

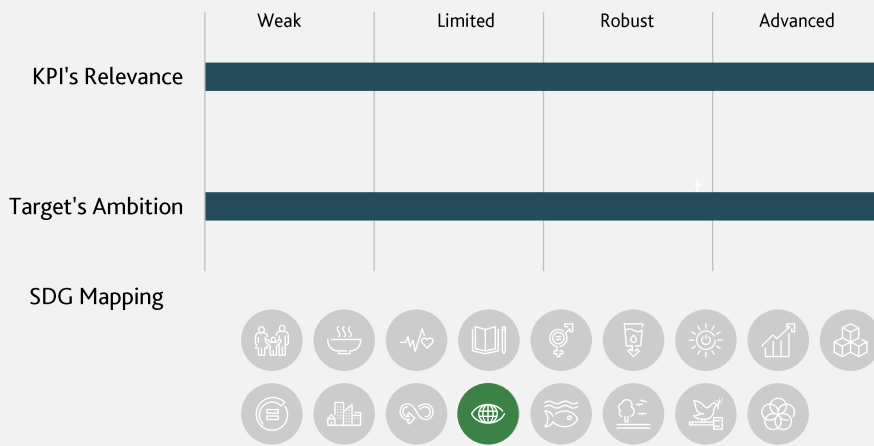
# Second Party Opinion

on Covivio's Sustainability-Linked Bond Framework

Moody's ESG Solutions considers that Covivio's Sustainability-Linked Bond Framework is aligned with the five core components of ICMA's Sustainability-Linked Bond Principles (SLBP) 2020.



## Framework



### Characteristics of the Framework

Audit of the Data	Yes
Three-year Historical Data	Only for KPI 1
Nature of the Impacts on the Bond's Characteristics	Financial
Disclosure of measures to achieve the SPT(s)	Yes

## Sustainability Performance Targets (SPTs)

### KPI 1: Greenhouse gas emissions (Scopes 1 and 2)

- Reduction of absolute scope 1 and 2 GHG emissions by 63% by 2030 (vs 2015)

### KPI 2: Greenhouse gas emissions (Scope 3)

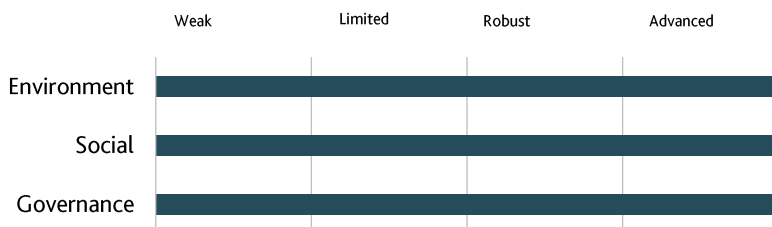
- Reduction of absolute scope 3 GHG emissions from purchased goods and services and downstream leased assets by 37.5% by 2030 (vs 2015)

	2015 (Baseline)	2020	2021	2030*
KPI 1	21,242 tCO <sub>2</sub> e	13,835 tCO <sub>2</sub> e	16,571 tCO <sub>2</sub> e	7,800 tCO <sub>2</sub> e
KPI 2	433,298 tCO <sub>2</sub> e	422,606 tCO <sub>2</sub> e	418,498 tCO <sub>2</sub> e	270,600 tCO <sub>2</sub> e

\*Trigger event

## Issuer

### ESG Performance as of November 2021



### ESG Controversies

Number of controversies	None
Frequency	N/A
Severity	N/A
Responsiveness	N/A



- Advanced
- Limited
- Robust
- Weak

### Involvement in Controversial Activities

- Animal welfare
- Cannabis
- Chemicals of concern
- Civilian firearms
- Alcohol
- Fossil Fuels industry
- Coal
- Gambling
- Genetic engineering
- High interest rate lending
- Human Embryonic Stem Cells
- Military
- Nuclear power
- Pornography
- Reproductive medicine
- Tobacco
- Unconventional oil and gas

## Findings

### Selection of the Key Performance Indicators (KPIs) – aligned with the SLBP

- The KPIs are clearly defined, including the unit of measurement, the rationale and process to select the KPI, the calculation methodology and the scope. They are publicly disclosed in the Issuer's website.
- The KPIs are measurable and are externally verifiable.
- The calculation methodology can change, and the Issuer commits to inform the investors of changes in the methodology.
- The KPIs' definition relies on external references allowing their benchmark; KPI values have been provided covering at least the 3 previous years for KPI 1, and only year 2015 for the KPI 2 which still allows sufficient measurability.
- The selected KPIs reflect the Issuer's most material sustainability issues for its current and future operations, as well as the most relevant sustainability challenges for its sector and they cover more than 90% of the Issuer's activities. In addition, the KPIs have also been identified by the Issuer in its materiality matrix.

### Calibration of the Sustainability Performance Targets (SPTs) – aligned with the SLBP

- The SPTs are consistent with the Issuer's existing targets set in its sustainability strategy.
- The SPTs demonstrate an advanced level of ambition.
- The timeline, baseline, and trigger event are clearly disclosed.
- The means for achieving the SPTs are disclosed as well as their respective contribution in quantitative terms to the SPTs and any other key factors beyond the Issuer's direct control that may affect the achievement of the SPTs and are considered credible.

### Bond Characteristics – aligned with the SLBP

- The potential variation of the bond characteristics depending on whether the selected KPIs would reach (or not) the predefined SPTs is clearly defined in the Framework and the herewith SPO. It will also be publicly disclosed in legal documentation and marketing material, where relevant.
- The meaningfulness of the variation of the SLB's financial characteristics cannot be assessed due to lack of details on financial implications at the Framework level.

### Reporting – aligned with the SLBP and best practices identified by Moody's ESG Solutions

- The Issuer has committed to disclose all relevant information made publicly available on its website as part of its annual Universal Registration Document, and Sustainability Linked Bond Progress Report (including information on the performance of KPIs, information enabling investors to monitor the level of ambition of the SPTs and baselines).
- The intended scope and granularity of the reporting is clear and exhaustive, covering all the required and recommended elements.
- The selected KPIs' related data are covered by an internal and external verification.

### Verification – aligned with the SLBP and best practices identified by Moody's ESG Solutions

- The performance of each KPI against each SPT will be covered by an external verification on an annual basis and in case of material changes impacting the SLB's financial and/or structural characteristics (such as a trigger event), until the maturity of the Bond.
- The verification assurance report will be publicly available on Covivio's website.

## Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input checked="" type="checkbox"/>	Independent verification of KPI(s) reported data
<input checked="" type="checkbox"/>	Independent verification of SPT(s) achievement		

## Contact

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## SCOPE

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Moody's ESG Solutions was commissioned to provide an independent Second Party Opinion ("SPO") on the integration of two environmental factors to the Sustainability-Linked Bonds (the "Bonds") issued by Covivio SA (the "Issuer" or "Covivio") in compliance with the Sustainability-Linked Bond Framework (the "Framework") created to govern their issuances.

Of note, Sustainability-linked debt instruments are intended to finance general corporate purposes. As opposed to other sustainable financial instruments such as green/social bonds or loans, these instruments are agnostic on how funds are used. The main feature of this type of financing is the variation of the bond financial and/or structural characteristics, depending on whether the Issuer achieves predefined sustainability objectives.

