Investire nel Real Estate

Il finanziamento delle operazioni Immobiliari e i criteri ESG

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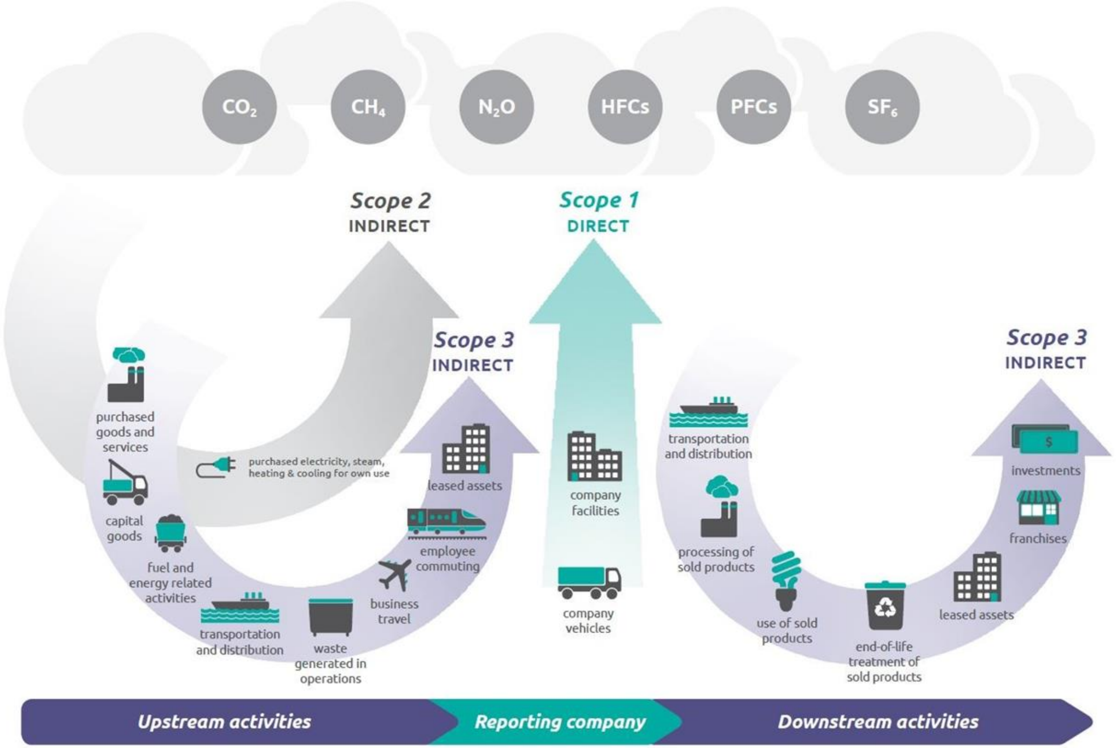
Global drivers

- COP 21: Paris Agreement <1.5-2C° and now COP 27
- 17 Sustainable Development Goals UN
- Government soft and hard regulations
- Regulators
- Strong Investors demand for green and social investments
- Financial Institutions require more disclosures

Having a sustainable strategy is no longer a "nice-to-have", it is a necessity and competitive advantage.

Real Estate

- C.34% of global energy use
- c. 60% of total electricity consumption
- c. 37% of global GHG emissions
- 25% of global water consumption
- 40% of global resource



- ➢ Building regulations are demanding higher sustainability standards (EPBD)
- ➢ Tenants are starting to require minimum sustainable standards
- ➢ The **"S" (Social)** component of Real Estate is also gaining increasing attention from stakeholders. Real Estate properties, being occupied by a broad range of users (including families, students and workers), have a profound social impact on the communities in which they are located.
- ➢ Lenders have started to reward owners of sustainable buildings with improved loan rates

Sustainable Finance Options for Real Estate

1. Green and social Loans

2. Use of proceeds Bonds

3. Sustainability Linked Loans and Sustainability Linked Bonds

1. Green and Social Loans

Corporates or SPVs can access to green, social or sustainability loans, either in the form of bilateral or syndicated facilities.

Use of proceeds is strictly linked to green projects and detailed below:

- **Green loans**: the funds are committed to environmental or climate projects, such as investment in ESG labelled buildings or renewable energies.

- **Social loans:** the funds are committed to social impact projects, such as training people with disabilities to improve employability.

- **Sustainability loans**: the funds are committed to a mix of green and social impact projects or to a set of UN Sustainable Development Goals as mentioned above.

