

# **Cofinimmo Sustainable Finance Framework**

## **May 2020**

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## 1 INTRODUCTION

### 1.1 About Cofinimmo

Cofinimmo has been acquiring, developing and managing rental properties for over 35 years. The company has a portfolio spread across Belgium, France, the Netherlands, Germany and Spain with a value of approximately 4.2 billion EUR. With attention to social developments, Cofinimmo has the mission of making high-quality care, living and working environments available to its partners-tenants, from which users benefit directly. “*Caring, Living and Working - Together in Real Estate*” is the expression of this mission. Thanks to its expertise, Cofinimmo has built up a healthcare real estate portfolio of approximately 2.4 billion EUR in Europe.

As an independent company that applies the highest standards of corporate governance and sustainability, Cofinimmo offers its tenants services and manages its portfolio through a team of approximately 130 employees in Brussels, Paris, Breda and Frankfurt.

Cofinimmo is listed on Euronext Brussels (BEL20) and benefits from the REIT system in Belgium (RREC), France (SIIC) and the Netherlands (FBI). Its activities are supervised by the Financial Services and Markets Authority (FSMA), the Belgian regulator.

On 31.12.2019, Cofinimmo’s total market capitalisation stood at approximately 3.4 billion EUR. The company applies an investment policy aimed at offering a socially responsible, long-term, low-risk investment that generates a regular, predictable and growing dividend.

### 1.2 ESG strategy

Cofinimmo, being a major real estate player in Europe, has been committed for more than ten years to a global ESG strategy. Cofinimmo believes that it is possible to aim for a carbon neutral society by 2050 while guaranteeing the interests of all its stakeholders. Its project 30<sup>3</sup> is part of this approach. The objective of this ambitious project is set out below. Cofinimmo’s sustainability strategy is obviously not limited to environmental aspects. At social level, Cofinimmo continues to invest massively in healthcare real estate. These investments provide a response to the challenges linked to the ageing population in Europe, taking into account the needs of the most vulnerable people.

In response to the risks involved by climate change, Cofinimmo decided to scale its environmental ambitions up to a 30 % reduction of the portfolio’s energy intensity by 2030 (compared to the 2017 level), to reach 130 kWh/m<sup>2</sup> (“*project 30<sup>3</sup>*”).

This objective has been established following the science-based targets methodology, which enabled to objectivise the effort to be made in order to contribute to the global objective of

limiting global warming to a maximum of 1.5°C. It follows on from the many ESG initiatives conducted by Cofinimmo, and is in line with the Paris Agreement concluded at COP21. Official validation by science-based targets initiative is planned for 2020.

This objective is set not only for the office and healthcare real estate segments, but also to all activities directly managed within the company such as sales and acquisitions, development, works management and day-to-day property management. Taking into account the entire life cycle of buildings, only a 360-degree approach will enable the Group to achieve the objective set.

In accordance with this sustainability strategy, Cofinimmo intends to pursue a 'green and social' financing policy following the example of its first 'green and social' bond issue in 2016 and its two 'green and social loans' concluded in 2019 and 2020. The proceeds have been directly fully allocated to various green and social assets. The list of selected assets for each financing is available in our 2019 Sustainability Report<sup>1</sup>.

More specifically, the following objectives are targeted for the eligible assets under this framework.

Green buildings:

- Climate change mitigation by implementing energy savings measures and the reduction of GHG emissions;
- Environmental design and management of projects through an energy performance scorecard and equipment and installation upgrades;
- Extension of BREEAM and/or BREEAM In-Use certificates.

Healthcare real estate:

- Renovate and/or expand the healthcare real estate portfolio to meet current and future needs for the housing and care of vulnerable people;
- Encourage healthcare operators to reduce the energy footprint of buildings by incorporating sustainable architecture, ecological materials and more energy-efficient facilities (construction or renovation of buildings).

### 1.3 Background of the Cofinimmo Sustainable Finance Framework

Cofinimmo has developed its Sustainable Finance Framework (*“the Framework”*) to attract specific funding for sustainable assets, projects and activities which contribute to its sustainability strategy. Under this framework, Cofinimmo can issue a variety of sustainable

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<sup>1</sup> <https://www.cofinimmo.com/investors/reports-and-presentations/>

finance instruments, including bonds, convertible bonds, private placements, and (syndicated) banking loan facilities. Those instruments will be labelled as 'green', 'social' or 'green and social' depending on the selected eligible assets (the category of asset is described in the Use of Proceeds paragraph below).

The Framework provides a clear and transparent set of criteria for sustainable finance instruments issued by Cofinimmo and is consistent with the guidelines of the Sustainable Bond guidelines (ICMA, 2018), referring to the Green Bond Principles (ICMA, 2018) and the Social Bond Principles (ICMA, 2018), but also to the Green Loan Principles (LMA/APLMA, 2018). These voluntary process guidelines are developed in multi-stakeholder processes involving issuers, investors, financial institutions and NGO's, with a view to promoting the development and integrity of the sustainable finance market.