Our opinion is established using our Environmental, Social and Governance ("ESG") assessment methodology and the International Capital Market Association's (ICMA) Sustainability-Linked Bond Principles ("SLBP"), voluntary guidelines, published in June. This opinion is strictly limited to the integration of two environmental factors to the Bonds. This opinion does not cover the integration of broader sustainability factors (i.e. social and governance), or the labelling of the Bonds where the final decision is left to Covivio. This opinion does not constitute a verification or certification.

Our opinion is built on the review of the following components:

1. Framework: we assessed the Framework, including the coherence between the Framework and the Issuer's environmental commitments, and the Framework's alignment with the five core components of the SLBP 2020.
2. Issuer<sup>1</sup>: we assessed the Issuer's ESG performance, the Issuer's management of potential stakeholder-related ESG controversies and its involvement in controversial activities<sup>2</sup>.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from Moody's ESG Solutions' exclusive ESG rating database, and (iii) information provided from the Issuer through documents.

We carried out our due diligence assessment from April 26<sup>th</sup>, 2022 to May 18<sup>th</sup>, 2022. We consider that we were provided access to all documents and interviewees we solicited. To this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

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<sup>1</sup> The Issuer is part of Moody's ESG Solutions rating universe.

<sup>2</sup> The 17 controversial activities screened by Moody's ESG Solutions are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Gambling, Genetic engineering, High interest rate lending, Human Embryonic Stem Cells, Military, Nuclear power, Pornography, Reproductive medicine, Tar sands and oil shale, and Tobacco.

# COHERENCE

Coherent
Partially coherent
Not coherent

Moody's ESG Solutions considers that the selected KPIs are coherent with Covivio's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

In 2018, a study conducted by the US Energy Information Administration reported that the real estate sector accounted for nearly 40% of annual global GHG emissions.<sup>3</sup> In the following year, the United Nations Environment Program (UNEP) published the 2019 Global Status Report for Buildings and Construction Sector, which revealed that for 2018, buildings and the construction sector accounted for 36% of final energy use and 39% of energy process-related CO<sub>2</sub> emissions. The major source of rising energy use and emissions by the global building stock was electricity, which had increased more than 19% since 2010. Significantly higher electricity was also used in space cooling, appliances, and hot water had resulted in increased emissions since 2010. Space cooling demand rose more than 33% during 2010-2018, and by 5% in 2017-2018, whereas energy demand for appliances increased by 18% from 2010 to 2018, and by 11% for water heating over the same period.<sup>4</sup>

Further, in 2020, construction emissions not only account up to 10% of total global energy related CO<sub>2</sub> emissions,<sup>5</sup> but also come with significant environmental impact, including land and water use, noise pollution, waste, pollution and GHG emissions. These expose the real estate sector operations to potential operational, regulatory and reputational risk throughout the lifespan of a building.<sup>6</sup> Supply chain environmental impacts are substantial too—sourcing raw materials from forestry, building materials and chemical value chain expose the sector to potential water, pollution, soil damage and emissions risks.<sup>7</sup>

Sustainable development and CSR are part of Covivio's strategy. Faced with economic, social, societal and environmental challenges, the Issuer has raised its ambition to achieve a 40% reduction in CO<sub>2</sub> emissions reduction by 2030, which was previously set at 34%<sup>8</sup>.

Covivio structures its CSR strategy around four focus areas: Sustainable Building, Sustainable City, Human Capital, and Ethical practices. In line with its focus areas, the Issuer has committed to a series of action plans. To list a few:

- Improving the portfolio's environmental performance;
- Combatting asset obsolescence and ensuring their resilience;
- Accelerating the transition to a circular and low-carbon economy;
- Turning each site into a biodiversity driver;
- Developing a responsible European procurement policy.

In order to reach its internal carbon ambitions that are compatible with the 1.5°C scenario of the Paris Agreement for scopes 1 and 2 greenhouse gas ('GHG') emissions and a well-below 2°C scenario for Scope 3 GHG emissions (including construction activity) and approved by Science Based Targets initiative ("SBTi")<sup>9</sup>, Covivio has adopted five strategic priorities, including: favouring refurbishment and fighting urban sprawling, low carbon construction, implementing new tools to measure performance, promoting the use of renewable energies, and mobilizing a responsible supply chain.

These measures will complement the Issuer's climate targets and the KPIs and associated SPTs chosen for Covivio's Sustainability-Linked Bond Framework, expected to be reached by 2030, which in turn will help achieve the Issuer's sustainability commitments and climate change strategy.

<sup>3</sup> <https://architecture2030.org/why-the-building-sector/>

<sup>4</sup> <https://www.unep.org/resources/publication/2019-global-status-report-buildings-and-construction-sector>

<sup>5</sup> [https://globalabc.org/sites/default/files/2021-10/GABC\\_Buildings-GSR-2021\\_BOOK.pdf](https://globalabc.org/sites/default/files/2021-10/GABC_Buildings-GSR-2021_BOOK.pdf)

<sup>6</sup> <https://www.crem.eu/wp-content/uploads/2019/12/CRREM-Carbon-Risk-Integration-in-Corporate-Strategies-within-the-Real-Estate-Sector.pdf>

<sup>7</sup> [https://worldgbc.org/sites/default/files/00081\\_WorldGBC\\_new\\_report\\_REDUCED\\_2021.pdf](https://worldgbc.org/sites/default/files/00081_WorldGBC_new_report_REDUCED_2021.pdf)

<sup>8</sup> <https://www.covivio.eu/en/wp-content/uploads/sites/3/2022/04/2021-Annual-Report-on-Sustainable-Performance.pdf>, pg. 8

<sup>9</sup> <https://sciencebasedtargets.org/how-it-works>

# FRAMEWORK

The Issuer has described the main characteristics of the Bond(s) within a formalized Framework (the last updated version was provided to us on May 17<sup>th</sup>, 2022) which covers the five core components of the SLBP 2020. The Issuer has committed to make this document publicly accessible on its website<sup>10</sup> at the first issuance date, in line with good market practices.

## Alignment with Sustainability-Linked Bond Principles

### Selection of the Key Performance Indicators (KPIs)



Table 1. Analysis of the KPI(s) selected by the Issuer

KPI 1: GREENHOUSE GAS EMISSIONS (SCOPE 1 AND 2)	KPI 2: GREENHOUSE GAS EMISSIONS (SCOPE 3)
Definition: Clarity and Disclosure	
KPI 1 and 2 are clearly defined, including the unit of measurement, the rationale and process to select the KPI, the calculation methodology and the scope. They are publicly disclosed on the Issuer's website <sup>11</sup> and in this SPO.	
<p>The Issuer reports that its absolute Scope 1 and 2 GHG emissions will support its commitment to combat climate change and decrease the environmental effect of its assets and global activities, according to the rationale and selection procedure for KPI 1.</p> <p>The KPI's calculation methodology and coverage is aligned with the Greenhouse Gas Protocol Initiative (GHG Protocol). Specifically, the Agence de l'Environnement et de la Maîtrise de l'Energie's balance sheet and the Centre Scientifique et Technique du Bâtiment's modalizations are employed and these tools are in accordance with GHG Protocol. The KPI is also in line with Global Reporting Initiative Standards (2017 version) and Construction &amp; Real Estate Sector Disclosures. The data is expressed in same form as KPI 2 and includes the same emission factors. KPI 1 covers around 4% of the Issuer's total GHG emissions scope 1 and 2. Scope 1, for example, addresses direct emissions from the combustion of fossil fuels used in company buildings or vehicles: for Covivio, this corresponds to natural gas consumption and fuel in company-provided service vehicles and company cars, whereas scope 2 covers indirect emissions from purchased electricity, and heating and cooling networks: for Covivio, this corresponds to electricity consumption and heating and cooling networks. KPI 1 covers all directly managed assets which represent 21% of the total revenues share group of the Group<sup>12</sup>.</p>	<p>The KPI is clearly defined, including the unit of measurement, the rationale and process to select the KPI, the calculation methodology and the scope. The KPI will be publicly disclosed in the Framework and this SPO.</p> <p>The rationale and process to select this KPI stems can be linked back to the Issuer's materiality matrix which has been formalized in their sustainability report. Climate change has been identified as one of the most material issues for both Covivio's activities and its stakeholders. To mitigate climate change (and thus its impact), it is imperative for the Issuer to reduce its emissions. Scope 3 emissions represent 96% of Covivio's total emissions. As such, this KPI's inclusion is necessary to adequately address the Issuer's climate impact.</p> <p>The KPI's calculation methodology is aligned with the Greenhouse Gas Protocol Initiative (GHG Protocol). Specifically, the Agence de l'Environnement et de la Maîtrise de l'Energie's balance sheet and the Centre Scientifique et Technique du Bâtiment's modalizations are employed and these tools are in accordance with GHG Protocol. The KPI is also in line with Global Reporting Initiative Standards (2017 version) and Construction &amp; Real Estate Sector Disclosures. The data is expressed in same form (TCO<sub>2e</sub>) as KPI 1 and includes the same emission factors.</p>

