



ESG in practice: PRODEA's case study

PRODEA
INVESTMENTS

The term “ESG” encompasses the wide set of environmental, social and corporate governance considerations that can impact a company’s ability to generate value. In a corporate context, it is used to refer to the incorporation of non-financial considerations into business strategy and decision-making. While ESG factors are oftentimes called non-financial, they are linked to business competitiveness and the way in which a company manages them has financial consequences.

Environment

Environmental issues and anything that has to do with the preservation and protection of the earth, the air, the water and the overall ecosystems

Examples:

- *Climate change*
- *Greenhouse gas emissions*
- *Exhaustion of resources*
- *Pollution and waste*

Society

Issues relating to society, human rights and the well being of the communities where the company operates

Examples:

- *Employment practices*
- *Health & safety*
- *Diversity & Inclusiveness in the workplace*

Governance

Issues relating to the decision making process, management practices, the structure of corporate governance

Examples:

- *Structure, size and diversity of the BoD*
- *Policies in place to prevent bribery & corruption*
- *Management remuneration*
- *Control points & risk management system*

Is Corporate Social Responsibility different to ESG?

ESG and CSR are both concerned with a company's impact on society and the environment, but they are not the same thing.

CSR is a company's **internal commitment to strong corporate values** and represents its business model to realize these values. CSR helps a company be socially accountable—to itself, its stakeholders, and the public. A company that engages in CSR operates in a way that enhances society.

ESG is a **broad rating** of a company's commitment to sustainability and other values, it represents **metrics, criteria and reporting** that investors use to assess a company and determine if it is worth investing in.

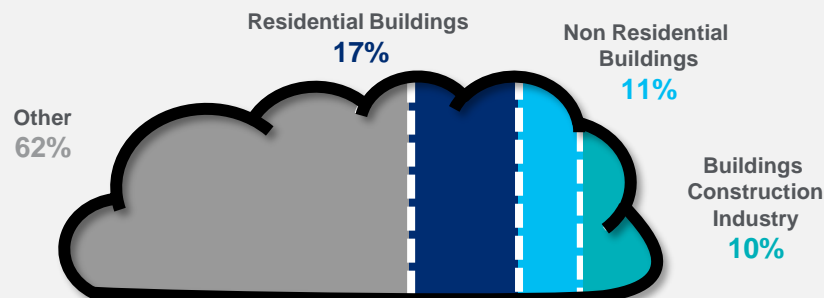
CSR is a **broader concept**, **ESG** has to do with **practical metrics**.

Good CSR initiatives might help drive high ESG ratings.

Real Estate Sustainability is Ripe for Change

The Environmental and Policy Background

Buildings account for ~40% of global CO2 emissions (2019) ...



... leading to phenomenal efforts needed from real estate companies to meet the 2050 EU warming threshold targets ...

78% reduction ↓ To meet the 2.0 degree Celsius target

91% reduction ↓ To meet the 1.5 degree Celsius target

... which in turn requires market participants to source capital to fund this endeavour

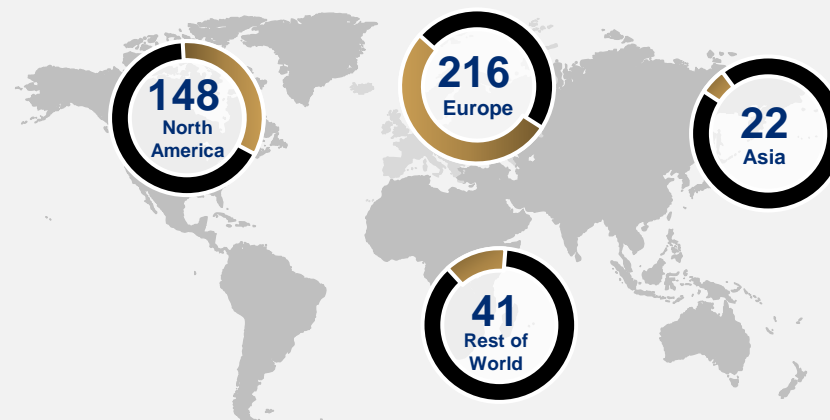
c.€180bn
per annum

Required Capex needed in Real Estate in the EU to achieve the climate target

The Institutional Push

EU Investors are Ahead of the Curve in ESG Requirements

Real Estate Fund Manager Signatories to ESG/Impact Investing Frameworks by Region

