of refrigerants in buildings' HVAC systems at directly managed assets. Agricultural production includes emissions from total production of crops and from livestock.

Scope 2 includes GHG emissions related to purchased electricity and heat from district heating systems. In ski resorts the GHG emissions from energy consumption considers also energy for the operation of the ski resort facilities including ski lifts, pumping of water for snowmaking and snowmaking itself.

Scope 3 covers the indirect production of GHG emissions originating from generation, transmission and distribution of energy, from fresh water and wastewater treatments and from waste management. Scope 3 also includes direct and indirect GHG emissions from assets owned, but not operated by CPIPG. GHG emissions from purchased electricity was calculated separately for location-based emissions factors (per country) and for market-based factors (per respective electricity provider) when the information was available. Due to extended scope, total GHG emissions reported for 2019 are not directly comparable with the amount disclosed in 2018, but the like-for-like scopes were compared and are consistent.

The carbon footprint of construction projects is undertaken through LCA that is currently performed for all major projects with GLA above 10,000 m².

GHG Impact of Built Portfolio per GHG Protocol

CO_2e footprint per GHG Protocol		Built portfolio & CPIPG operation		Ski Resort Crans-Montana		Farms	
		t $CO_{2\,eq}$ pa	%	t $CO_{2\,eq}$ pa	%	t $CO_{2\,eq}$ pa	%
Scope 1	Fuels	33,065	8.0%	1,455	57.1%	3,197	87.2%
	Agricultural production	2,283		0		6	
	Refrigerants	N/A		N/A		27,086	
Scope 2	DH&C & Elec (market-based)	164,115	37.4%	162	6.4%	643	1.9%
	DH&C & Elec (location-based)	143,224		162		643	
Scope 3	Fuels	11,909	54.6%	379	36.5%	751	10.9%
	Refrigerants	2,284		0		0	
	DH&C & Elec (market-based)	130,133		0		0	
	DH&C & Elec (location-based)	124,289		0		0	
	Generation, Transmission & Distribution	48,404		121		113	
	Water & Waste	48,137		432		2,932	
Scope 1-3 (market-based)	S1-S3 total	440,330		2,548		34,727	
	S1-S3 per revenue (t CO_2e/€ m)	1,058.3		273.1		6,806.7	
	S1-S3 per area (t $CO_{2\,eq}$/m²) or ha ($CO_{2\,eq}$/ha)	0.122		N/A		1.682	
Scope 1+2 (market-based)	S1+S2 per revenue ($CO_{2\,eq}$/€ m)	479.4		173.3		753.8	
	S1+S2 per area ($CO_{2\,eq}$/m²) or ha ($CO_{2\,eq}$/ha)	0.055		N/A		1.576	

Notes: Farms intensity is calculated per agricultural land utilising ha. Only assets owned through a full year in the portfolio are included in intensity calculations.

The Group maintains a strategic performance benchmark for its specific GHG production as 20% reduction by 2030 compared to the 2018 baseline. A significant portion (92.2%) of GHG production (Scope 1-3) comes from operated buildings. For the purpose of accurate tracking of the performance of the operated buildings (the major GHG contributor), ski resort Crans-Montana and Farms are reported separately.

GHG Production Split

Type of source	Buildings in operation	Ski resort	Farms	Total
	t $CO_{2\,eq}$ pa	t $CO_{2\,eq}$ pa	t $CO_{2\,eq}$ pa	t $CO_{2\,eq}$ pa
Scope 1	35,349	1,455	30,289	67,092
Scope 2	164,115	162	643	164,920
Scope 3	240,867	931	3,796	245,593
% of total	92.2%	0.5%	7.3%	477,605

Note: GHG calculated with market-based emission factors

The annual GHG reduction target percentage per reported area is the total remaining reduction value required divided by the years remaining until the target year. For the purposes of providing greater comparability of portfolio performance relative to the target year-on-year, annual intensity is calculated as absolute GHG production per reported area adjusted for the fraction of year in operation.

We Met Our Target in Terms of Reduction in GHG Intensity in 2019

In 2019, total GHG intensity across the entire portfolio (adjusted for reported area) outperformed the required 2019 target by 0.4% based on absolute consumption and outperformed the target by 0.5% on a like-for-like portfolio basis. Further assessments will be undertaken across regions and segments to identify ways to continue to improve the trend.

Revised GHG Intensity Target through 2030

Year	GHG Intensity (t $CO_{2\,eq}$/m² pa)		
	2018	2019	2030
	0	1	12
2018 report	0.120	0.118	0.096
Revised 2018 target	0.123	0.121	0.099

GHG Intensity in 2019 per Region

Region	GHG Intensity (t $CO_{2\,eq}$/m² pa)	GHG-Int LfL (t $CO_{2\,eq}$/m² pa)
Czech Republic	0.133	0.131
Germany	0.089	0.089
Hungary	0.095	0.099
Poland	0.225	0.244
Romania	0.150	0.150
Slovakia	0.050	0.053
Others	0.155	0.181
Whole portfolio	0.121	0.120

Energy Consumption and Efficiency Improvements

Energy consumption from buildings in operation is identified as the main contributor to GHG production under all Scopes. The Group introduced a strategic plan for sustainable operation with the aim to identify opportunities to reduce GHG emissions. The pillars of the strategy are in order of importance: **Improved operational efficiency, Modernisation of building systems** through green capital expenditures, **Occupiers' engagement, Clean energy mix** and **Reduction of use of refrigerants** with global warming potential (GWP) above 10.

The Group goes beyond the regional legal requirements for periodic review of building energy performance and reviews the operation of key assets to identify efficiency opportunities with the support of consultants and various monitoring and analytical tools (online metering and monitoring of MEP systems etc.). Regular checks on consumption patterns take place throughout the majority of the portfolio. A thorough performance assessment is underway in selected assets in the Czech Republic, Poland and Hungary with a primary focus on increasing operational efficiency in existing building systems.

In support of this effort, a review of energy management practices and implementation of energy management systems in line with ISO 50001 is underway in the Czech Republic portfolio.

Green Investments

Gradual modernisation of aging core building systems through capital expenditures (CAPEX) represents another pillar in the CPIPG strategy. CAPEX investments includes measures to improve energy and water efficiency as well as projects enhancing ecological value of the site. Among the most frequent types of improvements are the replacement of existing lighting with LED and upgrades in heating systems. Other types of improvements include installation of features reducing water flow, replacement of windows and/or renovation of entire building envelopes, improvements to HVAC systems, BMS, additional roof insulation and installation of submetering.

Our Planned Green CAPEX Investments Are Expected to Deliver Significant Improvements in Energy Efficiency

Green CAPEX Type Projects Planned Through 2024

Region	Green CAPEX completed in 2019 (€ m)	Green CAPEX planned thru 2024 (€ m)	Total CAPEX planned thru 2024 (€ m)	Share of Green CAPEX in total planned thru 2024
Czech Republic & Slovakia	1.24	18.66	117.74	15.9%
Hungary	3.51	3.14	23.81	13.2%
Poland	0.03	3.68	23.61	15.6%
Germany	1.11	6.77	152.74	4.4%

Notes: Investments planned through 2024 may be subject to change. CAPEX plan for the Czech Republic is calculated with 2019 CZE/EUR average exchange rate.

Annual primary energy consumption of projects in this category is estimated at about 35,000 MWh pa. post refurbishment, equating to a **50% improvement in efficiency,** while total CO_2 reduction is estimated at **12,500 t CO_2 eq pa.**

Examples of green capex investments include the replacement of cooling systems across the entire Hungary office portfolio with state-of-the-art equipment, resulting in energy savings of 30%. In addition, the entire mechanical system of Polus shopping centre in Hungary has been replaced resulting in a GHG production reduction of **291 t CO_2 eq pa.**

Energy Efficiency Projects Contribute to transition into ecologically-sound Portfolio

List of Projects Meeting Energy Efficiency Criteria per CPIPG's Green Bond Framework

Asset name	Building type	Country	Year of completion	GLA (m²)	Efficiency criteria
SC IGY	Shopping centre	CZ	2017	25,401	Reduction of $CO_2 \geq 30\%$
Bubenská 1	Office	CZ	2020	17,778	Efficiency two letter grade improvement per EPC
ZET.office	Office	CZ	2019	20,189	Reduction of $CO_2 \geq 30\%$, top 15% energy efficient building
Longin	Hotel	CZ	2019	14,960	Reduction of $CO_2 \geq 30\%$

Occupier Engagement

While the Group strives to provide a healthy and comfortable indoor environment for our tenants, occupant preferences have a significant impact on energy and water consumption, production of GHGs, solid and effluent wastes. The Group recognises the importance of engaging with occupants, educating and cooperating with them on reducing the environmental impact of the portfolio. The Group exercises the following opportunities across the segments:

- **Certification process** –Platform for CPIPG and occupiers to coordinate in setting mutual goals in areas of environmental impact (office buildings City West with tenant Siemens, ZET.office with tenant KIWI.com).
- **Green lease principles** – Incorporation of Green principles into standard lease forms is being reviewed and considered for future renewals and newly refurbished projects.
- **Refurbishment projects** – Innovative systems above building standards are reviewed typically as part of the lease renewal process. CPIPG advises its clients on sustainable solutions that may positively impact the environment and increase working environment comfort while paying back within the period of a prolonged lease contract. Efficient AC systems, ventilation systems regulated based on CO_2 levels or lighting intensity control systems and others are presented in a form of LCAA during the design brief phase for tenants' consideration.
- **Pilot projects** – Conscious building: Balance Hall is equipped with a state-of-the-art BMS system which allows its occupants through an online application to see and understand their impact on the building performance in real time.
- **Cooperation with tenants that have their own environmental strategies** – The Group is in close contact with tenants and coordinates with their environmental strategies to support efforts in installing efficient building systems and sourcing renewable energy.