<sup>10</sup> <https://www.covivio.eu/en/csr-innovation/csr/csr-strategy/>

<sup>11</sup> <https://www.covivio.eu/en/wp-content/uploads/sites/3/2022/04/2021-Annual-Report-on-Sustainable-Performance.pdf>

<sup>12</sup> *ibid*

<p>This KPI is reported in tCO<sub>2</sub>e and the following gases are considered: CO<sub>2</sub>, CH<sub>4</sub>, NO<sub>2</sub>, HFC, PFC, SF<sub>6</sub>, NF<sub>3</sub>, and other GHG<sup>13</sup>.</p>	<p>KPI 2 covers all downstream assets (and purchased goods) which represent 79% of the total revenues share group of the Group.</p> <p>The KPI includes 86% of Covivio's total Scope 3 GHG emissions as of 2021. Additionally, the KPI encompasses emissions related to the consumptions of their properties (both directly and indirectly managed) and the construction/refurbishment of their assets<sup>14</sup>.</p>
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Measurability, Benchmark And Verifiability

The KPIs are measurable and externally verifiable.

An external third-party auditor will verify data related to the KPIs. The auditor has already reviewed these new KPIs in 2021 and verified their carbon trajectory<sup>15</sup>.

The calculation methodology for both KPIs can change, and the Issuer commits to inform the investors of changes in the methodology.

The KPIs were previously disclosed, and historically externally verified. KPI values have been provided covering at least the 3 previous consecutive years for KPI 1. For KPI 2, the Issuer has provided three non-consecutive years of data: 2015, 2020, and 2021; this still allows for sufficient measurability.

The KPIs definition rely on external references allowing their benchmark. The Issuer refers to the GHG Protocol and Global Reporting Initiative.

Relevance and Materiality

KPI 1 partially reflects material sustainability issues for the Issuer's current and future operations, as well as relevant material sustainability challenges for its sector and it covers 100% of the Issuer's other activities.

KPI 2 reflects the most material sustainability issues for the Issuer's current and future operations, as well as the most relevant sustainability challenges for its sector and it covers 100% of the Issuer's downstream leased assets.

This being said, as Covivio has committed to always link the bonds' characteristics to both KPIs, taken together the two KPIs reflect the Issuer's most important sustainability issues for current and future operations, as well as key sustainability challenges for its sector. The chosen KPIs encompass more than 90% of the Issuer's activities.<sup>16</sup> The Issuer has also made its materiality matrix available in its Universal Registration Document<sup>17</sup>, and climate change is one of the most important issues raised by the Issuer in its materiality matrix, and the KPIs reflect it.

According to SBTi, the Issuer's activities are classified under the real estate sector<sup>18</sup>. The real estate sector accounts for almost 40% of the world's annual emissions<sup>19</sup>. In addition, according to the Global Alliance for Buildings and Construction, buildings and construction in 2020 account for 36% of energy consumption and 37% of energy and process-related CO<sub>2</sub> emissions, making the real estate sector a sector with the highest global carbon emitter<sup>20,21</sup>. Furthermore, real estate companies face significant environmental risks associated with climate change and GHG emissions throughout their value chain, from construction to property occupancy<sup>22</sup>, including the risks listed below:

- Climate Related Risks: Severe climatic event such as storms, hails, fires, droughts, and floods can cause material destruction to real-estate properties including the destruction and reduction of property values that might result to higher cost tied to repair or replacement<sup>23</sup>.

<sup>13</sup> P. 55 of Covivio's 2021 – Sustainable Performance Annual Report, link: <https://www.covivio.eu/en/csr-innovation/csr/csr-strategy/>

<sup>14</sup> The remaining percentage of Scope 3 not included in the KPI is related to regular maintenance of buildings / furniture, employee commuting, and use of sold products which the Issuer states that they are in less control of and as such their ability to have impact is limited.

<sup>15</sup> P.249 of Covivio's 2021- Universal Registration Document, link: <https://www.covivio.eu/en/wp-content/uploads/sites/3/2022/04/2021-Universal-registration-document.pdf>

<sup>16</sup> Information provided to Moody's ESG solutions through internal documents

<sup>17</sup> P.119 of Covivio's 2021- Universal Registration Document, link: <https://www.covivio.eu/en/wp-content/uploads/sites/3/2022/04/2021-Universal-registration-document.pdf>

<sup>18</sup> <https://sciencebasedtargets.org/resources/files/SBTi-Sector-Classification-Document.pdf>

<sup>19</sup> <https://architecture2030.org/why-the-building-sector/>

<sup>20</sup> <https://www.wbcsd.org/Programs/Cities-and-Mobility/Sustainable-Cities/Transforming-the-Built-Environment/News/Pandemic-caused-dip-in-building-emissions-but-long-term-outlook-is-bleak-UN-report-says#:~:text=The%20report%2C%20published%20by%20the,to%20other%20end%2Duse%20sectors.>

<sup>21</sup> [https://globalabc.org/sites/default/files/2021-10/GABC\\_Buildings-GSR-2021\\_BOOK.pdf](https://globalabc.org/sites/default/files/2021-10/GABC_Buildings-GSR-2021_BOOK.pdf)

<sup>22</sup> [https://www3.weforum.org/docs/GAC16/CRE\\_Sustainability.pdf](https://www3.weforum.org/docs/GAC16/CRE_Sustainability.pdf)

<sup>23</sup> <https://www.pionline.com/alternatives/investors-grapple-physical-climate-risks-long-term-impacts>

- Temperature changes: Change in temperature such as heat and cold waves have the potentiality of causing loss of thermal comfort and risk to the health of occupants, thereby resulting to increase in operational cost and possibly drop in rent and occupancy rate<sup>24</sup>.
- Environmental Risk Associated with Construction: Environmental impacts such as land and water use, noise pollution, waste and pollution, and greenhouse gas (GHG) emissions could pose an operational, regulatory, and reputational Risk to real estate sector operators during the construction process<sup>25</sup>.
- Environmental impact of the real estate supply chain: When acquiring raw materials from forestry, building materials, and the chemical value chain, real estate operators are vulnerable to water, pollution, significant soil damage, and emission concerns<sup>26</sup>.