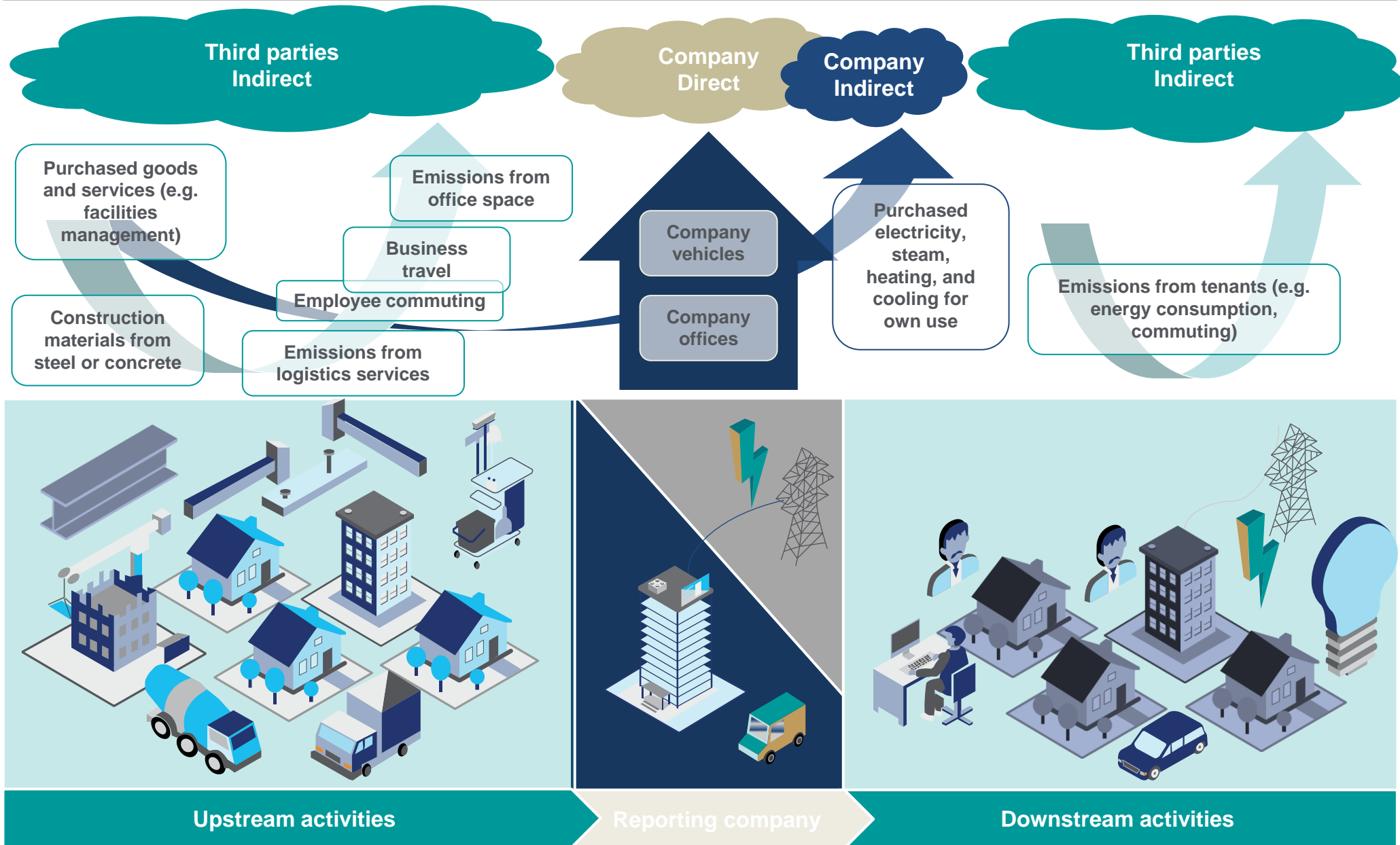


Demand for Sustainable Business Practices has Grown Significantly in Recent Years

Real Estate Fund Manager Signatories to ESG/Impact Investing Frameworks by Year Signed



Third party indirect emissions comprise 85% of emissions in Commercial Real Estate



ESG adoption is increasing

ESG adoption is increasing (% implementing ESG)