Energy Mix

CPIPG considers options for reducing the environmental impact of the energy it consumes, by purchasing low-carbon or renewable energy from suppliers and generating low-carbon or renewable energy onsite. The energy mix is a key focus in regions which have carbon-intensive national energy infrastructure.

9.45 GWh Total Production of Renewable Energy in 2019. GSG is the Largest Producer of Solar Energy in Berlin.

In Berlin, GSG Solar has 45,000 m² of photovoltaic (PV) area (25,360 solar modules, 6.3 MWp output) which represents **Berlin's largest photovoltaic system**. It spans across 29 assets (65 buildings). Annual production for 2019 decreased to **5,466 MWh** (compared to 2018 production of 6,043 MWh) due to weather conditions and represents an offset of **2,700 t CO_2 eq** in 2019. The energy produced is both sold to the grid and consumed locally, providing access to solar energy for 1,800 tenants.

Spojené farmy acquired a renewable energy plant on biogas with power output of 600 kWp and annual production of **3,982 MWh** that represent an offset of **2,400 t CO_2 eg** in 2019. Surplus electricity is sold to the grid and heat is utilised on the farm.

In the medium term, the Group considers utilising the KPI carbon weight of energy mix (kg CO_2 eq/kWh) and further analysis of carbon dependency of the primary energy mix across the portfolio.

GSG Solar PV, Berlin, Germany

Transport

CO_2 emissions from visitor and occupant transport significantly contribute to the CO_2 emissions along with those generated by properties. Buildings which are accessible mainly by car have a far higher indirect carbon footprint than those which are well connected to public transport networks. Furthermore, the relative impact of visitor transport on overall CO_2 emissions will continue to rise as buildings become more energy efficient.

Our Properties Cater to Clean Modes of Transport

The Group supports **green mobility** by actively promoting bike transportation, access to public transport and proximity to key amenities and clean modes of individual transportation. A majority of assets (87% of all built assets) are located in urban areas within a reasonable distance[8] to public transportation which applies for over 90% of offices, shopping centres and hotels.

Cycling is supported at the Group's properties with bike racks fitted as standard. **Sport facilities** providing necessary background (showers, lockers and restrooms) are available at most office buildings in order to encourage bicycle commuting among our tenants and employees.

The Group has introduced all-electric e-smart company vehicles, while in Berlin, we offer employees access to Multicity and DB Flinkster e-sharing vehicles with a company bonus card that provides tenants and employees a discounted service.

In 2019, **the electric vehicle charging infrastructure in the portfolio comprised of 55 charging points** in the Czech Republic and Berlin with plans for further extension.

56 charging stations for electric cars within the Berlin portfolio are in planning or early construction phase. The electricity for the charging process will be generated by the PV panels from our roof installations. Project preparations for electric car infrastructure is underway in Hungary and ski resort Crans-Montana.

Electromobility Infrastructure Across the CPIPG Portfolio

Building type	Total no of buildings	Buildings equipped with charging points	Number of charging points	Installed charging capacity (kW)
Office	104	13	31	798
Shopping centres	23	26	14	437
Retail	148	1	2	44
Hotels	49	10	8	48

Charging station and EV company car, GSG Berlin

8 *A compliant node includes any bus/tram/metro service stop within 250 m.*

Use of Resources

CPIPG develops guides for new projects and existing assets that provide clear, comprehensive directions on the use of resources (materials, water, waste and biodiversity). Third-party certification systems such as BREEAM or LEED and audits are used to validate these guidelines and ensure that imposed standards are met.

Materials

We Conduct Life Cycle Assessment for All New Developments >10,000 m² GLA

The Group has made a commitment to systematically carry out LCA for all new real estate projects over 10,000 m² or new real estate projects that would be subject to assessment in sustainability certification schemes (BREEAM, LEED) starting from March 2019.

LCA is considered one of the key environmental indicators that would be reviewed and compared to benchmarks. More than 28 projects combined in Germany, Hungary and Czech Republic are scheduled for LCA through 2025.

CPIPG holds large brownfield areas in Prague and Brno in the Czech Republic that amounts to 52.2 ha. The Group actively works with experts and task group in CZGBC to identify legal obstructions and specifics, such as material reuse and recycling, relevant to this development type.

List of Brownfields in CPIPG Portfolio

Brownfield	Area (ha)	Planned GIA (m²)	Capacity
Prague 9	5.2	90,000	residential and offices
Prague 10	6.4	105,000	1,000 flats with retail
Prague 7	20.0	500,000	mixed use
Prague 8	0.6	17,500	219 flats
Brno	20.0	500,000	residential, retail, office, light manufacturing

In brownfield projects CPIPG pursues extra care during site preparation in terms of proper material identification, decomposition, sorting into streams and reuse on site. All disassembled material is first sorted according to its origin and the pre-demolition survey determines its route of disposal (an inert or contaminated material). All contaminated material departs for biodegradation areas for remediation. All inert material remains on site and is modified utilising mobile recycling line that creates new raw material suitable for backfills, fills or construction layers. Reuse on site material has saved approximately 28,000 truck round trips in urban areas to date.

Charging station at Eurocentrum, Warsaw, Poland

Water

Water is essential for life. The amount of fresh water on earth is limited, and its quality is under constant pressure. Preserving the quality of fresh water and optimising its use is recognised as a global responsibility by the Group.

We Have Appropriate Targets in Place to Reduce Our Water Consumption Over Time

Key strategic pillars in the Group water management efforts are respectively reduction and optimisation of water flow rate and implementation of water re-use solutions to further advance already optimised water consumption.

The Group reports consumption of municipal water separate from water sourced on site (extraction or capture) and water re-used. Buildings in operation represents the largest source of water consumption in the portfolio, with water sourced from grid representing 85.5%, while consumption from on-site sources represents below 1%. Consumption in ski resort Crans-Montana represents 10.4% share of overall consumption in our portfolio with a split between 98% ground water and 2% municipal. Farms represent 3.3% annual consumption in the portfolio. For complete EPRA indicators see section EPRA environmental performance disclosure.

Summary of Absolute Water Consumption Across the Portfolio

Type of source	Buildings in operation	Ski resort	Farms	Total
	m³ pa			
Municipal source	2,450,023	4,104	33,892	2,488,019
On-site extraction	22,034	293,833	59,202	375,069
% of total	86.3%	10.4%	3.3%	2,863,088

Note: Buildings in operation represent all operating reported assets.

The Group sets a benchmark for the reduction of the specific consumption of the fresh water sourced from municipal grids and water sourced on site **aiming for a 10% reduction compared to 2018 reporting values by 2030.** For the purpose of accurate tracking of the major consumer, ski resort Crans-Montana and water consumed for farming are excluded from target intensity calculation and is reported separately.

The annual water consumption reduction target percentage per reported area is the total remaining reduction value required divided by the years remaining until the target year. For the purposes of providing greater comparability of portfolio performance relative to the target year-on-year, annual intensity is calculated as absolute water consumption per reported area adjusted for the fraction of year in operation.

We Met Our Target in Terms of Reduction in Water Consumption in 2019

In 2019, total water consumption reduction across the entire portfolio (adjusted for reported area) was in line with the required 2019 target. We outperformed the target by 0.8% on a like-for-like portfolio basis, while there was a small negative deviation of only -0.2% in terms of absolute performance. Further assessments will be undertaken across regions and segments to identify ways to continue to improve the trend.

Revised Water Intensity Target through 2030

Year	Water Intensity (m³/m²)		
	2018	2019	2030
	0	1	12
2018 report	0.473	0.469	0.426
Revised 2018 target	0.682	0.676	0.614

Water Intensity in 2019 per Region

Region	Water Intensity (m³/m²)	Water-Int LfL (m³/m²)
Czech Republic	0.788	0.795
Germany	0.256	0.253
Hungary	0.721	0.735
Poland	0.595	0.666
Romania	3.868	3.868
Slovakia	0.214	0.212
Others	2.506	2.238
Total	0.677	0.671

Waste

Throwing away things wastes resources. It wastes the raw materials and energy used in making the items and it wastes money. Reducing waste means less environmental impact, less resources and energy used and saves money.

All assets fully comply with local legislation and allow for waste separation into streams relevant to building operation, recycling and occupant's needs beyond local legal requirements.