In light of this, businesses within the real estate sector have a critical role in reducing their climate and environmental influence. As a result, real estate businesses should develop a unique environmental plan that will reduce GHG emissions and mitigate associated risks.

In its 2021 UN Framework Convention on Climate Change (UNFCCC) report, the Intergovernmental Panel on Climate Change recognizes the possibility of harmful climate change due to rising and irreversible greenhouse gas emissions (GHG)<sup>27</sup>. Furthermore, in 2016, United Nations member states ratified the 2015 Paris Agreement to establish a worldwide framework for preventing catastrophic climate change by keeping global temperatures below 2°C and pursuing efforts to keep them below 1.5°C. It also attempts to improve businesses' capacity to deal with climate change's consequences and support them in their efforts<sup>28</sup>.

The UNFCC report and the Paris Agreement both allude to the importance of companies to set a science-based target for Scope 1, 2, and 3 emissions to help meet the Paris Agreement's goals and be externally assessed, such as by the Science-Based Target Initiative (SBTi) – which requires companies with value chain emissions accounting for more than 40% of total GHG emissions to set a Scope 3 target – to demonstrate the target's alignment with the Paris Agreement. Covivio created scientific-based objectives for Scope 1 & 2 (KPI 1) and Scope 3 (KPI 2) emissions with the goal to be compatible with the most recent climate research.

Apart from focusing on emissions under direct operational control or ownership, businesses must also set emission goals for their value chains, which often account for the bulk of GHG inventories. Scope 3 is expected to account for 85 percent of total emissions in the real estate sector<sup>29</sup>. The rationale for the 85% is that majority of leased assets falls outside of operational control and are associated with the Issuer purchased goods and services and downstream leased asset<sup>30</sup>. Purchased goods and services include emissions from the extraction, production, and transportation (i.e., cradle-to-gate emissions) of goods and services acquired by a company in the reporting year, not otherwise included in another upstream category. While downstream leased assets include operation of assets owned by the company (lessor) and leased to other entities in the reporting year, not included in scope 1 and scope 2 – reported by the lessor<sup>31</sup>. The Issuer's reported to Moody's ESG Solutions that Scope 3 emissions from tenants account for around 96% of the company's total CO<sub>2</sub> emissions in 2021<sup>32</sup>. As previously noted, the significance of this KPI is highlighted by the fact that established international standards, such as SBTi, require firms with a carbon footprint of more than 40% in their value chain to set a Scope 3 emissions target. Against this backdrop, KPI 1 does not cover a significant part of the Issuer's carbon footprint whereas KPI 2 does, hence the KPIs display as different level of relevance when it comes to addressing the sector's key issues, however the two indicators will not be used separately.

#### BEST PRACTICES

- ⇒ The KPIs definition rely on external references allowing their benchmark.
- ⇒ The selected KPIs reflect the Issuer's most material sustainability issues for its current and future operations, as well as the most relevant sustainability challenges for its sector. In addition, the KPIs have also been identified by the Issuer in its materiality matrix.
- ⇒ The KPIs cover more than 90% of the company's total activity.

<sup>24</sup> P.132 of Covivio's Universal Registration Document, link: <https://www.covivio.eu/en/wp-content/uploads/sites/3/2022/04/2021-Universal-registration-document.pdf>

<sup>25</sup> <https://www.crrem.eu/wp-content/uploads/2019/12/CRREM-Carbon-Risk-Integration-in-Corporate-Strategies-within-the-Real-Estate-Sector.pdf>

<sup>26</sup> [https://worldgbc.org/sites/default/files/00081%20WorldGBC%20new%20report\\_REDUCED%202021.pdf](https://worldgbc.org/sites/default/files/00081%20WorldGBC%20new%20report_REDUCED%202021.pdf)

<sup>27</sup> [https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC\\_AR6\\_WGI\\_Full\\_Report.pdf](https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Full_Report.pdf)

<sup>28</sup> <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

<sup>29</sup> <https://www.ukgbc.org/wp-content/uploads/2019/07/Scope-3-guide-for-commercial-real-estate.pdf>


<sup>30</sup> Ibid

<sup>31</sup> Information provided to Moody's ESG solutions through internal documents (Framework)

<sup>32</sup> Ibid

SDG Contribution

The selected KPIs are likely to contribute to one of the United Nations' Sustainable Development Goals ("SDGs"), namely:

KPIs	SDG	SDG TARGETS
Absolute GHG emissions reduction (Scope 1 & 2, and Scope 3)		UN SDG 13 consists of taking urgent action to combat climate change and its impacts. By integrating GHG emissions reduction targets into real estate strategy and planning, the sector can contribute to tackling climate change.



Calibration of the Sustainability Performance Target (SPT)

Not Aligned      Partially Aligned      **Aligned**      Best Practices

Ambition

**KPI 1: GREENHOUSE GAS EMISSIONS (SCOPE 1 AND 2)**

By using the absolute value of GHG emissions per year, the data set should show positive or negative KPI trends, reflecting the Issuer's commitment to fighting climate change, thus enabling investors to make an appropriate assessment of the overall environmental performance.

Table 2 – Green House Gas Emissions (Scope 1 and 2) (measured in tCO<sub>2</sub>e)

KPI	REPORTED DATA							OBJECTIVE
	2015 <sup>a</sup> (Baseline)	2016 <sup>b</sup>	2017	2018	2019	2020	2021	2030*
	21,242	16,039	17,555	15,364	15,548	13,835	16,571	7,800
Annual variation (%)	N/A	-24.5%	9.5%	-8.9%	-12.5%	-11.0%	+19.8%	N/A
Total variation (2015-2021)	-22%							N/A
Total variation (2015-2030)	- 63%							
Total variation (2021-2030)	N/A						- 53%	
Average annual variation (%)	-4.05%							N/A
	-6.46%							
	N/A						-8.03%	

<sup>a</sup>Information provided to Moody's ESG solutions through internal documents.

<sup>b</sup>Information provided to Moody's ESG solutions through internal documents

\*Trigger Event.

The SPT is consistent with the Issuer's existing targets set in its sustainability strategy. The objective is to reach 7,800 tCO<sub>2</sub>e of absolute Scope 1 and 2 GHG emissions by 2030, compared to the 2015 baseline which is 21,242 tCO<sub>2</sub>e. This represents a 63% reduction of absolute Scope 1 and 2 GHG emissions.

Based on several points of comparison, Moody's ESG Solutions considers that the SPT demonstrates an advanced<sup>33</sup> level of ambition.

The timeline, baseline and target observation are clearly disclosed.

<sup>33</sup> Moody's ESG scale of assessment: Weak / Limited / Robust / Advanced

**Business-as-usual Trajectory Benchmark Analysis.**

The SPT represents a material improvement compared to the company's BaU.

The Issuer has provided historical data on the KPI, which demonstrates a targeted reduction in carbon intensity from 2015-2021<sup>34</sup>.

The historical data on the KPI indicates that there has been a decrease of absolute GHG emissions (Scope 1 and 2) over the years, however, with slight increase in 2021. Data show that between 2015 (the baseline) and 2021, absolute GHG emissions decreased by 22% in comparison to the 2015 value, which represents an average annual decrease rate of 4.05%.

The SPT set in 2030 represents a 63% decrease and a 6.46% average annual reduction compared with 2015. Similarly, the average annual reduction rate between 2021 and 2030 will be approximately -8.03%. Both these projected average annual reductions demonstrate that the SPT outperforming the company's past historical performance.