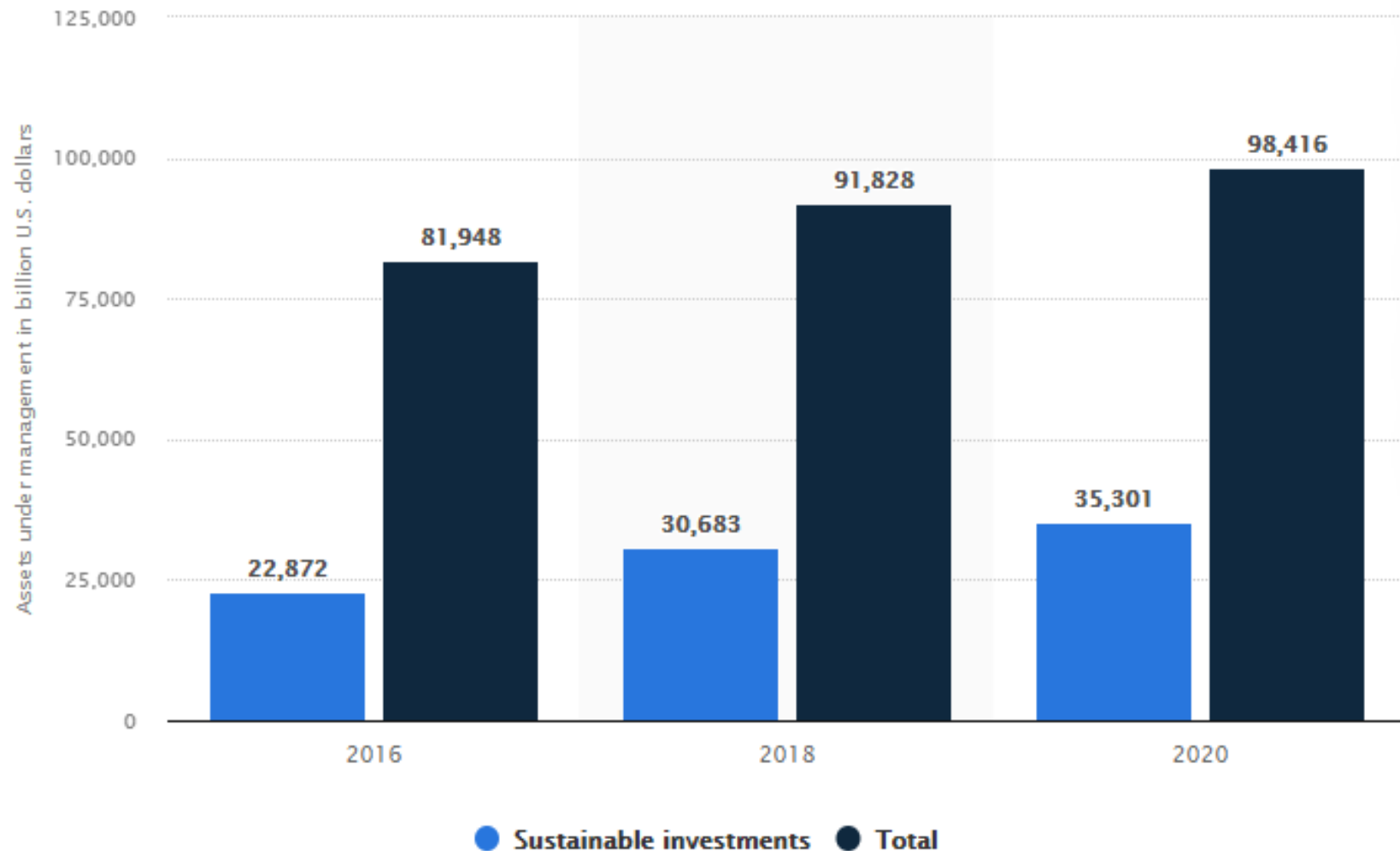
Sources: Natixis Investment Managers 2019², 2020⁷ and 2021³ Global Institutional Investor Outlooks

Why institutional investors say they are implementing ESG



Source: Natixis Investment Managers 2021 Institutional Outlook³

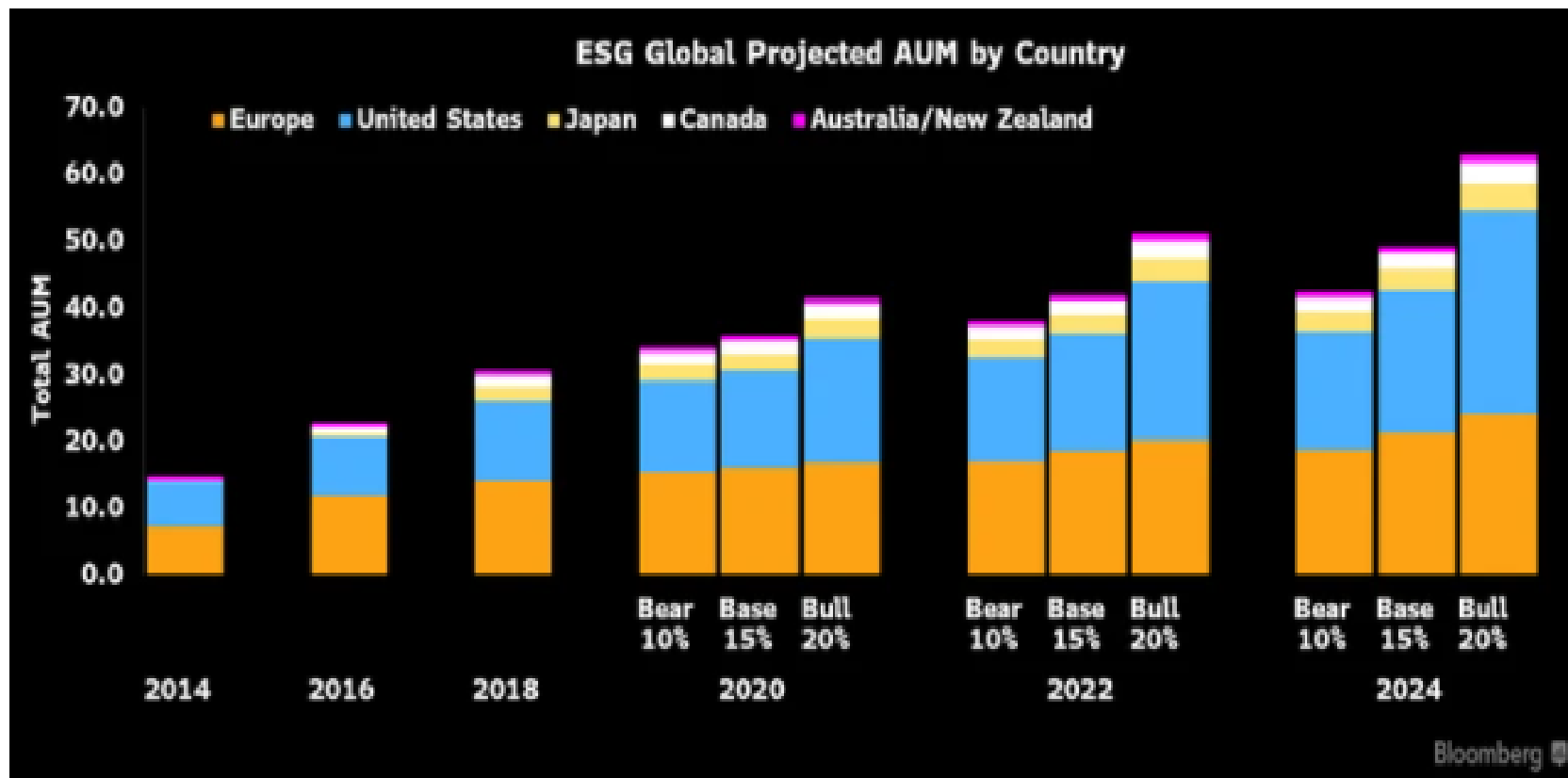
Value of sustainable assets under management (AUM) and total assets under management worldwide from 2016 to 2020