## 2 COFINIMMO SUSTAINABLE FINANCE FRAMEWORK

The Cofinimmo Sustainable Finance Framework follows the core components of the voluntary guidelines of the Green Bond Principles, Social Bond Principles and Green Loan Principles and includes the following sections:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting
5. External review

### 2.1 Use of Proceeds

Cofinimmo intends to use an amount equal to the net proceeds of sustainable finance instruments issued under this framework to finance or refinance, in whole or in part, assets, projects and activities which contribute to its ESG strategy ("*Eligible Assets*").

Eligible Assets are required to meet the eligibility criteria included in the table below. The Eligible Assets are also mapped to the UN Sustainable Development Goals (SDGs).

CATEGORY	ELIGIBLE ASSETS
<p><b>Green</b></p> <p><b>SDG 11: Sustainable Cities and Communities</b> Eligible Assets contribute to the target to <i>“Make cities and human settlements inclusive, safe, resilient and sustainable”</i>.</p>  <p><b>SDG 13: Climate Action</b> Eligible Assets contribute to the target to <i>“Take urgent action to combat climate change and its impacts”</i>.</p> 	<p><b>Green buildings</b></p> <p>Investments in existing and/or future assets in Cofinimmo’s portfolio with specified sustainability certifications:</p> <ul style="list-style-type: none"> <li>- New assets which will either require or obtain a BREEAM certification at the latest one year after allocation of proceeds with at least a level of <i>“Very Good”</i> (design or construction stage);</li> <li>- Standing assets which will either require or obtain a BREEAM In-Use certification at the latest one year after allocation of proceeds with at least a level of <i>“Very Good”</i>;</li> <li>- New or standing assets which will either require or obtain one of the certifications appearing in the appendix of the GRESB Real Estate Reference Guide. The level of certification will have to be at a similar level as for the BREEAM or BREEAM In-Use certification level Very Good (for example: LEED &gt;= Gold; HQE &gt;= Very Good).</li> <li>- New or standing assets for which the energy rating (PEB/EPC) is at least of a rating B or best in class for each country (for example: average of existing portfolio in Brussels is between D and E).</li> </ul> <p>For all our green buildings, the sustainability certifications have been obtained in the last 3 years of the issuance of the financing or will be obtained in the next year of the issuance of the financing.</p>
<p><b>Social</b></p> <p><b>SDG 3: Good Health and Well-being</b> Eligible Assets contribute to the target to <i>“Ensure healthy lives and promote well-being for all at all ages”</i>.</p> 	<p><b>Healthcare real estate</b></p> <p>Investments in existing and/or future assets which will provide and/or promote access to essential healthcare services for vulnerable people groups and in certain medical specializations, including:</p> <ul style="list-style-type: none"> <li>- Psychiatric clinics;</li> <li>- Skilled nursing facilities;</li> <li>- Elderly care facilities;</li> <li>- Disabled care facilities;</li> <li>- Specialized acute care clinics;</li> <li>- Rehabilitation clinics;</li> <li>- Medical office building;</li> <li>- Specialty consulting buildings;</li> <li>- Re-education centres;</li> <li>- General hospitals;</li> <li>- Primary care buildings;</li> </ul>

	<ul style="list-style-type: none"> <li>- Long Term mental care;</li> <li>- Child specialty medicine centres;</li> <li>- Home care centres;</li> <li>- Day care centres;</li> <li>- Protected work places;</li> <li>- Youth protection residential care;</li> <li>- Assisted living.</li> </ul> <p>For healthcare real estate, the acquisition year or year of latest renovation/construction will be specified within the next year of the issuance of the financing in the annual reporting.</p>
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## 2.2 Process for Project Evaluation and Selection

The Use of Proceeds categories in this Framework are aligned with the key assets, projects and activities of Cofinimmo that contribute to its ESG strategy. Hence, all potential Eligible Assets first and foremost comply with environmental and social laws and regulations as well as Cofinimmo’s policies and standards which aim to manage and mitigate environmental and governance risks. These include, but are not limited to, the Cofinimmo ESG Policy and the Cofinimmo Corporate Governance Charter which cover environmental impact, ethics and management systems. An overview of these policies and standards is publicly available on the Cofinimmo corporate website<sup>1</sup>.

Supported by multiple business units, such as the Control team and the Healthcare team, the Treasury & Project Finance team and the Corporate Social Responsibility team of Cofinimmo, the company provides an overview of potential Eligible Assets. A verification is carried out to make sure the Eligible Assets comply with the definition of Eligible Assets as included in paragraph 2.1 of this Framework. Subsequently, the list of Eligible Assets for a specific financing is evaluated, on an ad-hoc basis, by the Executive Committee. The committee will approve the final list of Eligible Assets for a specific financing project and ensure that there is no double counting between categories, subject to documented minutes of the meeting. This process will occur for each new financing.