Reporting on Waste for the First Time

The Group includes disclosure of consolidated waste production from building operation for the first time. The majority of waste is the result of occupiers' activities and their business operation, yet CPIPG plans to pursue evaluation and review opportunities to optimise waste management with a focus on recycling and diverting waste disposal to landfill. As a result of the evaluation the Group will consider setting long term targets to:

- Reduce the share of waste sent to landfill by a certain percentage by 2030 compared to 2019
- Achieve a recycling rate of certain percentage by 2030

Waste Diverted from Landfills

	Czech Republic		Germany		Hungary		Poland		Romania		Slovakia		Others		Total	
	t pa	%	t pa	%	t pa	%	t pa	%	t pa	%	t pa	%	t pa	%	t pa	%
Total waste production	25,241		14,802		2,822		560		233		1,339		5,427		50,424	
Waste diverted from landfill	**12,963**	**51.4**	**3,841**	**25.9**	**2,099**	**74.4**	**415**	**74.2**	**233**	**100.0**	**885**	**66.1**	**15**	**0.3**	**20,451**	**40.6**
Recycled content	**9,326**	**36.9**	**3,841**	**25.9**	**389**	**13.8**	**399**	**71.3**	**95**	**40.5**	**672**	**50.1**	**40**	**0.7**	**14,760**	**29.3**
Avg. number of waste streams	4		12		2		12		3		3		5			

Note: Waste production is reported for 2018 calendar year and excludes waste production managed by tenants in the Berlin portfolio.

Biodiversity

Most of assets in operation are located in urban zones where there is limited potential for improving ecological value and biodiversity on site. Yet, ecology is an area that is being reviewed in cooperation with experts to fully assess and understand the context of the site. Green features are considered as they naturally improve the working environment, such as by adding new green terraces and relax zones to increase flexibility for building users. An accredited ecologist is typically part of the design team for new developments.

The Group constantly reviews options how to integrate green solutions and promote ecology within its sites and properties. As a result, it operates several beehives on roof tops of the office buildings in the Czech Republic and Poland and refurbishes its roofs through green roofs projects, some of which have been nominated for regional awards.

Beehives on Eurocentrum roof top, Eurocentrum, Warsaw, Poland

Climate-Smart and Ecological Agriculture

The Group's agricultural activities under Spojené farmy a.s. span across 40 organic farms located in North Bohemia at higher altitudes in protected landscape areas. Our farmers have been producing sustainable and healthy organic food since 1996. The Group breeds nature-friendly organic cattle (Aberdeen Angus, Charolais, Limousine, Wagyu etc.), chickens, and sheep.

Active herd health management is a key part of our animal husbandry production intended to sustain the reproduction and genetic health of our herds.

Farms carry out gentle works that lead to soil remediation and natural fertilisation through regular vegetation treatment to maintain positive yields and thus produce sufficient fodder for our livestock.

Organic farming has a positive relationship to animals, soil, plants and nature without the use of artificial fertilisers, chemical products, sprays, hormones and other artificial substances. It takes into account natural cycles, biodiversity and dependencies, contributing to the care and preservation of the environment. Its main goal is the production of healthy foods in harmony with nature. A gentle way of farming on our farms also demonstrably contributes to endangered species return (farmers report on their presence), meadows management, protection and improvement of groundwater quality.

- Total organic pasture and arable land: **12,000 ha**
- Aberdeen Angus, Charolais, Limousine, Wagyu etc.: **8,000 cattle**
- Organic meat produced: **364,000 kg pa**
- Organic milk produced: **400,000 l pa**
- Organic animal feed produced: **62,000 t pa**

Aberdeen Angus & Limousine cattle, Spojené farmy, North Bohemia

Cultivation, breeding, storage, processing and packaging – the whole organic production process is strictly controlled according to the Act on Organic Farming No. 242/2000 Coll., that complies with strict international requirements and Commission Regulation No. 889/2008 laying down implementing rules to Council Regulation (EC) No 834/2007 on organic production and labelling of organic products. The labelling of organic food is uniform throughout the Czech Republic and it is allocated annually (or at random) on the basis of an independent control e.g. KEZ ops. The authenticity of organic food is guaranteed by a certificate and a trademark for products from controlled organic farming.

EPRA Key Environmental Performance Indicators for Farms is contained within the EPRA environmental performance disclosure section in this report.

Health and Safety and Environmental Risks and Pollution

Environmental criteria represent important aspects of the Group's development and construction projects. Before each potential investment, the Group examines the environmental opportunities and risks. 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. Health and safety, as well as technical and security installations, are periodically inspected for conformity with relevant local legislation and regulations.

Fines for Environmental Breaches

For 2019 the Group didn't cause any environmental damage. Fines resulting from defaulting administrative requirements amounted to total €13,830.

Third-party Independent Verification

The report is prepared in cooperation and advisory provided by UCEEB.

In the second quarter of 2019 the Group started cooperation with CI2. CI2 is a non-profit organisation focused on sustainable development, education, publishing, science and research. Its aim is to promote sustainable development in cooperation. CI2 is regional partner for CDP.

CI2 acts as a third party and monitors, reviews and independently validates the GHG disclosure and methodology used. Through the review process CI2 advised on compatibility with GHG Protocol and ISO 14064 and compatibility with CDP reporting standard.

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. Recommendations and guides were prepared and will be incorporated into subsequent environmental reporting.

Employees, Communities, **Stakeholder Involvement**

Corporate Culture

The Group recognises that the involvement of its employees is a key element in its success. **Building a supportive and inclusive culture** for our people encourages a diverse variety of abilities.

We promote a company culture where we pursue excellence in our work and seek to develop ourselves on a professional and personal level. Although we have grown in numbers over the years, we have still retained the respectful character of a family business.

Employee Training

Education/Training Philosophy

The Group promotes short and long-term training programmes to provide our employees the skills they need to perform their current and future duties optimally. To this end, we use various tools to develop and motivate our employees to grow, such as individual and team trainings, integration and mentorship.

Managers are encouraged to give their teams as much responsibility and freedom as possible coupled with monitoring of their work and regular feedback. They support our employees in determining their needs and work with them on further training activities. We find individual solutions for our employees in consideration of the existing knowledge and gear continuing education based on operational requirements.

Training programmes

As of year-end 2019, the Group undertook annual average training of 16.4 hours per employee.

16.4 hours
annual average training per permanent employee

Inhouse Training provides the closest possible coordination with employees and the prevailing working conditions, reduces the seminar costs and removes the additional charge for external training facilities. By eliminating travel time to external training facilities, we can also reduce the absence of the employee from the workplace.

- Training in Property & Asset Management – changes in tenant laws
- Weekly business language courses in different groups, divided into department and language level
- IT Training in new software releases by IT department or an external expert
- Work processes training in structural changes by department managers
- Annual accounting training to fulfil the change in legal regulations

CPI Property Group also strives to cater to the continuous professional development of all of its employees. For example, recently the group became an “ACCA Approved Employer” in recognition of the continuing professional development opportunities provided to ACCA members working at the company.

Employee-Employee Training

The Group is committed to sharing knowledge and skills. The explanation of work processes and corporate structures by colleagues and department heads under practical conditions is efficient and cost effective. Examples:

- Introduction and guidance of new employees
- Apprenticeship trainee programme
- Transfer of special tasks
- Transfer of higher-value responsibility / activity
- Announcement of new laws and legislative changes in data protection
- Teaching time management
- Teaching the handling of new software
- GDPR and MDR training

The Group's apprenticeship programme in Berlin allows trainees to pass through departments of the company, ensuring they receive hands-on involvement on how the company operates as well as working alongside property teams on special projects.

Employee Satisfaction

The Group conducts satisfaction surveys and encourages our employees to share feedback so that we minimise the factors that frustrate our employees and maximise factors to improve employee work-life balance.

In 2019, the Group conducted an anonymous employee survey covering over 750 of our employees in the Czech Republic, Germany, Hungary, Slovakia, Poland and Croatia. The response rate was more than 95% (excludes employees on holiday/sick leave) with a large majority indicating a high degree of satisfaction.

Employee Engagement Survey Results	
Percentage of employees that agree CPIPG provides:	%
company they are proud of/would recommend	97%
company that always acts legally/honestly	94%
socially responsible member of the community	95%
sustainable company helping future generations	92%

Working Environment

Wherever possible, the Group allows its people to work remotely and applies a flexible working schedule. The Group respects statutory leave and daily and weekly resting time so that our employees can rejuvenate and lead satisfying personal lives. Healthy and sound relationships represent one of the Group's core values. Across our regions, we offer various work/life balance programmes:

- **Employee Suggestions System;** promoting the submission of ideas and suggestions of employees, improving operational conditions within the workplace.
- **Flexible working hours;** promotes employee freedom and more influence on how they organize their working hours, via home office days and flexible working schedules.

Rooftop Yoga, Quadrio, Prague, Czech Republic

- **Workplace health management;** many of our employees have access to an office gym. Showers are available for refreshment, as well as ping-pong table, bookshelves and relax zones. Weekly massages help to relieve tension and reduce stress and thus replenish employee energy reserves.
- **Department breakfasts;** department heads regularly invite a handful of employees to have breakfast together. The breakfast is a great opportunity to get to know each other better and to communicate.
- **Christmas parties;** every year we organise a Christmas party for all employees. The celebration contributes significantly to improving the working environment and team spirit.
- **Sports events;** every year we participate in various company sports events. Whether running, football or golf tournaments – all employees are invited to prove their skills in the various disciplines. In addition to the joy and fun of sport, it is about the promotion of team spirit, collegiality and fairness and spending time together.

Tenants and CPIPG employees celebrate Quadrio's 5th Birthday together with a weeklong series of special perks, Prague, Czech Republic

Remuneration and Social Benefits

To attract and maintain the best talent, the Group strives to provide employees with competitive wages and other employment-related benefits, while ensuring equal pay for equal work. Employee benefits within the Group vary from region to region, and include but are not limited to: pension and life insurance schemes, mortgage loan support and coordination, discounts across the Group's hotel network, subsidised shopping, restaurant and sports e-cards, utility support plans, mobile phone family programmes, language education courses, bike leasing initiatives, car parking and discounts on public transportation.