Source: Statista, 2021

ESG assets may hit \$53 trillion by 2024

ESG projected global AUM

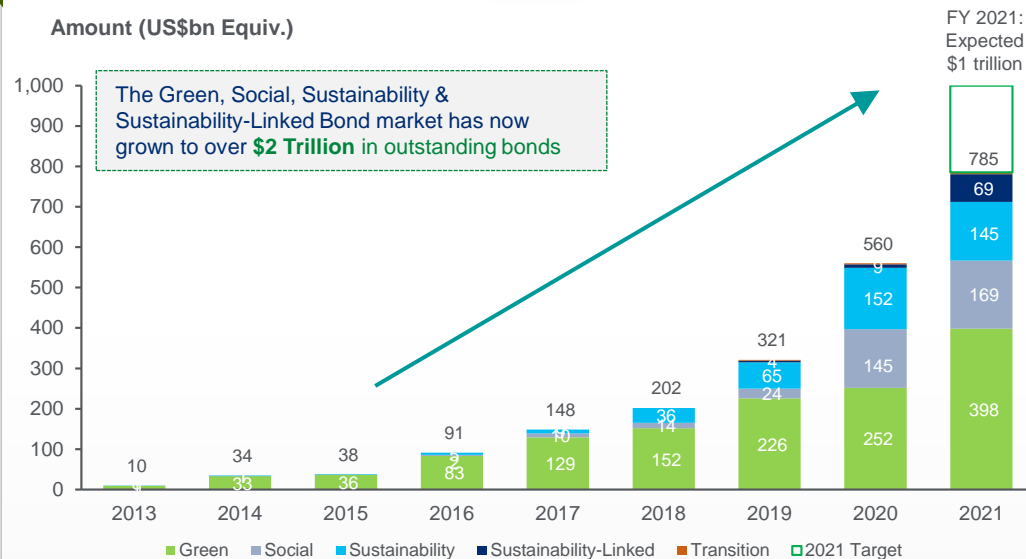


Source: GSIA, Bloomberg Intelligence, 2021

Sustainable Bond Markets Continue to Grow Exponentially

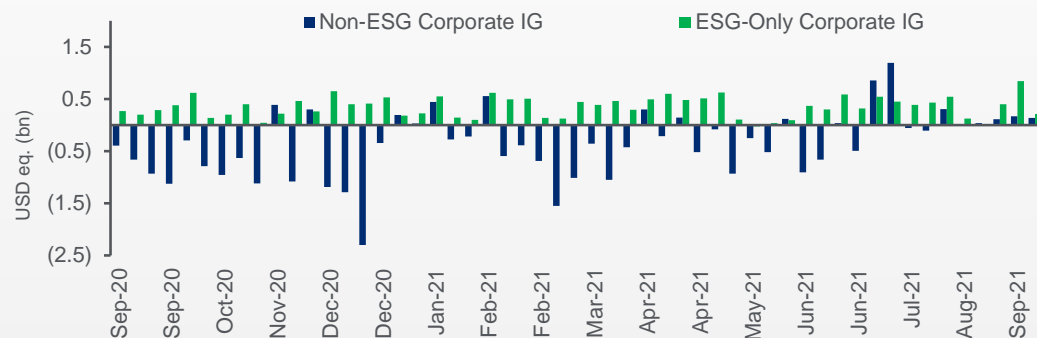
The Green, Social, Sustainability and Sustainability-Linked bond market continues to develop with record issuance. In mid-2021, volumes already surpassed the record-breaking 2020 total, bringing the market to over \$2 trillion in outstanding bonds.