Green Loan Principles and Social Loan principles provide a consistent methodology for use across the green and social loan markets (www.lma.eu.com) that is intended to enable all market participants to clearly identify and understand the key characteristics of sustainability loans, based around the following four components:

1. Relationship to the borrower's overall CSR strategy
2. Target setting – measuring the sustainability of the borrower
3. Reporting
4. Review

LMA

1. Green and Social Loans : Green Loans

Purpose:

- Raise capital for investments with environmental benefits

Benefits:

- Access a wider and diversified investor base
- Highlight to stakeholders your strategic focus on sustainable development
- Get rewarded and recognized for your sustainability efforts

Green Investments

- Pollution prevention and control
- Sustainable management of living natural resources and land use
- Climate change adaptation
- Green buildings
- Energy efficiency
- Sustainable water management
- Eco-efficient products, production technologies and processes
- Clean transportation
- Biodiversity conservation

2. Use of Proceed Bonds

Corporates and Issuers of use of proceed bonds agree to allocate the funds raised to finance or refinance eligible projects or assets within specific categories.

Use of proceeds bonds, similar to loans, are strictly linked to projects and can be further clustered as:

- **Green bonds:** the funds from these debt instruments are committed to environmental or climate projects such as investing in a prime energy efficient properties or renewable energy projects.
- **Social bonds**: the funds are committed to social impact projects whose purpose is to address a common problem and help most vulnerable people, e.g. individuals with restricted access to housing market.
- **Blue bonds**: the funds are specifically committed to marine or water projects, such as investing in the transition to sustainable fish stock.
- **Sustainability bonds:** the funds are committed to a mix of social and green impact projects.

The International Capital Market Association (ICMA) outlines the requirements for green, social and sustainability bonds (www.icmagroup.org)

The Green Bond Principles

The Social Bond Principles

2. Use of Proceeds Bonds: Green and Social Bonds

Project Evaluation/Selection, Management of Proceeds, and Reporting

Project Evaluation and Selection Process

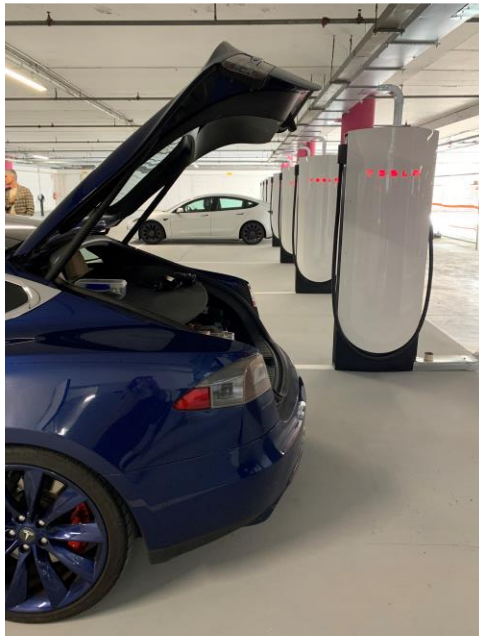
- Projects to which the Green Bond proceeds are intended to be allocated are evaluated and selected by Company's Green Bond Committee, which usually is comprised of members of the ESG department and management team

2.Use of proceeds Bonds: Green and Social Bonds

Project Evaluation/Selection, Management of Proceeds, and Reporting

Management of Proceeds

- The Eligible Green Project Portfolio will match or exceed the proceeds raised from outstanding Green Bonds at all times
- The issuer will internally track the allocated proceeds on a portfolio basis
- Pending the allocation of the net proceeds, all or a portion of the net proceeds may be used for the payment of outstanding indebtedness or other capital management activities



2. Use of Proceeds Bonds: Green Bonds

Eligible project categories aligned with ICMA Green Bond Principles

a) Green buildings

New or existing investments in and/or expenditures on properties which meet at least one of the following requirements:

New, existing or refurbished buildings which have received one of the following building certifications:

- LEED: Platinum, Gold or Silver
- DGNB: Platinum, Gold or Silver
- BREEAM: Outstanding, Excellent, Very Good or Good
- HQE: Exceptional, Excellent, Very Good (Very Performant) and Good (Performant)
- CASBEE: S, A, B+

II. Refurbishments to properties in order to significantly improve energy efficiency and/or water efficiency, and to make other environmentally beneficial improvements

2. Use of Proceeds Bonds: Green Bonds

b) Renewable energy

New or existing investments in and-or expenditures in renewable energy such as (but not limited to): i. Solar panel installations ii. Wind-related energy projects

c) Energy efficiency

New or existing investments in energy storage systems

3. Sustainability Linked Loans and Sustainability Linked Bonds

The proceeds from sustainability linked loans (SLL) and sustainability linked bonds (SLB) can be used for general corporate purposes and thus enhances more flexibility while also granting companies not directly linked to green related businesses and sectors an adequate access to the sustainable finance market and to a more diverse spectrum of capital markets and investors.