Compliance ILO Principles

The Group operates in regions that are all ILO members and respects all ILO conventions and recommendations. As a result, ILO's regulations are implemented within all local labour laws where we operate. Through the policies and official acts of the Group we respect, promote and realise all ILO principles, specifically freedom of association, the elimination of all forms of forced labour and the elimination of discrimination in employment and occupation, health and safety, segregation, equal treatment and human rights.

Freedom of Association

In accordance with the European Convention on Human Rights, the Group guarantees all employees freedom of association. We preserve and promote good relations with all labour organizations, trade unions, works councils, some which represent our employees across our regions.

Collective Bargaining Agreements

We have collective bargaining agreements only in certain regions where we operate, such as Croatia. Sunčani Hvar Hotels and the Croatian Tourism Union have a collective bargaining agreement that the Group signs every five years. The collective bargaining agreement defines the rights and obligations of the signatories and regulates the rights and obligations of the employees and the employer, salaries and other material rights of the worker and all other matters related to employment. The collective bargaining agreement also specifically defines the prohibition of discrimination, health protection, privacy and dignity of employees.

Health & Safety Protection

The Group is committed to the well-being and individual safety of its employees. Raising awareness and training our teams in health and safety issues and occupational risks is a high priority for the Group. We ensure all of our employees receive mandatory annual health and safety training, with additional training provided for specific roles where required.

In 2019, the Group recorded 54 workplace accidents and zero deaths. We continue to ensure that all our workplaces are compliant with all European Union and national health and safety legislation and standards. We structure employee tasks so that any potential risk to their health is eliminated or reduced. In general, there are no positions in the Group with a high risk to specific diseases.

Workplace accidents	No.
Total no. of workplace accidents	54
Accidents resulting in death	0

The Group is committed to protect the health and safety of contractors and fully complies with local regulations and best practices (deliveries that fall under No. 591/2006, No. 309/2006 or other local relevant legislation requirements). The Group screens contractors for their safety performance and risk assessment, prepares operating guidelines and/or design documentation that complements contractors' safety management plans and which takes part of the contractual agreement. During the delivery process the Group monitors contractor safety performance and records its safety management. The Group requires all suppliers to align with CPIPG's Code of conduct for suppliers.

Diversity in all Forms

CPIPG greatly values diversity in the workplace. The Group's Human Capital and Employment policy outlines the obligations of our employees in this regard.

The Group's goal is to be a great place for our employees to build careers. All employees are recruited, trained, supported and treated fairly and equally and only based on characteristics that relate to the work that they perform, such as their talent, skills, experience and potential.

We are centred on building a diverse and inclusive environment where our people feel supported, empowering the whole organisation to be more productive. The Group, present in over 10 European countries, recognises the value of having a diverse workforce and promoting gender equality remains a high priority for the company.

As of year-end 2019, the Group comprised of 2,976 employees in the Czech Republic, Germany, Hungary, Poland and Croatia of which (49%) are female and (51%) are male.

In terms of new hires, in 2019 we had 845 new hires, of which 55% were women.

New Hires	No. of Hires	% of hires
Total	845	
Female	468	55%
Male	377	45%

The gender split between employees in management roles (management defined as employees with responsibility for planning, directing or controlling the Group's activities) is also split 49% female and 51% male respectively. These figures represent the extent and success of the Group's efforts in continuing to promote gender diversity across all its regions.

Unlawful discrimination, harassment and victimization based on protected characteristics, irrespective whether actual, perceptive or associative, is forbidden. Protected characteristics include origin, nationality, religion, race, language, gender, age, health condition, sexual orientation, political views, membership in political parties and associations or in trade unions or any other characteristics of the candidate or employee not related to their working skills.

In 2019, 28% of employees were under 30 years old, 49% were between 30-50 years and 23% were 50 or over. This reflects a strong age diversity throughout the company, expressing the Group's ability to bridge the workforce over a large scale of age groups, ensuring the transfer of knowledge and experience set to continue for future generations.

Employee age bracket	No. of employees	%
Under 30 years	829	28%
30-50 years	1,460	49%
50 years and over	443	23%

The Group cares for special needs and for the inclusion of disabled persons. In 2019, the Group employed a total of 42 disabled people, representing 1.4% of total employees. Our Berlin subsidiary employs 7 disabled people representing 6% of its total workforce. The office works alongside the VIA Blumenfisch organisation offering jobs to people with physical disabilities or psychological issues, the elderly as well as children and adolescents. VIA Blumenfisch provide employment producing handicraft, art, clothing and provide services in gastronomy and hospitality.

In Hungary, we were the first recipient in the country of the Access4You certification, which aims to ensure the right to equal access to our own buildings for everyone, regardless of disability. Properties comprising 295,000 m² of GLA in Hungary have so far received the certification.

Disabled employees	Total	%
Disabled employees	42	1.4%

(calculated by total disabled employees/total permanent employees)

Access4You, Hungary

Review of Diversity Policies

All companies of the Group are required to subject their human resources and employment related policies to continuous assessment in order to examine how they affect protected groups and to identify whether their policies achieve equality of opportunity for all these groups. Employees are encouraged to speak to their managers or contact CPIPG's whistleblowing hotline if any concerns are observed.

Workplace absenteeism	
Absenteeism rate	1.9%
Total no. of days off work	12,684
Average no. of days lost/employee	4

(Absenteeism rate calculated by total no. of days off work due to illness, workplace accidents and unjustified absences/total workforce)

The Group's absenteeism and turnover rates are significantly affected by its large hotel employee base. The Group employs 1,049 hotel staff, that make up 35% of the Group's total workforce. It is well known that high employee turnover rates are a major concern for all hotels worldwide. Hotel employment is highly substitutable, attracting a more mobile, entry-level demographic. Excluding our hotel staff, the Group's turnover rate was 11.4%. Including the hotels business, the rate was 25.3%.

Employee Turnover	
Turnover rate %	11.4%
no. of employees	219

(Turnover rate calculated by (total no. of resignations, retirements, deaths)/total permanent workforce)
Note: Excludes CPI Hotels where employee turnover is significantly higher than the rest of the group

Community Involvement Programmes

The Group is committed to contributing to the communities where we operate. We support employee volunteering activities, such as child welfare, tree planting, wildlife support initiatives and local authority awareness programmes.

Nová Zbrojovka redevelopment – we are giving local residents the opportunity to comment and vote on our proposals for the redevelopment of Nová Zbrojovka in Brno, where we are creating a central public space focused on bringing together and enhancing the experience of residents in the community.

Human Innovation Program – CPI Hungary provide convenience services to tenants within its offices, aimed at inspiring tenants, helping them enhance everyday life, as well as preserve their mental and physical health. Connected to this is Spaceflow, a community app for our tenants. Tenants can use the app to follow key events, discounts and programs organized by Human Innovation community managers.

HiP
HUMAN INNOVATION PROGRAM

CPI Retail Akademie – in February 2019, we launched our Akademie Retail development and educational programme to help shop managers better respond to the evolving retail market and create an enhanced customer experience at the point-of-sale. The inaugural round in spring 2019 attracted 170 shops and excellent feedback. For 2020, the programme will be rolled out to 13 shopping centres across the country.

CPI AKADEMIE | RETAIL

Chance 4 Children (C4C) – we provide hotel work experience and job opportunities for socially disadvantaged children over 16 years of age.

Business in the Community Day – employees participate in community care projects: gardening, renovation work and child care at local environmental education centres and disabled children's hospices.

Public Honesty Libraries – the Group in association with a local family and child welfare centre, provides 'honesty libraries', providing space in our shopping centres for free reading and a supply of books with a drop off/pick-up service open to the public.

Kindergarten Ecological programme – the Group's shopping centres operate and manage a month-long eco-competition with local schools.

Introduction to shopping centre management – we joined forces with Prague University of Economics to launch the Czech Republic's first shopping centre management course, aimed to provide the first ever opportunity for students in the country to gain academic education in the sphere of commercial real estate.

Rooftop Bee-keeping initiative – we offer rooftop habitat management for globally significant honey bees throughout the Group's office, retail and hotel portfolios.

Tree planting programme – employees in cooperation with local zoos perform annual fruit tree planting at local zoos, supplying future feed for animals.

Multiculturism events – the Group provides space to support students from AIESEC volunteer organisation to promote studying and travelling abroad.

Culinary Arts Project Partnership – to promote best practices within vocational schools, the Group provides a quality trainee programme and financial support to participants.

Red Cross 'Human friendly Places' – provision of 'barrier free' access for impaired and disabled visitors and specialised training for employees to provide high-quality service across several of our hotels

Red Cross Organisation blood donations – the Group organises regular blood donations involving our shopping centre tenants.

Fire Prevention Days – cooperation with local fire departments in education and awareness schemes.

Police charity runs – the Group, in association with local police departments supports and sponsors charity runs to help handicapped children and guide dogs for the blind.

Medical check-ups – we cooperate with a local medical students' association to carry out free medical check-ups and use of antibiotics workshops for the public.