Sustainable Bond Issuance Volumes



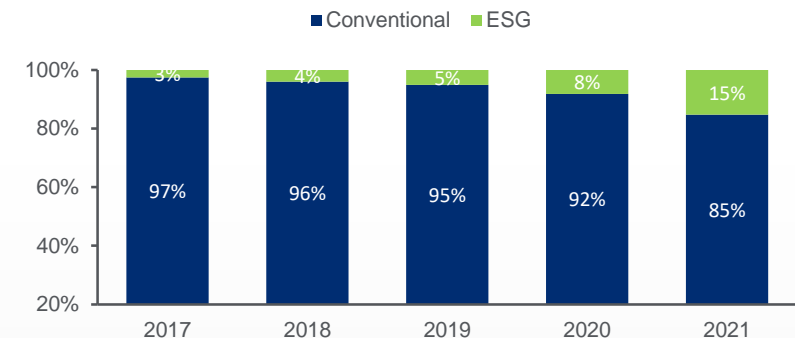
ESG Fund Flows are Consistently Positive

Corporates IG Non-ESG vs ESG-Only Fund Flows, USD eq. (bn)

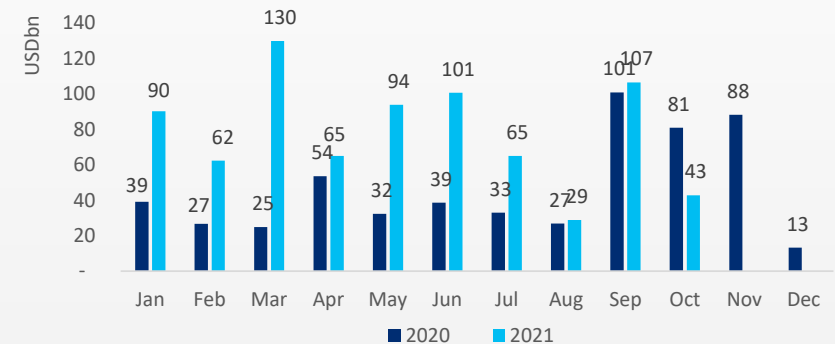


Market Highlights

- Sustainable bonds make up **15%** of this year's international syndicated bond issuance (EUR & USD issuance, all issuer types)

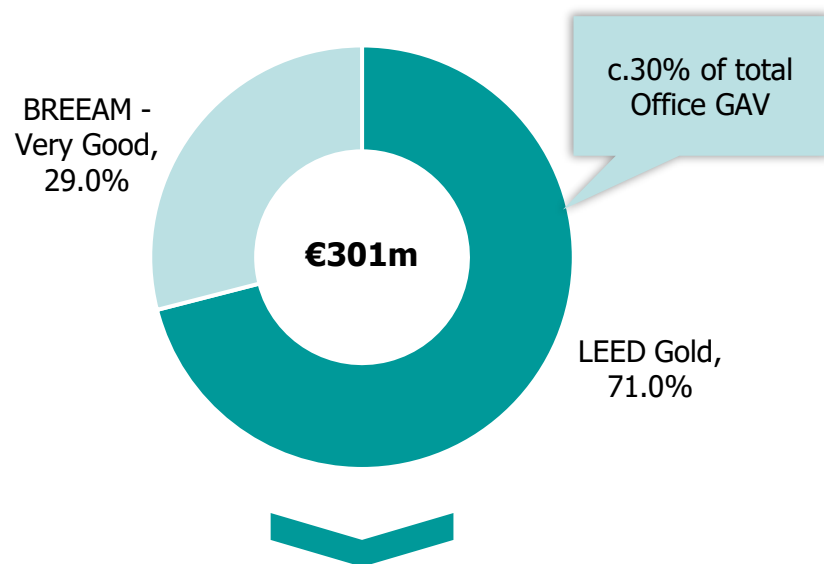


- In 2021 YTD, issuance of sustainable bonds stands at **\$785bn equiv. vs. \$412bn this time last year (+91%)**

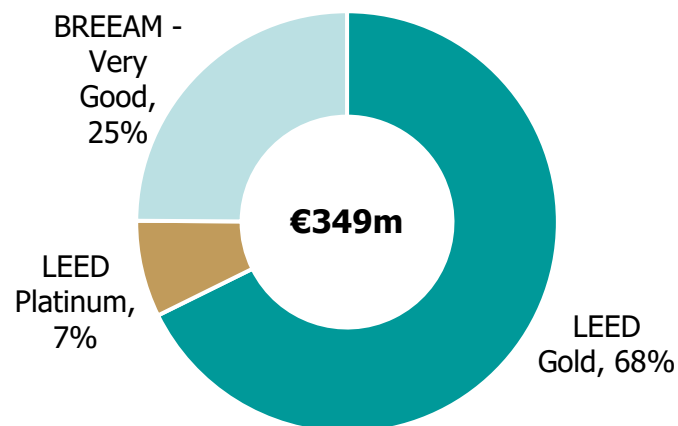


Significant amount invested in “green” buildings

Green Portfolio



incl. assets to be completed by end 2021



Current Certified Green Assets



- ✓ **Asset name:** Karela Office Park
- ✓ **Asset Class:** Office
- ✓ **Certification:** LEED Gold
- ✓ **GAV:** €130m



- ✓ **Asset name:** Sofia City Tower
- ✓ **Asset Class:** Office
- ✓ **Certification:** BREEAM - Very Good
- ✓ **GAV:** €87mn