The performance targets, which should be ambitious, relevant to the borrower or issuer specific operations and sustainability structure.

These targets can be either in the form of (i) a set of robust, measurable and audited corporate specific key performance indicators (KPIs), with one or more sustainability performance targets (SPTs) calibrated for each KPI prior to the loan or bond issuance, or (ii) ESG synthetic ratings provided by independent and reputable third parties.

The Sustainability Linked Loan Principles and the Sustainability Linked Bond Principles provide guidelines and recommendations around structuring features, disclosure and reporting (www.lma.eu.com).

The Sustainability-Linked Bond Principles

3.Sustainability Linked Loans and Sustainability Linked Bonds

How they works:

- Financing general corporate purposes whether new or existing corporate facilities and swaps
- Link margin-grid to external ratings (e.g. ISS, Sustainalytics, MSCI-Evora,); or tie pricing to tailormade relevant KPI's on sustainable performance
- The ESG performance results in a discount or premium to the loan pricing
- More specifically and in terms of structure, for a SLL the interest rate of the loan may increase in case the borrower fails to achieve the agreed and set performance target, and vice versa.
- Symmetrically for a SLB, the bond's coupon rate will increase, or the issuer may pay a penalty at maturity, should the company fail to achieve sustainability set KPIs or specific ESG rating scores.
- Framework is verifiable, transparent and measurable

Main benefits:

- Align sustainability goals with corporate strategy and financial performance
- Compelling communication opportunity for investors, customers and other stakeholders
- Benefit from adjusted interest margins when sustainability objectives are met
- Diversification of financing sources and widening of investor base

13 CLIMATE ACTION

Eurocommercial Properties NV’s case study - Green Finance Framework

The Green Bond Principles

Loan Market Association

Green Loan Principles

Supporting environmentally sustainable economic activity

APLMA

ISS CORPORATE SOLUTIONS

Eurocommercial Properties NV's case study- Green Finance Framework: Green Loans

- **Eligilbility Criteria**

➢ Acquisition, extension or refurbishment of buildings that have achieved or are in process of achieving an environmental certification such as:

-BREEAM certification "Very good" and/or above

-LEED certification "Gold" and/or above

➢ Renovations and individual measures of existing buildings not contemplated under the "Green Buildings":

➢ Individual performance improvement measures, achieving a reduction of building's GHG emissions through a single measure or a combination:

- **EU Economic Activities**

-Construction of new buildings
-Renovation of existing buildings
-Installation, maintenance and repair of energy efficiency equipment
-Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
-Installation, maintenance and repair of renewable energy technologies
-Acquisition and ownership of buildings

- **Contribution to EU Environnemental Objectives**

-Substantial contribution to Climate Change Mitigation (Art. 10): 1.b) Improving energy efficiency, except for power generation activities as referred to in Article 19(3)

- **Contribution to UN SDG**

Eurocommercial Properties NV's Case Study - Green Finance Framework: Sustainability linked loans and swaps KPIs

The KPIs usually agreed with the lenders are the following:

- **Corporate level targets**

- Renewable Energy: measured in % of total electricity used;
- Waste To Landfill: measured in weight %;
- Number Of BREEAM Certificates: with rating "Very Good" or "Excellent";

- **Asset level targets**

- Green Leases: measured in number of green lease contracts signed during the year;
- Social Events: number of events with social impact organised in the centres;
- GHG Emissions intensity: measured in tonnes CO_2/m^2.

Eurocommercial Properties NV's Case Study - Allocation Report at 31 December 2023

Amounts in €/million

Shopping Centre	ECP-owned GLA	BREEAM rating	Bank	Green Loan*	Sustainability linked*
Fiordaliso (50%)	62.884	Excellent	ING/BNP	79.2	
Curno	20.924	Very Good	ING	66.5	66.5
CremonaPo	43.505	Very Good	ABN	50.0	50.0
Portali	7.867	Very Good	ABN		27.5
Castello	21.683	Very Good	ABN		22.5 50.0
Bergvik	32.800	Very Good	Nordea	169.0	
Ingelsta Shopping	25.300	Very Good			
Elins Esplanad	26.500	Very Good			
Grand Samarkand	24.800	Very Good			
Hallarna	40.700	Very Good	SEB	58.1	
Total outstanding at 31/12/2023				422.8	216.5

* including the share of loans of the joint ventures

Amounts as of 31.12.2023 in €/million *

Total amount allocated to the Eligible Green Assets**	422.8	Total amount of Green Loans	422.8

* Including the share of Assets and Loans of the joint ventures

** Market Value at 31/12/2023

Sustainability linked swaps

At 31/12/2023 the company had also entered in sustainability-linked interest rate swaps for a total notional amount of €165 million.