Affordable housing – CPIPG, in coordination with municipalities supports affordable housing across regions of the Czech Republic:

- Ústí nad Labem: 15 apartments since 2013;
- Třinec: 17 apartments since 2014;
- Česká Lípa: 10 apartments since 2011;
- Litvínov: 28 apartments since 2009

Zdeněk Havelka, Executive Director & Šárka Procházková, Director of Dobrý Anděl

Charitable Contributions

The Group is active in contributing to local charities, hospices and children's welfare centres. We support sports and cultural activities alongside welfare and education programmes aimed at helping children with disabilities all over the Czech Republic and CEE region. Some of the key examples of this are as follows:

Dobrý Anděl children's foundation – Every year the Group supports the Dobrý Anděl children's foundation helping socially disadvantaged children with terminal illnesses. This year, the Group raised CZK 400,000 towards the foundation.

Hospice Foundation support – The group signed an annual support contract with regional children hospice foundations to care for disadvantaged children.

Charity collections and charity days – The group organises frequent ad hoc charity collections throughout the year for employees and tenants to participate in. During the charity day for "Let's give children a chance", our employees and tenants contributed almost CZK 20,000 towards supporting children in homes.

Christmas charity trees – The Group's shopping centres, alongside their visitors, support more than 30 children's and retirement homes by providing them with gifts during the Christmas season.

Jitka Havrdova, PR and Marketing Manager, Offices with Veronika Hozáková, child psychologist in orphanage with school in Dobřichovice.

Green Bond **Financing**

Warsaw Financial Center, Warsaw, Poland

Green Bond Framework

In April 2019 CPIPG developed a green bond framework ("GBF") under which the Group has committed to use proceeds from green bonds to finance or refinance existing or future projects which **improve the environmental performance of CPIPG's property portfolio** and contribute to the Group's climate impact mitigation objectives. The Framework (available on CPIPG's website) defines four types of eligibility criteria: **Certified Green Buildings, Energy Efficiency Projects, Renewable Energy and the Promotion of Sustainable Farming.** The Framework is fully aligned with ICMA GBP 2018[1] and has a Second Party Opinion (SPD) provided by Sustainalytics.

Another update of the Framework followed in August 2019 implementing the methodology that defines the top 15% most energy efficient buildings in the Czech Republic. A Second Party Opinion ("SPO") from Sustainalytics was provided on the methodology and the updated Framework.

CPIPG is monitoring the development of the **EU Green Bond Standard**[2] and **EU Taxonomy** on sustainable activities and Technical Screening Criteria and will consider updating its Framework in the future to maintain the current levels of transparency and alignment with EU market standards.

For each Green Bond issued, CPIPG utilises Use of Proceeds, Project Evaluation and Selection, Management of Proceeds and Reporting, as set out in the Framework.

Use of Proceeds

Proceeds of CPIPG Green Bonds are allocated to finance or refinance projects that meet the following eligible criteria:

Eligible Sector	Eligibility Criteria
Green Buildings	Acquisition, construction or refurbishment of buildings which meet recognised standards, such as: • BREEAM (Very good and above) • LEED (Gold and above)
Energy Efficiency	• New or existing commercial buildings belonging to top 15% most energy efficient buildings in the local market[3] • 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	• Installation of photovoltaic solar • Dedicated support infrastructure for photovoltaic solar across building management systems
Environmentally 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

Project Selection and Evaluation Process

The Project Evaluation and Selection Process ensures that the proceeds of CPIPG green bond(s) are allocated to finance or refinance projects that meet the criteria and objectives set out in Use of Proceeds.

The evaluation and selection process for Eligible Projects is carried out internally by the **CPIPG Green Bond Team,** which is composed from the legal, finance and investor relations departments across the Group.

On an ongoing basis, eligible Use of Proceeds from CPIPG's portfolio of projects are identified and proposed by the Green Bond Team. The Green Bond Team screens projects against the Eligibility Criteria set out in CPIPG's Green Bond Framework and recommends eligible projects for inclusion as Eligible Use of Proceeds to the CSR Committee. On an annual basis, the Green Bond Team reviews 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 reviews the allocation of the proceeds to the Eligible Use of Proceeds and determine if any changes are necessary. 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 takes the **CSR Principles and Policy** into account. The selected Eligible Projects are presented to the CSR Committee for review. The Committee, after a thorough review presents its conclusion to the Board of Directors.

The Green Bond Team also reviews the management of proceeds and facilitates reporting.

The Committee supervises the processes under the Green Bond Framework and requires relevant updates from the Green Bond Team. As part of its reporting to the Board of Directors, its findings, conclusions and recommendations are submitted to the Board of Directors.

Management of Proceeds

Proceeds of CPIPG Green Bond(s) are managed through the **Green Financing Register.** The proceeds of each CPIPG Green Bond are earmarked against the pool of eligible projects and expenditures identified in the Green Financing Register. The Green Financing Register is reviewed annually by the 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 is presented to the Committee.

Reporting

On an annual basis, until full allocation, CPIPG provides reporting in regard to the green bond in line with the ICMA GBP 2018 **Harmonised Framework for Impact Reporting.**

Eligible Green Assets Portfolio

Framework criteria are considered for new acquisitions, developments, major refurbishments and key building improvements across the regions. **The list of eligible projects and buildings is continually updated to allow funding through favourable green bond financing.**

[1] *International Capital Market Association: The Green Bond Principles (GBP) 2018*

[2] *CPIPG's Green Bond Framework is aligned to the core components of the EU Green Bond Standards, as proposed in June 2019: (1) defined Green Projects aligned to the EU-GBS environmental objectives of climate change mitigation and protection of healthy ecosystems; (2) publication of a Green Bond Framework; (3) commitment to Allocation and Impact Reporting; and (4) commitment to Verification.*

[3] *CPIPG has commissioned a report from EnergySim to determine a threshold for the top 15% most energy-efficient buildings in the Czech Republic. The full methodology is available on CPIPG's website.*

Details of Issued Green Bonds

CPIPG has issued two Green Bonds since 2019:

- **28 October 2019** – the Group issued its first Green Bond on the Euro market at value **€750 million** and become first company in its region to issue a benchmark Euro-dominated green bond (Green Bond 1).
- **17 January 2020** – the Group issued second Green Bond (Green Bond 2) on GBP market at value **€408.6 million[4].**

	Green Bond 1	Green Bond 2
Size	€750 million	£350 million
Tenor	7.5 years	8 years
Issue Date	28 October 2019	17 January 2020
Coupon	1.625%	2.75%
Ranking	Senior unsecured	Senior unsecured
Ratings	BBB / Baa2	BBB / Baa2
Framework Second Party Opinion Provider	Sustainalytics	Sustainalytics

Green Bond 1 and 2 Allocations

The net proceeds from the **Green Bond 1, €750 million** have been fully allocated to the following green projects:

Allocation of Green Bond 1 Proceeds (as at 30 March 2020)

Category	Region	Project	Green Bond Proceeds Allocated	
Green Buildings	Poland	Eurocentrum Office Complex, Warsaw Financial Center	€520 m	69.3%
Green Buildings	Czech Republic	Zlatý Anděl, SC Nisa	€230 m	30.7%

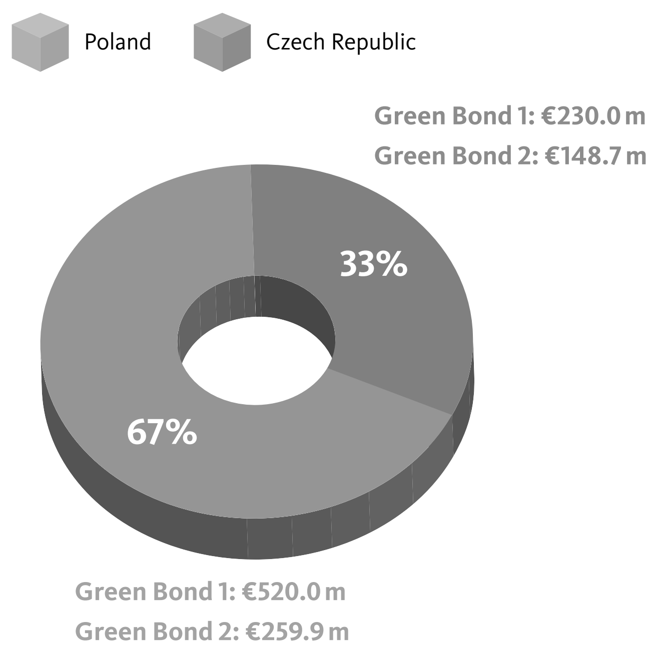
The net proceeds from the **Green Bond 2, €408.6 million[4]** have been fully allocated to the following green projects:

Allocation of Green Bond 2 Proceeds (as at 30 March 2020)

Category	Region	Project	Green Bond Proceeds Allocated	
Green Buildings	Czech Republic	SC Olympia Plzeň	€125.3 m	30.7%
Green Buildings	Poland	SC Ogrody, Equator IV, Green Corner A, Equator II	€259.9 m	63.6%
Energy Efficiency	Czech Republic	SC IGY	€23.4 m	5.7%

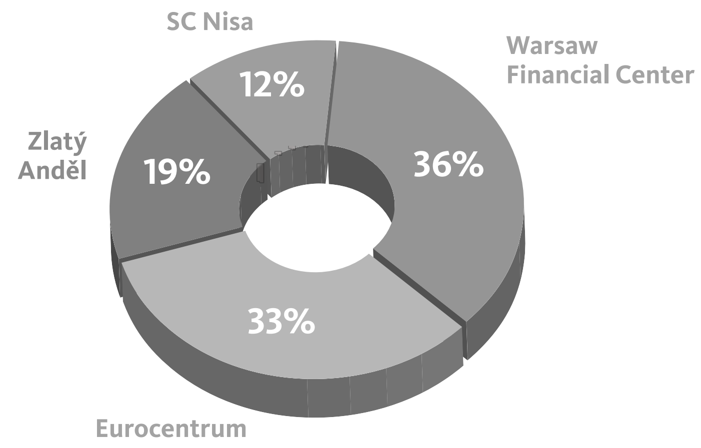
100% of projects are at the time of allocation in operation and proceeds are utilised to refinance acquisitions or capital expenditures based on eligibility criteria of the projects. **Polish acquisitions in Warsaw** realised through H2 2019 and Q1 2020 represent majority of allocated assets.