Given this, Moody's ESG Solutions considers that this target represents a material improvement compared to the company's BaU.

**Sector Peers Benchmark**

Company Name <sup>35</sup>	Reduction Target	Baseline to Target Year	Average annual variation (%)	Timeframe
Klépierre <sup>36</sup>	80%	2017/2030	- 11.64%	13 years
Simon Property Group <sup>37</sup>	68%	2019/2035	- 6.87%	16 years
Unibail-Rodamco-Westfield <sup>38</sup>	65%	2015/2030	- 6.76%	15 years
Alstria office REIT-AG <sup>39</sup>	30%	2018/2025	- 4.97%	7 years
Castellum AB <sup>40</sup>	100%	2017/2030	N/A	13 years
Gecina <sup>41</sup>	48%	2014/2030	- 4%	16 years
Canary Wharf Group Plc <sup>42</sup>	65%	2017/2030	- 7.76%	13 years
Société Foncière Lyonnaise <sup>43</sup>	50%	2018/2030	- 5.61%	12 years
The Macerich Company <sup>44</sup>	46.2%	2019/2030	- 5.48%	11 years
Vasakronan AB <sup>45</sup>	50%	2017/2030	- 5.19%	13 years

The SPT demonstrates a robust level of ambition compared to sector peers' performances.

Covivio demonstrates a higher commitment compared to peers that have not disclosed their targets and has a more ambitious target compared to most peers in terms of average annual decrease, however, by targeting a 63% decrease from 2015 to 2030 which represent a 6.46% decrease on average Covivio does not belong to the best performers.

Covivio is amongst the 89 companies globally out of 148 companies under SBTi's "Real Estate" sector classification database, with approved science-based targets<sup>46</sup>. SBTi's target validation specifically refers to GHG emissions from company operations (Scopes 1 and 2). This means the other 59 companies have made commitment but have not yet set specific targets.

<sup>34</sup> Information provided to Moody's ESG solutions through internal documents

<sup>35</sup> All companies except Vasakronan AB and Gecina have targets aligned with 1.5C with the Science Based Targets. Vasakronan AB and Gecina are both aligned with a 2C pathway.

<sup>36</sup> <https://www.klepierre.com/en/news/klepierre-recognized-by-the-science-based-target-initiative-for-its-low-carbon-strategy-7016-23f4a>

<sup>37</sup> <https://investors.simon.com/sustainability>

<sup>38</sup> <https://www.urw.com/en/csr/better-places-2030>

<sup>39</sup> [https://alstria.de/wp-content/uploads/2020/11/alstria\\_Sustainability\\_Report\\_2019\\_2020.pdf](https://alstria.de/wp-content/uploads/2020/11/alstria_Sustainability_Report_2019_2020.pdf)

<sup>40</sup> [https://www.castellum.se/globalassets/om-castellum/hallbarhet/2021/new\\_sustainability-goals-2021.pdf](https://www.castellum.se/globalassets/om-castellum/hallbarhet/2021/new_sustainability-goals-2021.pdf)

<sup>41</sup> Gecina Scope 1 and 2 target is available in SBTi's website: <https://sciencebasedtargets.org/companies-taking-action>

<sup>42</sup> <https://group.canarywharf.com/wp-content/uploads/2021/04/canary-wharf-group-annual-sustainability-report-summary-2020.pdf>

<sup>43</sup> <https://www.fonciere-lyonnaise.com/wp-content/uploads/2022/03/sfl-dpef-2021-va.pdf>

<sup>44</sup> The Macerich Company's Scope 1 and 2 target is available in SBTi's website: <https://sciencebasedtargets.org/companies-taking-action>

<sup>45</sup> Vasakronan AB Scope 1 and 2 target is available in SBTi's website: <https://sciencebasedtargets.org/companies-taking-action>

<sup>46</sup> Covivio's Commitment is available in SBTi's website: <https://sciencebasedtargets.org/companies-taking-action>

### Official International Targets and Scenarios Benchmark Analysis

The SPT demonstrates an advanced level of ambition compared to sector standards.

The Issuer's target to decrease Scope 1 and 2 emissions to 7.8 ktCO<sub>2</sub>e by 2030 is aligned with the SBTi's pathway to 1.5°C and has been verified accordingly. Being aligned with the SBTi's 1.5°C trajectory is considered as a best market practice as companies emission reduction targets covering their operations (Scopes 1 and 2) are in line with the climate science.

Furthermore, Covivio is also targeting a net zero carbon contribution from 2030 for scopes 1 and 2. In addition, Covivio decided in November 2021 to increase its ambition from a previous 34% GHG emission reduction to 40% between 2010 and 2030 in intensity for all scopes of emissions. Between 2015 and 2030, this resulted in a -63% target for Scopes 1 and 2. This demonstrates its determination and ambition to contribute to the fight against climate change and align with the goals of the Paris Agreement.

### MEASURES TO ACHIEVE THE SPT

The means for achieving the SPT are disclosed as well as any key factors beyond the Issuer's direct control that may affect the achievement of the SPT. The means are considered credible.

The Issuer reports it is deploying a range of initiatives in order to decarbonize. For instance, between 2015 – 2020, the Issuer projected the following factors for carbon reduction to achieve its carbon emission ambitions: energy mix: 50%, green electricity: 21%, and energy efficiency measures: 29%.

The Issuer future plan would encapsulate the financing of energy efficiency measures to ensure that its annual works plan is aligned to achieve its carbon emission goal.

### Other measures to support the achievement of the SPTs include:

- Prioritize refurbishment and tackle urban sprawl: the Issuer reports that as of today, more than 50% of its new projects consist in refurbishment of existing buildings, with the aim of "net zero land take", or even reverse land take, to encourage biodiversity, sequester carbon and address the urban heat island effect (100% of new office development projects include green spaces). By combining the reuse of buildings with the circular economy, the use of sustainable materials and the installation of advanced systems for efficient building management, greenhouse gas emissions are reduced throughout the life cycle of the asset.
- Encouraging the use of renewable energy: The Issuer intends to install the appropriate systems for its development projects (solar power, geothermal energy, etc.). By 2030, it plans to supply 100% of its directly managed commercial properties with renewable electricity (compared with 74% at end-2021), while raising awareness about the issue among its tenants for tenant areas.
- Development of new tools: with the help of the CSTB, which also participated in the elaboration of its carbon trajectory, Covivio designed 2 operational tools. The first one is the LCA express and is dedicated to the development operation at the pre-design stage to identify the alignment of the future project with its requirements in terms of carbon. The second tool is a monitoring tool of the energy efficiency measures on the buildings that are in use to estimate the expected gains in terms of energy efficiency considering the CAPEX to invest.

Additionally, the Issuer discloses the following factors that could pose a risk to achieving the SPTs:

- Macroeconomic risk driven by the transition to low carbon economy may include increased regulation and legislation, which may cause changes in market conditions
- Like many other production-based organizations, there may be lack of feasible technologies in the short- to mid-term for replacing fossil fuels.
- Lack of government policy, guidance and/or regulatory support.
- Introduction of new regulatory, outside the scope of Covivio's current expectations, inclusive of those implemented by the EU or national governments

**KPI 2: ABSOLUTE SCOPE 3 GHG EMISSIONS**

By using the absolute value of Scope 3 GHG emissions from purchased goods & services downstream leased assets per year, the data set should show positive or negative KPI trends, reflecting the Issuer's commitment to fighting climate change, thus enabling investors to make an appropriate assessment of the overall environmental performance.