- ✓ **Asset name:** NBG IT Center, Gerakas
- ✓ **Asset Class:** Office
- ✓ **Certification:** LEED Gold
- ✓ **GAV:** €75m

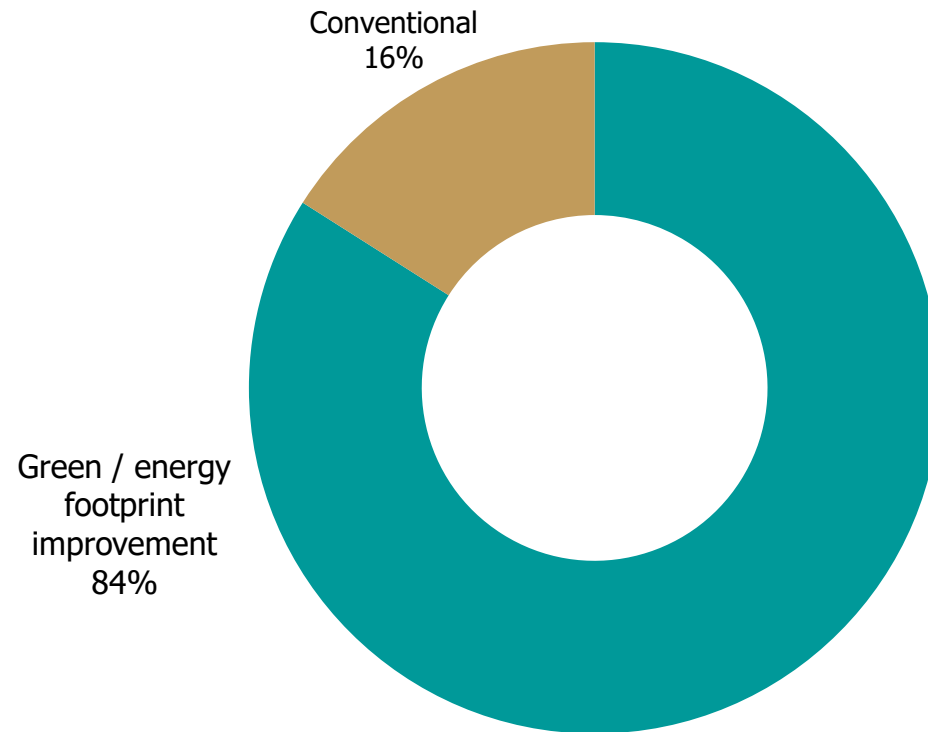


- ✓ **Asset name:** Prodea HQ, Athens
- ✓ **Asset Class:** Office
- ✓ **Certification:** LEED Gold
- ✓ **GAV:** €9m

Source: Company information.

Note: Unless stated otherwise, all data refers to the period ended 30 June 2021

80%+ of identified ca €400m pipeline represents green projects



- ✓ **Green buildings are not readily available in the market (c.2 years period until maturity)**
- ✓ **Over 52% of the pipeline will be financed through the ATHEX listed bond**

Selected Upcoming Green Assets



- ✓ **Asset Name:** eLement, Marousi
- ✓ **Asset Class:** Office (13,900 sqm)
- ✓ **Expected Certification:** LEED Platinum
- ✓ **Expected Completion:** Q4 2021



- ✓ **Asset Name:** Piraeus Tower, Piraeus
- ✓ **Asset Class:** Mixed Use (33,300sqm)
- ✓ **Expected Certification:** LEED & Well Gold
- ✓ **Expected Completion:** Q3 2023
- ✓ **SH Structure:** 30% Prodea / 70% Dimand

2021

2022

2023



- ✓ **Asset Name:** Moxy Hotel, Omonoia Sq.
- ✓ **Asset Class:** Hotel (200 rooms)
- ✓ **Expected Certification:** LEED Gold
- ✓ **Expected Completion:** Q1 2022
- ✓ **SH Structure:** 35% Prodea / 65% Dimand



- ✓ **Asset Name:** IMPORTEX, Syggrou Ave.
- ✓ **Asset Class:** Office (30,631 sqm)
- ✓ **Expected Certification:** LEED Gold
- ✓ **Expected Completion:** Q2 2022



- ✓ **Asset Name:** The Wave, Syggrou Ave. 44
- ✓ **Asset Class:** Office (5,460 sqm)
- ✓ **Expected Certification:** LEED Gold
- ✓ **Expected Completion:** Q4 2022

Note: Unless stated otherwise, all data refer to the period ended 30 June 2021

Selected Upcoming Green Assets



- ✓ **Asset Name:** Funnel, Marousi
- ✓ **Asset Class:** Office (7,981 sqm)
- ✓ **Expected Certification:** LEED Gold
- ✓ **Expected Completion:** Q2 2022
- ✓ **SH Structure:** 35% Prodea / 65% Dimand

2022

2023



- ✓ **Asset Name:** Hub 26, Thessaloniki
- ✓ **Asset Class:** Office (21,200 sqm)
- ✓ **Expected Certification:** LEED Gold
- ✓ **Expected Completion:** Q1 2023
- ✓ **SH Structure:** 35% Prodea / 65% Dimand