## 2.3 Management of Proceeds

Cofinimmo will manage the net proceeds of issued sustainable finance instruments on an instrument basis. Depending on the selection of the eligible assets, a finance instrument under our sustainable finance framework can be considered as a ‘green’ finance instrument (100% of the selected eligible assets are Green), a ‘social’ finance instrument (100% of the selected

<sup>1</sup> <https://www.cofinimmo.com/about-us/governance/charter/>

eligible assets are Social) or a 'green and social' (Sustainable) finance instrument (mix of Green and Social assets).

As long as the sustainable finance instruments under this Framework are outstanding, Cofinimmo aims to allocate an amount equivalent to the net proceeds of these instruments towards a specific list of Eligible Assets. If a specific asset, project or activity is divested, discontinued or does not longer meet the definition of Eligible Assets as included in paragraph 2.1, it will be removed from the specific list of Eligible Assets and replaced by another Eligible Asset. Cofinimmo aims to ensure that the total value of issued sustainable finance instruments does not exceed the value of its specific list of Eligible Assets. Cofinimmo might decide, in the future, to manage the net proceeds of all its sustainable finance instruments on a portfolio basis.

Pending the allocation of the net proceeds of issued sustainable finance instruments to the portfolio of Eligible Assets, or in case insufficient Eligible Assets are available, Cofinimmo will manage the unallocated proceeds in line with its regular treasury criteria. Cofinimmo intends to keep the unallocated proceeds on its bank account. The total balance of the group Cofinimmo must then be at all-time superior to the unallocated proceeds. This total balance will be reported quarterly. The unallocated proceeds cannot be used to finance any dividend payment, any working capital changes or any other expenses.

The allocation of the net proceeds of issued sustainable finance instruments to Eligible Assets will be subject to an annual review and approval by the Executive Committee until expiration of sustainable finance instruments.

## 2.4 Reporting

### 2.4.1 Allocation of proceeds reporting

On an annual basis, Cofinimmo will report to investors on the allocation of the net proceeds of issued sustainable finance instruments to its specific list of Eligible Assets in its annual Sustainability Report. The report will provide the following information:

- An overview of the sustainable finance instruments issued under the framework;
- The total amount outstanding (in EUR) of sustainable finance instruments issued;
- The amount of proceeds allocated to Eligible Assets, including a breakdown on categories of Eligible Assets and a breakdown by asset (use and geographic location of the assets detailed);
- The split between refinancing and new financing;
- The amount of unallocated proceeds, if any.

### 2.4.2 Impact reporting

On an annual basis, Cofinimmo will report on the environmental and social impact of the Eligible Assets (re)financed by the proceeds of issued sustainable finance instruments.



The impact reporting will include case studies of assets, projects and activities, as well as environmental and social impact reporting on pre-defined impact indicators. Information regarding the methodologies and assumptions used to evaluate the environmental and social impact will be included as well.

CATEGORY	EXAMPLES OF IMPACT INDICATORS
<b>Green buildings</b>	<ul style="list-style-type: none"> <li>▪ Number of certified assets per certification scheme (BREEAM, BREEAM In-Use, energy rating) and specific certification level;</li> <li>▪ Number of energy efficient/refurbished buildings and total size in m<sup>2</sup>;</li> <li>▪ Energy intensity (in kWh/m<sup>2</sup>) through the portfolio of energy efficient buildings in comparison with a representative average building portfolio and the accompanying greenhouse gas emission intensity (in kg of CO<sub>2</sub> equivalent per m<sup>2</sup>);</li> <li>▪ Energy intensity (in kWh/m<sup>2</sup>) through the portfolio of refurbished buildings and the accompanying greenhouse gas emission intensity (in kg of CO<sub>2</sub> equivalent per m<sup>2</sup>).</li> </ul>
<b>Healthcare real estate</b>	<ul style="list-style-type: none"> <li>▪ Number of healthcare real estate selected assets and total size in m<sup>2</sup>;</li> <li>▪ Breakdown by medical specialization (acute care clinics, rehabilitation clinics, psychiatric clinics, primary care, disabled care facilities, skilled nursing facilities, children clinics, re-education centres, medical office buildings, etc.);</li> <li>▪ Number of beds of the selected assets;</li> <li>▪ Total number of patients treated.</li> </ul>

## 2.5 External review

A Second Party Opinion will be issued by an independent external verifier (currently VIGEO EIRIS) in order to provide an external verification on the Sustainable Finance Framework. This external opinion will be updated on ad-hoc basis.

Additionally, Cofinimmo will appoint an independent external auditor to provide external verification on the allocation of proceeds and impact reporting on an annual basis. The verified allocation and impact report will be available in the annual Sustainability Report of Cofinimmo (publicly available on the Cofinimmo corporate website).

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