Table 3 – Absolute Scope 3 GHG emissions (measured in tCO<sub>2</sub>e)

KPI	REPORTED DATA			OBJECTIVES
	2015 (Baseline)	2020	2021	2030*
	433,298	422,606	418,498	270,600
Total variation (%)	-3.4%			N/A
	-37.5%			
	N/A		-35.34%	
Average annual variation (%)	-0.58%			N/A
	-3.09%			
	N/A		-4.7%	

\*Trigger event

The SPT is consistent with the Issuer's existing targets set in its sustainability strategy. The objective is to reach 270,600 tCO<sub>2</sub>e of absolute Scope 3 GHG emissions by 2035, compared to the 2015 baseline which is 433,298 tCO<sub>2</sub>e. This represents a 37.5% reduction of absolute Scope 3 GHG emissions.

Based on several points of comparison, Moody's ESG Solutions considers that the SPT demonstrates an advanced<sup>47</sup> level of ambition.

The timeline, baseline and trigger event are clearly disclosed.

**Business-as-usual Trajectory Benchmark Analysis**

The SPTs demonstrates a material improvement compared to the company's Business as Usual (BaU).

The Issuer has provided data from 2015, 2020, and 2021. It is of importance to note that Covivio publishes Scope 3 data in its sustainability report each year; however, this data cannot be used as a benchmark for this SPT. The coverage of the KPI is greater than the data reported on in the sustainability reports. The reports data (for the years in-between) does not include emissions related to construction and refurbishment. The data associated with construction and refurbishment was only calculated every five years so 2015 and 2020 are the only historical data points available. An area of improvement would be to provide comprehensive data for the years in-between 2015 to 2020 or at least three consecutive years of historical data. This would strengthen the accuracy and rigor of the historical analysis. From 2021 onwards, the Issuer has committed to providing yearly comprehensive data (for the total KPI's scope).

In order to compare historical performance to projected performance with the SPT (ambition), the average annual variation using compound growth rate formula has been calculated. As seen in the table above, the historical performance of the Issuer was -.58% (2015-2021). The 2015 to 2021 frame of reference was used to show the longest and most accurate performance trend of Covivio. The expected annual variation performance, given the SPT set, is -4.7% (2021 – 2030). It is clear from this data that the Issuer's SPT demonstrates a material improvement from its historical performance.

<sup>47</sup> Moody's ESG scale of assessment: Weak / Limited / Robust / Advanced

Sector Peers Benchmark

Company Name	Reduction Target	Baseline to Target Year	Timeframe
Société Foncière Lyonnaise <sup>48</sup>	Commits to measuring and reducing scope 3 in 2022		
Gecina SA <sup>48</sup>	Commits to measuring and reducing scope 3 in 2022; previous 2017 commitment was to reduce scope 3 emissions from downstream leased assets by 48% per square meter by 2030 (from 2014 baseline)		
Klepierre <sup>48</sup>	Reduction of indirect Scope 3 GHG emissions by 41% per square meter	2017/2030	13 years
Alstria Office REIT - AG <sup>48</sup>	Reduction of absolute Scope 3 emissions by 30%	2018/2030	12 years
Castellum AB <sup>48</sup>	Reduction of absolute Scope 3 emissions by 100%	2017/2030	13 years
Vasakronan AB <sup>48</sup>	Reduction of absolute Scope 3 emissions by 50%	2017/2030	13 years
Unibail-Rodamco-Westfield <sup>49</sup>	(1) 50% across the value chain (2) 80% from operations (including per square meter of tenant energy emissions) (3) 35% from construction (4) 40% from transportation of visitors	2015/2030	15 years
Canary Wharf Group Plc <sup>48</sup>	Reduction of absolute scope 3 emissions from downstream leased assets by 65%	2015/2030	15 years
The Maceriah Company <sup>48</sup>	Reduction of absolute Scope 3 emissions by 46.2%	2017/2030	13 years
Simon Property Group <sup>48</sup>	Reduction of absolute Scope 3 emissions from down leased assets by 21%	2019/2030	11 years

The SPT demonstrates an advanced level of ambition compared to sector peers' performances.

To begin, we analysed the most direct peers of the Issuer; this means those in similar real estate business segments and geographical location. However, there were several obstacles to keeping the list this narrow focused. There were many peers whose targets were in carbon intensity as Klepierre listed above or had other target format differences that reduced their comparability to the Issuer's SPT. (additional examples: Deutsche Wohnen<sup>50</sup>, Aroundtown<sup>51</sup>, and Icade<sup>52</sup>). Coupled with this, other directly comparable peers did not have any Scope 3 related target as seen with Société Foncière Lyonnaise and Gecina SA in the table. In order to accurately assess the SPT, we looked at other SBTi certified targets in the real estate sector which also had targets in terms of absolute emissions. Given the lack of Scope 3 and SBTi certification among other real estate peers, these peers can already be seen as top performers within the broader real estate sector. In comparison to peers such as Castellum AB, The Maceriah Company, Vasakronan, and Unibail – Rodamco – Westfield, the Issuer has slightly less ambitious target. However, the Issuer's SPT is more ambitious than Simon Property Group's target and Alstria Office REIT – AG's target. Hence, Covivio's SPT does appear to fall within the spectrum of top performers in the real estate sector.

Official International Targets and Scenarios Benchmark Analysis

The SPT demonstrates an advanced level of ambition compared to sector standards.

The SPT is aligned with SBTi's pathway to a well-below 2°C and has been verified accordingly. Being aligned with the SBTi is considered a best market practice as companies emission reduction targets are in line with the climate science.

The SBTi, however, published a new criterion (version 5.0<sup>53</sup>) in October 2021 which considers the 1.5°C scenario to be the most stringent. Covivio's new emission target was published in November 2021. The new emissions target had been set well before the release of the new October criterion. The Issuer reports not having the capacity to adjust the newly established target to a "1.5°C" scenario at the time. As such, a future area for improvement is to adapt the Scope 3 pathway to alignment with this scenario, to demonstrate even greater ambition, as the 1.5°C scenario it is the most stringent requirement for international standards (under SBTi).

<sup>48</sup> The Company's targets are available in SBTi's website: <https://sciencebasedtargets.org/companies-taking-action>

<sup>49</sup> <https://www.urw.com/en/csr/better-places-2030>

<sup>50</sup> <https://www.deutsche-wohnen.com/en/about-us/company/sustainability/climate-pathway-to-2040>

<sup>51</sup> [https://www.aroundtown.de/fileadmin/user\\_upload/05\\_sustainability/Reports/AT\\_Non-financial\\_Report\\_2021.pdf](https://www.aroundtown.de/fileadmin/user_upload/05_sustainability/Reports/AT_Non-financial_Report_2021.pdf)

<sup>52</sup> <https://www.icade.fr/en/csr/environment>

<sup>53</sup> SBTi's Version 5.0: <https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>

### MEASURES TO ACHIEVE THE SPT

The means for achieving the SPT are disclosed as well as their respective contribution in quantitative terms to the SPTs and any key factors beyond the Issuer's direct control that may affect the achievement of the SPT. The means are considered credible.