Green bond issuance: the first green bond in real estate in Greece

Issue Amount	300mn
Maturity/Coupon Type	7 years, subject to the Issuer's call option / Semi-annual
Fixed Interest Rate	2.3%
Listing Exchange	Athens Stock Exchange – Regulated Market
Credit Rating	A (ICAP)

Use of proceeds

Refinancing of existing loan

Total repayment of the 20.02.2018 bond loan used to finance the acquisition of the Karela building, the first building in Greece certified by LEED

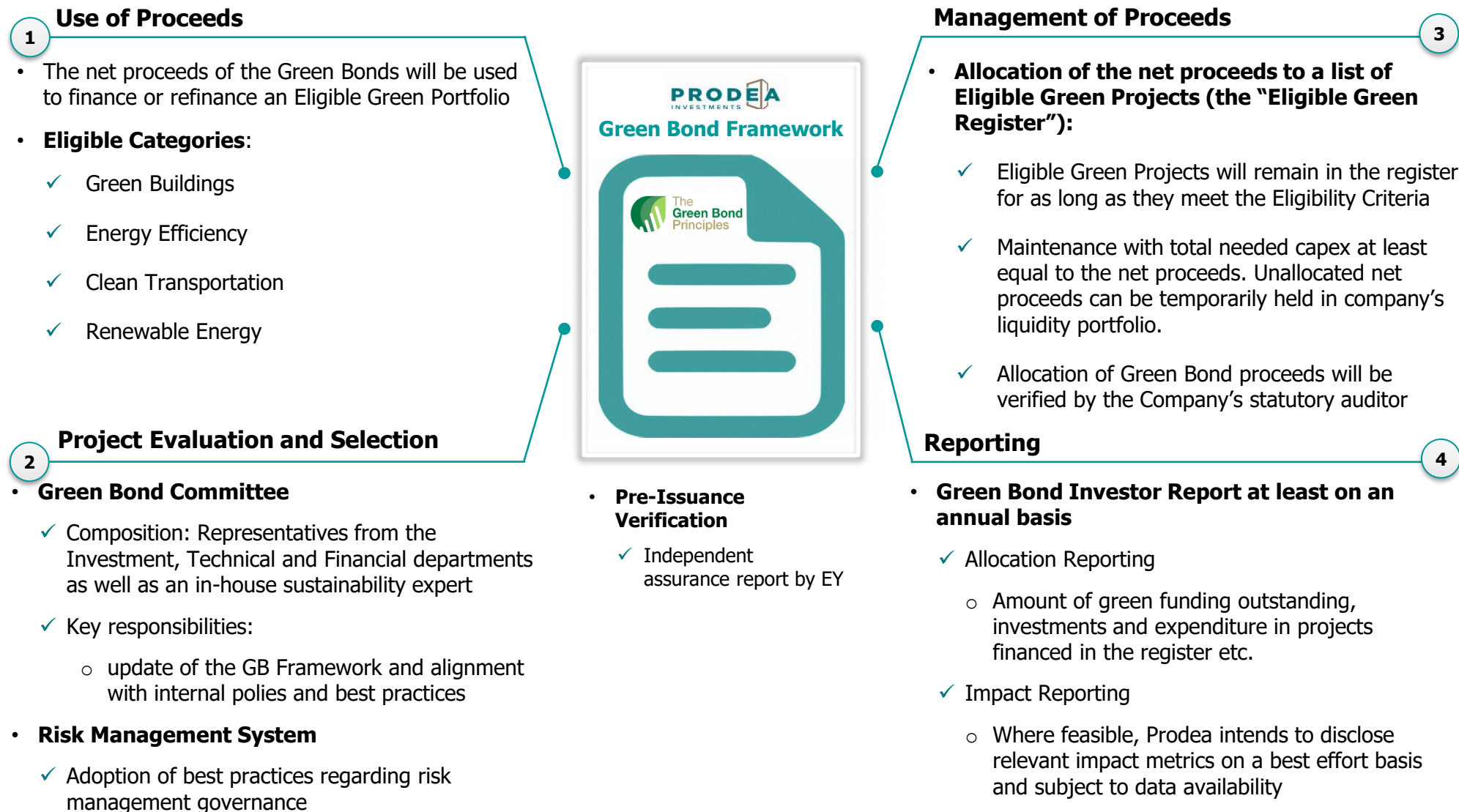
Financing of Green Investments including debt repayment related to such Green Investments that are outstanding at the time of their completion

Green Investments include:

Any investment of the Company and/or the Group related to the acquisition, management and operation of real estate properties and/or participations (according to art. 22 of law 2278/1999 as in force), concluded within the Green Bond Framework.