Geographical Distribution of Green Bond Proceeds

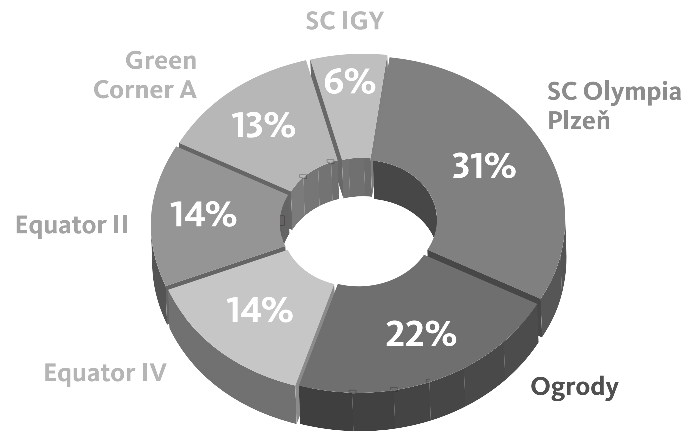


Allocation and use of proceeds for each eligible green project are made according to the approval of the Green Bond Team and CSR Committee of CPIPG.

Allocation of Green Bond 1 Proceeds (as at 30 March 2020)



Allocation of Green Bond 2 Proceeds (as at 30 March 2020)



Portfolio	List of Assets – Green Bond 1				List of Assets – Green Bond 2					
Project name	Zlatý Anděl	SC Nisa	Eurocentrum	Warsaw Financial Center	SC Olympia Plzeň	SC Ogrody	Equator IV	Green Corner A	Equator II	SC IGY
Type of asset	Mix-use	Shopping centre	Office	Office	Shopping centre	Shopping centre	Office	Office	Office	Shopping centre
Building status	In-use	In-use	In-use	In-use	In-use	In-use	In-use	In-use	In-use	In-use
Region	Czech Republic	Czech Republic	Poland	Poland	Czech Republic	Poland	Poland	Poland	Poland	Czech Republic
Current asset value (€ m)	143.3	104.9	242.8	261.3	156.8	120.1	58.0	52.2	58.7	–
Project cost (€ m)	–	–	–	–	–	–	–	–	–	23.4
Gross Lettable Area (GLA m²)	21,132	49,629	85,269	49,766	40,996	41,877	21,192	14,860	23,100	25,733
Environmental Objective	Climate change mitigation	Climate change mitigation	Climate change mitigation	Climate change mitigation	Climate change mitigation	Climate change mitigation	Climate change mitigation	Climate change mitigation	Climate change mitigation	Climate change mitigation
Use of Proceed Eligibility sector	Green building	Green building	Green building	Green building	Green building	Green building	Green building	Green building	Green building	Efficiency
Eligibility criteria	Acquisition	Acquisition	Acquisition	Acquisition	Acquisition	Acquisition	Acquisition	Acquisition	Acquisition	Refurbishment
Eligibility criteria met on this date	29 March 2017	29 March 2017	27 November 2019	05 December 2019	29 March 2017	29 March 2017	07 November 2019	28 January 2020	30 January 2020	30 November 2017
Certification	BREEAM In-Use PART 1	BREEAM In-Use PART 2	LEED BD+C	LEED O+M	BREEAM In-Use PART 1	BREEAM 2009 Europe	BREEAM 2009 Europe	LEED BD+C	BREEAM In-Use PART 1	–
Level of certification	Very Good	Very Good	Platinum	Gold	Very Good	Very Good	Very Good	Platinum	Very Good	–
Valid through	18 December 2020	10 May 2020	–	30 January 2025	17 December 2020	–	–	–	19 February 2021	–
Improvement (CO_2 t pa)	–	–	–	–	–	–	–	–	–	42.0%
Allocation date	29 October 2019	29 October 2019	27 November 2019	05 December 2019	17 January 2020	17 January 2020	17 January 2020	28 January 2020	30 January 2020	17 January 2020
Signed amount (€ m)	143.0	87.0	250.0	270.0	125.3	93.5	57.5	52.2	58.7	21.5
Share of total project financing	19.1%	11.6%	33.3%	36.0%	30.7%	22.9%	14.1%	12.8%	14.4%	5.2%
Eligibility for green bonds	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Allocated Amount (€ m)	143.0	87.0	250.0	270.0	125.3	93.5	57.5	52.2	58.7	21.5

[4] Total proceeds of €408.6 million represents the £350 million raised from the issuance of the Green Bond 2 as listed in chapter Green Bonds Issued by CPIPG.

Green Bonds Impact Reporting

Impact performance indicators are calculated and reviewed by the **Czech Technical University, UCEEB** as part of Environmental performance disclosure of the Group. In addition to that the methodology and calculation of GHG was reviewed and verified by independent second party CI2.

Assets that qualify under Green Buildings and were acquired in Q4 2019 and Q1 2020 do not have measured data available. For assets that qualify under the 3-year-look-back period annual environmental performance is reported. Performance of buildings in operation is subject to change due to weather patterns, building occupation and visitor rates. Changes in occupation and associated retrofits may in the short-term effect building systems and fluctuation in energy and water consumptions. To allow for more accurate performance disclosure intensities, occupancy and visitor rates will be included in future reporting. Target performance and estimated impact of Green Bond 1 and Green Bond 2 that will include newly acquired Polish assets through Q3 2019 and Q1 2020 will be reported in the annual Green Bond report in our half-year Management Report for 2020 subject to availability of data.

Green Bonds Impact Report[5]

Green Bond	Energy				GHG		Water	
	Annual energy savings (combined Elec-Abs + DH&C-Abs + Fuels-Abs)		Renewable energy capacity added (combined Elec-Abs + DH&C-Abs + Fuels-Abs)		Annual GHG emissions reduced (combined GHG-Dir-Abs + GHG-Indir-Abs)		Water consumption savings	
	MWh pa	YoY	kWh pa	YoY	t $CO_{2\,eq}$ pa	YoY	m³ pa	YoY
Green Bond 1	654.1	2.6%	0.0	–	334.5	2.4%	-3449.0	-311.1%
Green Bond 2	1,338.5	3.4%	0.0	–	1,205.6	4.6%	-311.1	-0.4%

Estimated Environmental Impact of Buildings in Operation

(excluding recent Polish acquisitions in Q3 2019 and Q1 2020)

Green Bond 1:

- **13.3%** GHG reduction by 2030 compared to 2018 (that is, **12,253 t $CO_{2\,eq}$ pa** by 2030) and
- **5%** reduction in water consumption compared to 2018 (that is, **47,737 m³ pa** by 2030)

Green Bond 2:

- **16.3%** GHG reduction by 2030 compared to 2018 (that is, **21,714 t $CO_{2\,eq}$ pa** by 2030) and
- **5%** reduction in water consumption compared to 2018 (that is, **66,686 m³ pa** by 2030)

In accordance with the Framework, CPIPG is committed to verification of its reporting by an independent, third party. The first reporting period for which this will apply will be in our Half-year Management Report for 2020, which will be published on 30 September 2020, less than twelve months since the issuance of our inaugural green bond. In addition, CPIPG will also provide additional performance data for specific properties green bond proceeds have been allocated to.