The Issuer has detailed three main components to achieve their reduction in Scope 3 emissions:

- The Issuer will employ various levers throughout the Group to enhance Scope 3 performance: improve energy mix (45%), low- carbon construction (14%), green electricity (15%), energy efficiency measures (26%). The percentage indicates the expected quantified contribution of each lever. Covivio set a new objective with 75% of development projects aiming at the BBCA label (low carbon construction) in France and 50% in Germany and Italy.
- Covivio is developing two tools to track their actual performance compared to their expected Carbon trajectory. The first tool measures the impact of the chosen construction and techniques on the carbon footprint of a development during the project's upstream phase (important for emissions related to construction and refurbishment). The second tool measures the financial and carbon impact of the energy efficiency improvements made to the portfolio.
- The Issuer aims to improve how the carbon footprint of their operations is measured by detailing specifications for Life Cycle Analysis specifications (LCA). The CSTB has been commissioned to produce these specifications. The goal is that these specifications will also foster a low-carbon construction approach within Covivio.

There also practices already in place but will continue to benefit Scope 3 reduction target. The Issuer has had a responsible purchasing policy in place since 2011. This policy encourages and rewards suppliers whose processes benefit the assets' environmental performance<sup>54</sup>. In conjunction with all these measures, the Issuer is committed to continuously developing its low-carbon construction and management expertise to support achieving its decarbonization goals. To do so, they engage in associations / alliances such as HQE – GBC, BBCA, and SEKOYA.

Additionally, the Issuer discloses the following factors that could pose a risk to achieving the SPTs:

- Macroeconomic risk driven by the transition to low carbon economy may include increased regulation and legislation, which may cause changes in market conditions
- Like many other production-based organizations, there may be lack of feasible technologies in the short- to mid-term for replacing fossil fuels
- Lack of government policy, guidance and/or regulatory support
- Introduction of new regulatory, outside the scope of Covivio's current expectations, inclusive of those implemented by the EU or national governments

### BEST PRACTICES

- ⇒ The SPTs demonstrate an overall advanced level of ambition.
- ⇒ The means for achieving the SPTs are disclosed as well as their respective contribution in quantitative terms to the SPTs and any other key factors beyond the Issuer's direct control that may affect the achievement of the SPTs.

<sup>54</sup> <https://www.covivio.eu/en/wp-content/uploads/sites/3/2021/01/2020-Responsible-Purchasing-Charter-2020.pdf>

## Bond Characteristics



The potential variation of the bond characteristics depending on whether the selected KPIs would reach (or not) the predefined SPTs is clearly defined in the Framework and the herewith SPO. It will also be publicly disclosed in legal documentation and marketing material, where relevant.

Covivio confirms that there will be only one trigger event, however, a Trigger event can be defined as a failure to achieve the predefined target, or the failure to have the SPT verified.

The Issuer reports that there will be one trigger event impacting the financial characteristics of the security. The occurrence of a trigger event will result in the following mechanism:

- The relevant KPIs, SPTs, step-up coupon or margin amount or premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction (e.g. Final Terms of the relevant Sustainability-linked bond). The Issuer expects the financial characteristics (e.g., the step- up coupon) to be aligned with market practice at the time.

The meaningfulness of the variation of the SLB's financial characteristics cannot be assessed due to lack of details on financial implications at the Framework level.

\*Moody's ESG Solutions considers that, as of today, there is insufficient information and market precedent to appropriately assess the potential best practices regarding the bond characteristics' variation. In this sense, the "Aligned" level is currently considered to be the highest level to be achieved by Issuer on this pillar.

Reporting

Not Aligned	Partially Aligned	Aligned	<b>Best Practices</b>
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<b>KPI 1: GREENHOUSE GAS EMISSIONS (SCOPE 1 AND 2)</b>	<b>KPI 2: GREENHOUSE GAS EMISSIONS (SCOPE 3)</b>
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Reporting Accessibility and Frequency

The Issuer has committed to disclose all relevant information made publicly available on its website<sup>55</sup> as part of its annual Universal Registration Document, and Sustainability Linked Bond Progress Report (containing information on the performance of KPIs, information enabling investors to monitor the level of ambition of the SPTs and the baseline).

The reporting will be published annually for any material changes, for the whole period that is relevant for assessing the SPTs and related trigger events.

Reporting Scope and Granularity

The intended scope and granularity of the reporting is clear and exhaustive, covering all the required and recommended elements.

The Issuer's reporting will include, at least (i) up-to-date information on the performance of the selected KPI, including the baseline where relevant, (ii) information on the level of ambition of the SPT (Issuer's strategy etc.), (iii) related impact on the bond financial and / or structural characteristics, (v) any additional relevant information enabling investors to monitor the progress of each selected KPI towards the SPTs.

Covivio's reporting may include qualitative or quantitative explanations of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI on an annual basis, illustration of sustainability impacts of the performance improvement, and re-assessments of the KPI and/or restatement of the SPT and/or updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs.

Reporting Process, Monitoring and Control

The selected KPIs Related data are covered by an internal and external verification.

Issuer's Sustainability team is responsible for the internal checks and calculations of the KPI source data, made based on the yearly energy reporting and on the calculations made with the Centre Scientifique et Technique du Bâtiment (CSTB) for the emissions related to the construction. The Issuer's environmental protocol is also included in the CO<sub>2</sub> emissions calculation which is then reviewed yearly by an external verifier in the frame of their review of the Issuer's non-financial statement.

**BEST PRACTICES**

- ⇒ All relevant information is publicly disclosed by the company in public documentation.
- ⇒ The reporting on the KPIs will be published annually until maturity of the bond and for any material change, for the whole period that is relevant for assessing the SPT and related trigger events.
- ⇒ The intended scope and granularity of the reporting is clear and exhaustive, covering all the required and recommended elements.
- ⇒ KPI data undergoes both internal and external verification.

<sup>55</sup> <https://www.covivio.eu/en/press/publication/>



Verification

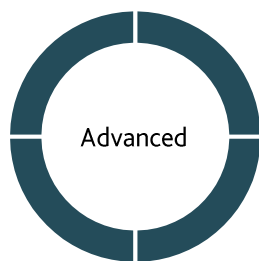


The performance of each KPI against each SPT will be covered by an external verification on an annual basis and in case of material changes impacting the SLB's financial and/or structural characteristics (such as trigger event), and until maturity of the Bond.

The verification assurance report will be publicly available on the Issuer's website.

BEST PRACTICES
⇒ Verification of the KPIs will be conducted until maturity of the Bond.

# ISSUER



Covivio manages a diversified real estate portfolio including offices, residential building and hotels. The Company's portfolio is comprised of almost 400 hotels in Europe. In 2020, Covivio acquired the company Godewind Immobilien, which holds a portfolio of ten prime office assets in major German cities. Covivio Hotels also finalized the acquisition of a portfolio of eight high-end hotels in major European cities.

## Level ESG Performance

The Issuer's ESG performance was assessed through a complete process of rating and benchmarking.

As of November 2021, Covivio displays an advanced ESG performance, ranking 1<sup>st</sup> in our Financial Services-Real Estate sector, which covers 92 companies. The company is advanced in the Environmental, Social and Governance pillars.

DOMAIN	COMMENTS	OPINION
Environmental	<p>Covivio's performance in the Environmental pillar is considered <u>advanced</u>.</p> <p>Covivio's environmental commitment covers all relevant aspects of the real estate sector, and has set targets related to carbon reduction, energy efficiency, waste and water use. Most of the Issuer's assets are also green certified.</p> <p>Covivio has implemented measures to identify the impacts of its operations on biodiversity, including environmental impact assessment. Its commitment to improve energy efficiency is supported by use of renewable sources measures and more. In addition, tenants involved in buildings' management are part of its sustainable development committee.</p> <p>The Issuer has developed a comprehensive methodology to assess environmental risks in its due diligence process for all new acquisitions and/or developments. In addition, Covivio integrates environmental considerations in the risk management process of its whole portfolio.</p>	Advanced
		Robust
		Limited
		Weak
Social	<p>Covivio's performance in the Social pillar is considered <u>advanced</u>.</p> <p>Covivio's commitment to promote local social and economic development address all of its responsibilities, including the implementation of a responsible tax strategy. Covivio reports extensive measures throughout the company to promote local socioeconomic development, such as revitalization of marginalized areas. The Issuer has also set up quantitative targets in terms of the accessibility of its services and has allocated innovative measures to promote the connectivity and safe access to its property portfolio.</p> <p>Covivio has disclosed a comprehensive commitment towards employees' health and safety, backed by extensive measures to address stress and mental health, such a training on stress for employees and managers. Concerning reorganizations, Covivio provides several measures to mitigate their negative effects, including internal mobility, re-training and outplacement services. Moreover, Covivio's commitment to promoting career management and training addresses all of its responsibilities, and employees have regular performance assessments and career counselling interviews.</p> <p>Covivio's commitment on fundamental labour rights address all its responsibilities. Covivio conducts an ongoing monitoring of labour rights risks. The Issuer has provided resources to ensure that employees receive information on trade union rights and are able to exercise them. In addition, Covivio has issued a very detailed commitment towards non-discrimination and backed by extensive measures, such as monitoring of salary disparities and career break opportunities.</p>	Advanced
		Robust
		Limited
		Weak

Governance	<p>Covivio's performance in the Governance pillar is considered <u>advanced</u>. Covivio has a formalised commitment to ensure transparency and integrity of lobbying practices which covers all relevant issues. The Director of Institutional Relation is responsible for monitoring the relationship with the lobbying firm and compensation structure. Furthermore, Covivio has set up internal and external controls to prevent corruption, including a confidential reporting system.</p> <p>While Covivio's performance is advanced, it has declined compared to previous years. Less than half of its Board members are considered independent, but at least 40% are women. Most CSR risks are discussed at the Board level. Concerning Audit and Internal Controls, all CSR risks inherent to the Issuer's business operations are covered by the Issuer. Furthermore, Covivio has put in place a whistleblowing system, which enables reporting confidentially accounting and financial violations. In addition, Covivio has presented to shareholders and investors its CSR strategy that covers all the relevant CSR issues, such as energy efficiency and climate change. Performances in terms of energy efficiency of buildings, human resources and development, and customer satisfaction are included in the variable remuneration scheme.</p>	Advanced
		Robust
		Limited
		Weak

### Management of ESG Controversies

As of today, the review conducted by Moody's ESG Solutions did not reveal any ESG controversy against Covivio over the last four years.

### Involvement in Controversial Activities

The Issuer appears to be not involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of Concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High-interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Moody's ESG Solutions.

# METHODOLOGY

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In Moody's ESG Solutions' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Moody's ESG Solutions provides an opinion on the Issuer's ESG performance as an organization, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the Issuer; then the Executive Director in charge of Methods, Innovation & Quality; and finally, Moody's ESG Solutions' Scientific Council.

## Framework

### Alignment with the Sustainability-Linked Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

*The Framework has been evaluated by Moody's ESG Solutions according to the ICMA's Sustainability-Linked Bond Principles - June 2020 ("SLBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.*

### Selection of Key Performance Indicators (KPIs)

KPI's materiality and coherence with the Issuer's overall sustainability strategy and with the Issuer sector's main sustainability challenges. KPI's measurability and clarity, internal and external control over the KPI's data, exhaustiveness of the KPI's coverage.

### Calibration of Sustainability Performance Targets (SPTs)

Coherence of the SPTs with the overall sustainability strategy, ambition of the SPTs (compared the Issuer's own performance, sector peers and relevant international standards), trigger events' disclosure, disclosure and credibility of the means for achievement (including scope and geographical coverage of the means).

### Bond Characteristics

Disclosure of the bond characteristics' variation, the meaningfulness of these variations.

### Reporting

Reporting process formalization and verification, data's accessibility.

### Verification

Verification of the performance against the SPTs and disclosure of the assurance reports.

## Issuer

### Issuer's ESG Performance

Scale of assessment of ESG Performance: Weak, Limited, Robust, Advanced

NB: The Issuer's level of ESG performance (i.e., commitments, processes, results of the Issuer related to ESG issues), has been assessed through a complete process of rating and benchmarking developed by us. The Issuers' ESG performance has been assessed by us on the basis of its:

- Leadership: relevance of the commitments (content, visibility and ownership).
- Implementation: coherence of the implementation (process, means, control/reporting).
- Results: indicators, stakeholders' feedbacks and controversies.

### Management of Stakeholder-Related ESG Controversies

Moody's ESG Solutions defines a controversy as public information or contradictory opinions from reliable<sup>56</sup> sources that incriminate or make allegations against an Issuer regarding how it handles ESG issues as defined in our ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

Moody's ESG Solutions reviewed the information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

Moody's ESG Solutions provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the Issuer, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the Issuer (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the Issuer for all cases faced (scale: Proactive, Remediate, Reactive, Non-Communicative).

The impact of a controversy on an Issuer's reputation reduces with time, depending on the severity of the event and the Issuer's responsiveness to this event. Conventionally, our controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

### Involvement in Controversial Activities

17 controversial activities have been analysed following 30 parameters to screen the Issuer's involvement in any of them. The Issuer's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the Issuer.

<sup>56</sup> 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. Moody's ESG Solutions draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

Moody's ESG Solutions' Assessment Scales

Scale of assessment of the Issuer's KPI(s) materiality and the associated SPT(s) ambition.	
Advanced	The selected KPI(s) reflects the most material issues for the Issuer's core sustainability and business strategy and address the most relevant environmental, social and/or governance challenges of the industry sector.
	An advanced ambition is achieved when the SPT(s) can demonstrate the following: (i) alignment with the 2D scenario/recognized sector standards (when available) (ii) a top performance in comparison to sector peers, and (iii) an improvement of the company's performance.
Robust	The selected KPI(s) reflects material issues for the Issuer's core sustainability and business strategy and address relevant environmental, social and/or governance challenges of the industry sector.
	A robust ambition is achieved when the SPT(s) can demonstrate at least two out of three of the following items: (i) alignment with the 2D scenario/recognized sector standards (ii) a performance in line with the average performance of sector peers, and (iii) an improvement of the company's performance.
Limited	The selected KPI(s) does not appropriately reflect material issues for the Issuer's core sustainability and business strategy and partially address relevant environmental, social and/or governance challenges of the industry sector.
	A limited ambition is achieved when the SPT(s) can demonstrate only one out of three of the following: (i) alignment with the 2D scenario/recognized sector standards (ii) a performance in line with the average performance of sector peers, and (iii) an improvement of the company's performance.
Weak	The selected KPI(s) does not reflect material issues for the Issuer's core sustainability and business strategy and do not address relevant environmental, social and/or governance challenges of the industry sector.
	A weak ambition is achieved when the SPT(s) (i) is not aligned the 2D scenario/recognized sector standards (ii) is below the average performance of its sector peers, and (iii) shows a negative trend in the company's performance.

Scale of assessment of financial instrument's alignment with Sustainability-Linked Bond and Loan Principles	
Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles by adopting recommended and best practices.
Aligned	The Instrument has adopted all the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles.
Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles, but not all of them.
Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Sustainability-Linked Bond Principles and/or of the LMA/APLMA/LSTA's Sustainability-Linked Loan Principles.

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