Eurocentrum, Warsaw, Poland

Case Study Green Building in Operation: Zlatý Anděl

Building completion	2000
Acquisition	March 2017
Building type	Mix-use
Office GLA	13,782 m²
Retail GLA	7,350 m²
Floors	6
Occupancy rate	98% (office) / 100% (retail)
Location	Prague 5, Czech Republic
Certification	BREEAM In-Use International 2015 Part 1 (Office & Retail) issued in Dec 2019

Highlights of Green Elements Utilised in Green Building in Operation:

- Phased re-commissioning since asset acquisition
- **Regulation of central HVAC system** in optimised modes for summer and winter season
- Replacement of aged humidifiers for new ones (office space), optimised operation resulting in **estimated 100 MWh pa saved electricity**
- New FCU fitted with electronically controlled fans (office space)
- **Energy efficiency lighting**
- Implementation of water flow monitoring and **water leak alarm system**
- Implementation of online monitoring and analytics of building system operation
- **Implementation of new building standard** throughout office space with focus on submetering and energy efficient HVAC in combination of FCU with electronic control motors, pressure independent control valves for heating and cooling systems, room controls with window sensors
- **Heating and cooling distribution** including pumps with variable speed drivers and pressure independent control valves
- **Air Handling Units** (AHU) with variable speed drivers

Estimated environmental impact and asset contribution within Green Bond Portfolio 1 in Direct and Indirect Energy targets performance 6,106 MWh (3,237 t $CO_{2\,eq}$ pa) and water consumption 15,330 m³ by 2030 which would represent **reduction of $CO_{2\,eq}$ pa production by 14.1%[5].**

Case Study Efficiency Projects: Shopping Centre IGY

Building completion	2004
Refurbishment completion	December 2017
Building type	Mix-use
Office GLA	4,924 m²
Retail GLA	20,809 m²
Floors	4
Occupancy rate	97% (office) / 97% (retail)
Location	České Budějovice, Czech Republic

Highlights of Green Elements Utilised in Efficiency Project:

- Improved building envelope thermal parameters U (W/m²K) (façade, roof, new openings) for **42%**
- **AHU with variable speed drivers** and efficient chillers
- **Heating and cooling distribution** including pumps with variable speed drivers and pressure independent control valves
- **New Building Management System** with monitoring and analytical functions
- **Energy efficient lighting**

Realised Improvements in Energy Efficiency[6]:

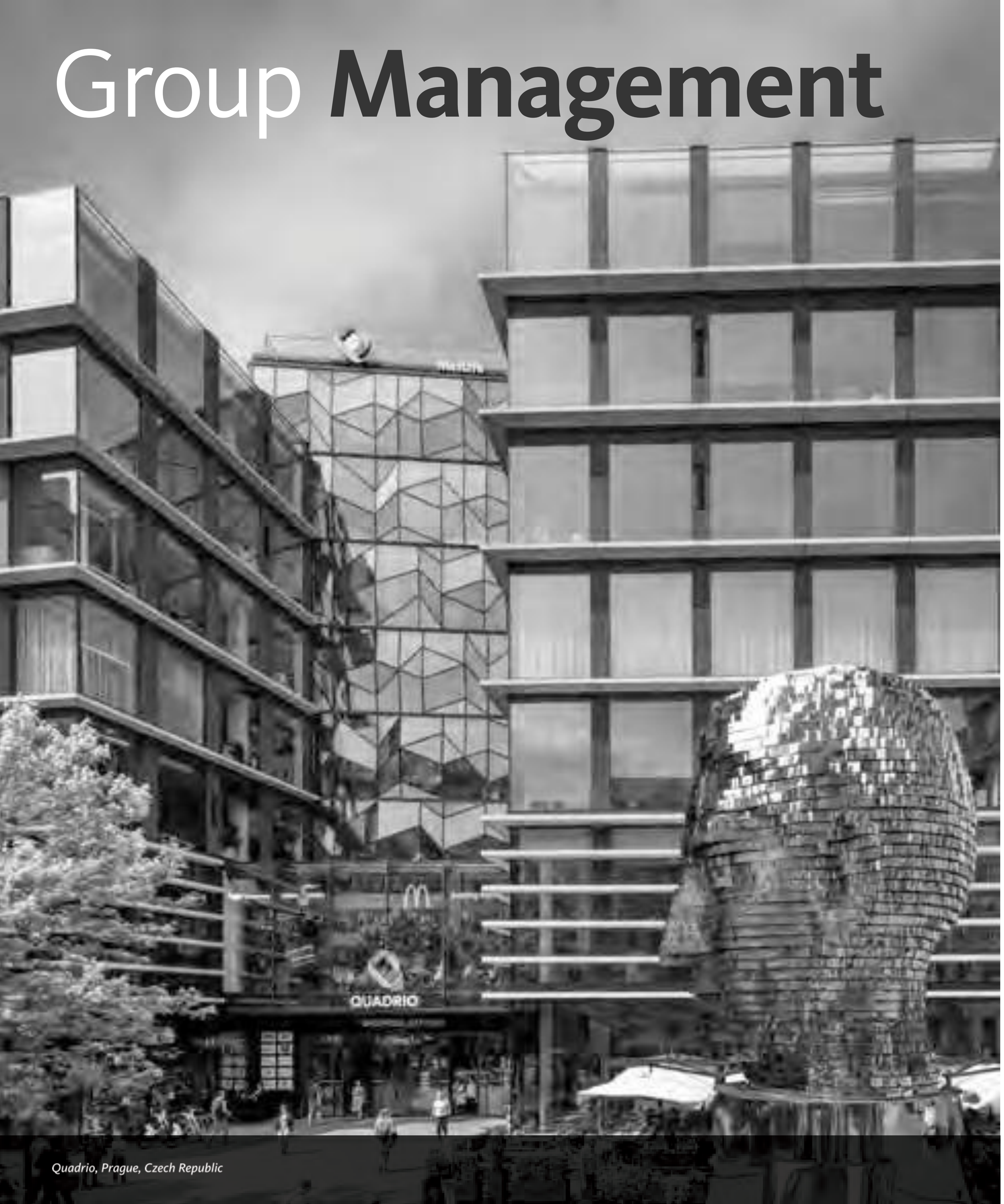
- Final Energy consumption **78%**
- Final Energy Intensity **67%** (217 kWh/m² pa)
- Primary Energy consumption **61%**
- Primary Energy Intensity **40%** (566 kWh/m² pa)
- **CO_2 emission annual reduction 62%** which represent 10,900 t CO_2 pa and CO_2 **intensity reduction 42%** (0.191 t CO_2/m² pa)

Realised efficiency improvements are estimated to contribute to the Green Bond 2 Portfolio with improved consumption of Direct and Indirect Energy targeting performance 7,459 MWh pa (3,934 t $CO_{2\,eq}$ pa) and water consumption 18,837 m³ pa by 2030 which would represent a **reduction of CO_{2}eq pa production by 12.9%[6].**

[5] *Indicators are consistent with CPIPG's EPRA Environmental Performance disclosure. GHG calculation includes Scope 1-3 and utilises methodology verified by CI2.*

[6] *Calculation was prepared by accredited energy specialist Jiri Novotny, JiNO Energy, based on local regulations and requirements for energy audits. Those are: Regulation No. 480/2012 Sb., about Energy audits and Actual emission factors CZT 1.8, 2018*

Group **Management**



Quadrio, Prague, Czech Republic

Martin Němeček
Chief Executive Officer

Martin Němeček was appointed CEO of CPI Property Group in March 2014. Martin is responsible for the Group's corporate strategy, business development and legal matters. He led the integration of CPI and GSG into CPIPG in 2014, managed the foreign expansion of the Group and has completed acquisitions with a total value exceeding €3 billion. Martin has 19 years of real estate experience with a 10-year legal background for Linklaters and Dentons law firms.

Zdeněk Havelka
Executive Director

Zdeněk Havelka was appointed Executive Director of CPI Property Group in June 2014. Zdeněk is responsible for the Group's property management, operational risk management, communications and information technology. Zdeněk has 17 years of real estate experience in CPIPG, working as Chief Financial Officer as well as Chief Executive Officer.

Tomáš Salajka
Director of Acquisitions, Asset Management & Sales

Tomáš Salajka was appointed Director of Acquisitions, Asset Management & Sales of CPI Property Group, in June 2014. Tomáš is responsible for asset management of the Group's portfolio, including all the transactions and platforms in Germany, Poland and Hungary. Tomáš has 19 years of real estate experience, with six years at CPIPG, previously working for GE Real Estate CEE/Germany and ČSOB for 10 years.

David Greenbaum
Chief Financial Officer

David Greenbaum was appointed CFO of CPI Property Group in February 2018. David is responsible for the Group's capital structure, external financing, corporate finance and other strategic matters. David joined CPIPG after 15 years at Deutsche Bank, where he was most recently co-head of debt capital markets for the CEEMEA region.

Pavel Měchura
Group Finance Director

Pavel Měchura was appointed Group Finance Director of CPI Property Group in February 2018. Pavel is responsible for the Group's accounting and reporting, consolidation, valuations, and strategic planning. Pavel has 13 years of real estate experience, ten years at CPIPG and six years with KPMG.

Jan Kratina
Director of CPI Hotels

Jan Kratina has served for more than 13 years as Chief Executive Officer and ten years as Chairman of the Board of CPI Hotels. He is responsible for strategic development of the Group's hotel portfolio including key projects such as entering into Slovakia, Poland, Hungary, Russia and Croatia in 2014. Jan has over 20 years of experience in hospitality.

Glossary

Alternative performance measures	Definition	Rationale
Consolidated adjusted EBITDA	Net business income as reported deducted by administrative expenses as reported.	This is an important economic indicator showing a business's operating efficiency comparable to other companies, as it is unrelated to the Group's depreciation and amortization policy and capital structure or tax treatment. It is one of the fundamental indicators used by companies to set their key financial and strategic objectives.
Consolidated adjusted total assets	Consolidated adjusted total assets is total assets as reported deducted by intangible assets and goodwill as reported.	
EPRA Cost Ratios	Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.
EPRA Earnings	Earnings from operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.
Company specific Adjusted Earnings	A measure derived from EPRA Earnings and reflecting the Group's specific adjustments.	The rationale for making adjustments other than strictly required by EPRA Earnings is to arrive at an underlying performance measure appropriate for the Group's business model.
Company specific Adjusted EPS	It is calculated as Company specific Adjusted Earnings divided by the weighted average number of shares for the period.	
EPRA NAV	Net Asset Value adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	Makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.
EPRA NNNAV	A 'spot' measure of NAV which shows all assets and liabilities at their fair value.	The objective of the EPRA NNNAV is to report net asset value including fair value adjustments in respect of all material balance sheet items which are not reported at their fair value as part of the EPRA NAV.
EPRA Net Initial Yield (NIY)	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	Comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.
EPRA 'topped-up' NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	Comparable measure for portfolio valuations. This measure should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.
EPRA Vacancy Rate	The EPRA vacancy rate is calculated by dividing the market rents of vacant spaces by the market rents of the total space of the whole portfolio (including vacant spaces).	The rationale for using the EPRA vacancy rate is that it can be clearly defined, should be widely used by all participants in the direct real estate market and comparable from one company to the next.
Equity ratio	It is calculated as total equity as reported divided by total assets as reported.	Provides a general assessment of financial risk undertaken.

Alternative performance measures	Definition	Rationale
Funds from operations or FFO	It is calculated as net profit for the period adjusted by non-cash revenues/expenses (like deferred tax, net valuation gain/loss, impairment, amortization/depreciation, goodwill etc.) and non-recurring (both cash and non-cash) items (like net gain/loss on disposals etc.). Calculation also excludes accounting adjustments for unconsolidated partnerships and joint ventures.	Funds from operations provide an indication of core recurring earnings.
FFO II	It is calculated as Funds from operations (FFO) deducted by interest on perpetual notes as reported.	
Net Loan-to-value or Net LTV	It is calculated as Net debt divided by fair value of Property Portfolio.	Loan-to-value provides a general assessment of financing risk undertaken.
Net debt/EBITDA	It is calculated as Net debt divided by Consolidated adjusted EBITDA.	A measure of a company's ability to pay its debt. This ratio measures the amount of income generated and available to pay down debt before covering interest, taxes, depreciation and amortization expenses.
Net ICR	It is calculated as Consolidated adjusted EBITDA divided by a sum of interest income as reported and interest expense as reported.	This measure is an important indicator of a firm's ability to pay interest and other fixed charges from its operating performance, measured by EBITDA.
Secured consolidated leverage ratio	Secured consolidated leverage ratio is a ratio of a sum of secured financial debts and secured bonds to Consolidated adjusted total assets.	This measure is an important indicator of a firm's financial flexibility and liquidity. Lower levels of secured debt typically also means lower levels of mortgage debt – properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales.
Secured debt to total debt	It is calculated as a sum of secured bonds and secured financial debts as reported divided by a sum of bonds issued and financial debts as reported.	This measure is an important indicator of a firm's financial flexibility and liquidity. Lower levels of secured debt typically also means lower levels of mortgage debt – properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales.
Unencumbered assets to total assets	It is calculated as total assets as reported less a sum of encumbered assets as reported divided by total assets as reported.	This measure is an important indicator of a commercial real estate firm's liquidity and flexibility. Properties that are free and clear of mortgages are sources of alternative liquidity via the issuance of property-specific mortgage debt, or even sales. The larger the ratio of unencumbered assets to total assets, the more flexibility a company generally has in repaying its unsecured debt at maturity, and the more likely that a higher recovery can be realized in the event of default.

Non-financial definitions	Definition
Company	CPI Property Group S.A.
Property Portfolio value or PP value	The sum of value of Property Portfolio owned by the Group
Gross Leasable Area or GLA	Gross leasable area is the amount of floor space available to be rented. Gross leasable area is the area for which tenants pay rent, and thus the area that produces income for the property owner.
Group	CPI Property Group S.A. together with its subsidiaries
Net debt	Net debt is borrowings plus bank overdraft less cash and cash equivalents.
Occupancy	Occupancy is a ratio of estimated rental revenue regarding occupied GLA and total estimated rental revenue, unless stated otherwise.
Property Portfolio	Property Portfolio covers all properties and investees held by the Group, independent of the balance sheet classification, from which the Group incurs rental or other operating income.
Potential Gross Leasable Area	Potential Gross Leasable Area is the total amount of floor space and land area being developed which the Group is planning to rent after the development is complete.
Potential Gross Saleable Area	Potential Gross Saleable area is the total amount of floor space and land area being developed which the Group is planning to sell after the development is complete.

Unencumbered Assets to Total Assets Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Bonds collateral	0	0
B	Bank loans collateral	3,236	2,883
	Investment property	3,051	2,674
	Property, plant and equipment	135	162
	Trade receivables	23	23
	Bank accounts	26	24
C	Total assets	10,673	8,259
(C-A-B)/C	Unencumbered assets ratio	70%	65%

Secured Debt to Total Debt Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Secured bonds	0	0
B	Secured financial debts	1,017	1,055
C	Total debts	4,105	2,874
	Bonds issued	2,892	1,655
	Financial debts	1,213	1,219
(A+B)/C	Secured debt as of Total debt	25%	37%

Consolidated Adjusted EBITDA Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Net business income	345	320
B	Administrative expenses	(53)	(49)
A+B	Consolidated adjusted EBITDA	292	270

Net Interest Coverage Ratio Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Interest income	14	14
B	Interest expense	(54)	(78)
C	Consolidated adjusted EBITDA	292	270
C/-(A+B)	Net ICR	7.2	4.2

Equity Ratio Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Total assets	10,673	8,259
B	**Total equity**	**5,469**	**4,362**
B/A	Equity Ratio	51%	53%

FFO II Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018*
A	Funds from operations	220	164
B	**Interest on perpetual notes**	**(43)**	**(17)**
A+B	Funds from operations II	176	146

* *Restated*

Note: All dates are as at 31 December

Secured Consolidated Leverage Ratio Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Secured bonds	0	0
B	Secured financial debts	1,017	1,055
C	Consolidated adjusted total assets	10,566	8,149
	Total assets	10,673	8,259
	Intangible assets and goodwill	107	110
(A+B)/C	Secured consolidated leverage ratio	10%	13%

Net Debt/EBITDA Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Net debt	3,300	2,775
B	Net business income	345	320
C	Administrative expenses	(53)	(49)
A/(B+C)	Net debt/EBITDA	11.3	10.3

Funds from Operations (FFO) Reconciliation (€ million)

Item per Consolidated financial statements		2019	2018
A	Net profit/(Loss) for the period	685	631
B	Deferred income tax	(61)	(3)
C	Net valuation gain or loss on investment property	550	579
D	Net valuation gain or loss on revaluation of derivatives	2	(2)
E	Net gain or loss on disposal of investment property and subsidiaries	2	2
F	Net gain or loss on disposal of inventory	5	1
G	Net gain or loss on disposal of PPE/other assets	0	0
H	Impairment/Reversal of impairment	(8)	(32)
I	Amortization/Depreciation	(33)	(33)
J	Other non-cash items	19	(1)
K	GW/Bargain purchase	0	0
L	Other non-recurring items	(9)	(43)
	Non-recurring FX losses incurred	(7)	0
	Non-recurring financial and other charges	(2)	0
	Prepayment costs of bonds issued	0	(31)
	Prepayment costs of bank loans	0	(12)
M	JV adjustments	0	(1)
(A-B-C-D-E-F-G-H-I-J-K-L-M)	Funds from operations	220	164

EPRA NNNAV Deferred Tax Reconciliation (€ million)

Company in KG form	Residual tax value of properties	Share applicable	Tax rate	Fair value of properties	Tax
Total 2019	138	99.75%	15.83%	1,970	289
Total 2018	133	99.75%	15.83%	1,648	239
Company resold/ acquired in last 12 mo.	**Tax acquisition price of share**	**Share applicable**	**Tax rate**	**IFRS NAV**	**Tax**
Total 2019	508	98.56%-100%	9%-24.94%	598	26
Total 2018	265	100%	19%-26.01%	229	2
Company with Parent in GmbH form	**Tax acquisition price of share**	**Share applicable**	**Tax rate**	**IFRS NAV**	**Tax**
Total 2019	280	80%-100%	30.18%	598	4
Total 2018	280	80%-100%	30.18%	497	3
Company with other taxation rules	**Tax acquisition price of share**	**Share applicable**	**Tax rate**	**IFRS NAV**	**Tax**
Total 2019	1	100%	19%	2	0
Total 2018	–	–	–	–	–

City West Siemens, Prague, Czech Republic

Property Portfolio Reconciliation
(€ million)

as at 31 Dec	2019	2018
Investment property – Office	4,186	3,165
Investment property – Retail	2,173	2,097
Investment property – Residential	756	640
Investment property – Land bank	697	540
Investment property – Development	142	71
Investment property – Agriculture	101	90
Investment property – Industry & Logistics	99	80
Investment property – Other	3	5
Property, plant and equipment – Hospitality	775	630
Property, plant and equipment – Mountain resorts	76	74
Property, plant and equipment – Agriculture	13	9
Property, plant and equipment – Office	7	7
Property, plant and equipment – Residential	6	9
Property, plant and equipment – Retail	1	1
Equity accounted investees	4	4
Other financial assets	8	0
Inventories – Development	45	48
Inventories – Land bank	0	20
Assets held for sale	19	66
Total	9,111	7,555

Net LTV Reconciliation
(€ million)

Item per Consolidated financial statements as at 31 Dec		2019	2018
A	Financial debts	1,213	1,219
B	Bonds issued	2,892	1,655
C	Net debt linked to AHFS	0	0
D	Cash and cash equivalents	805	99
E	Property portfolio	9,111	7,555
(A+B+C-D)/E	Net LTV	36.2%	36.7%