Green Bond Framework Overview

By adopting the ICMA GBP, Prodea adopts best practices for internal control, monitoring, verification and reporting and also assures that the financed projects will contribute towards the achievement of the Paris Climate Agreement goals



Solid corporate governance - Top-tier seasoned, inclusive management team

Prodea has been implementing policies that contribute to an effective Corporate Governance structure, cultivating a corporate culture of integrity, diversity and inclusiveness, leading to a sustainable business

BoD

- Elected on 08.06.2021
- Compliant with L.4706
- 2 female Members
- 4 Executive - 6 non-executive (out of which 3 independent)

Diversity & Inclusiveness

- BoD has included female members since establishment
- 50% of senior executives are female, including CFO/COO, D. CFO and General Counsel
- Key positions such as Head of Property Management, Head of Accounting, Compliance Officer & Internal Auditor are held by women
- 41% of total personnel are women
- However real estate remains a male dominated sector and we are striving to identify experienced female officers in areas such as investment and commercial departments

Investment Committee

- 5 Members
- 4 BoD Members – 1 external member

Audit Committee

- 4 BoD Members
- 3 Independent – 1 Non-Independent

Green Bond Committee

- 5 Members
- CFO /COO & CIO, Sustainability expert, Deputy CFO, Head of Technical division

Human Resources and Remuneration Committee

- 4 BoD Members
- 3 Independent – 1 Non-Independent

Procurement Committee

- 3 BoD Members
- 2 Independent – 1 Non-Independent

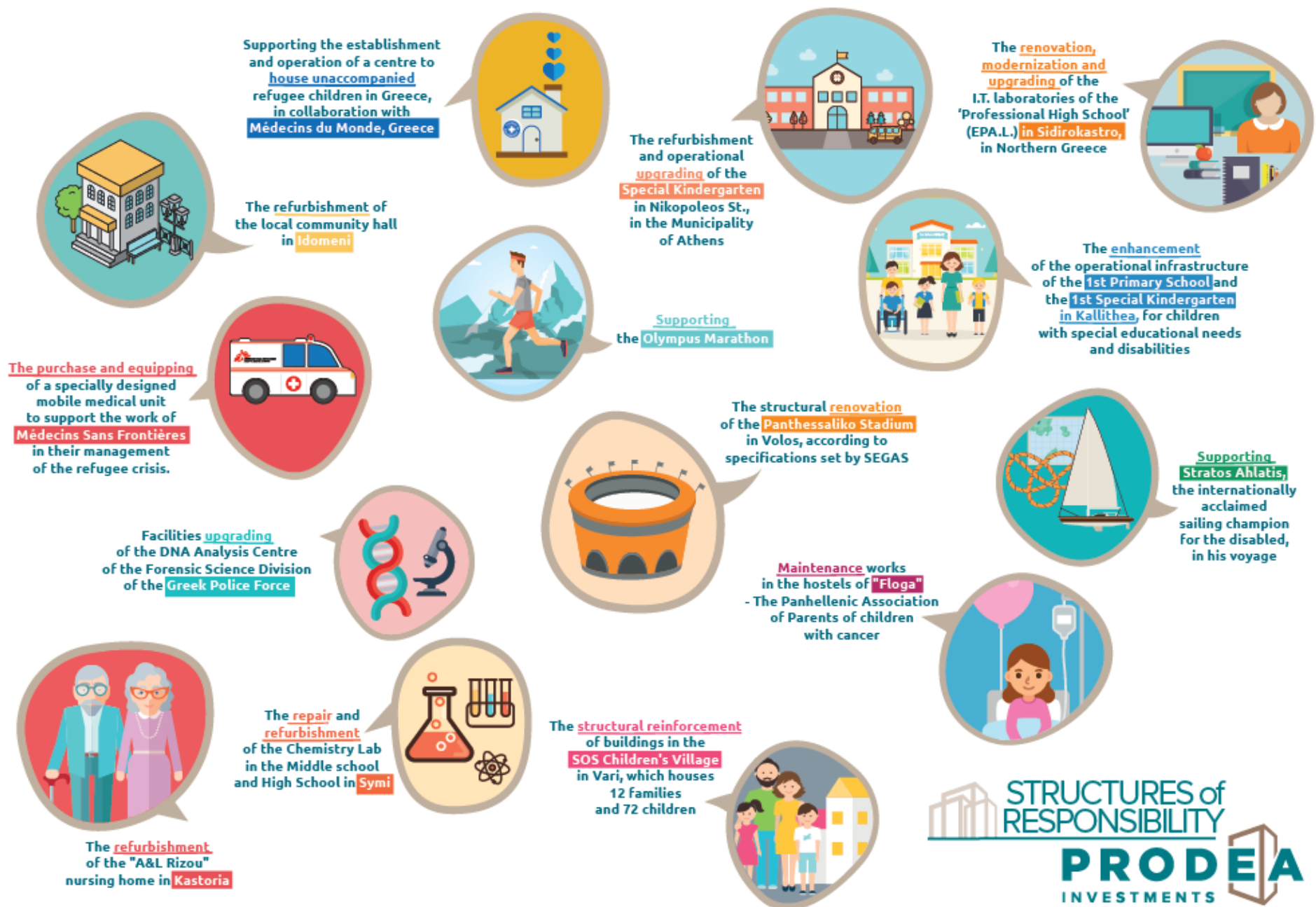
Other Supervisory & Compliance Functions

- Internal Audit
- Compliance Officer

- **ESG project in progress in order to identify areas of improvement, enhance policies according to best practices and procure necessary metrics and reporting**
- **Requires dedication, commitment of time & resources across the company, collaboration with special advisors and tenants**
- **Data not always readily available**

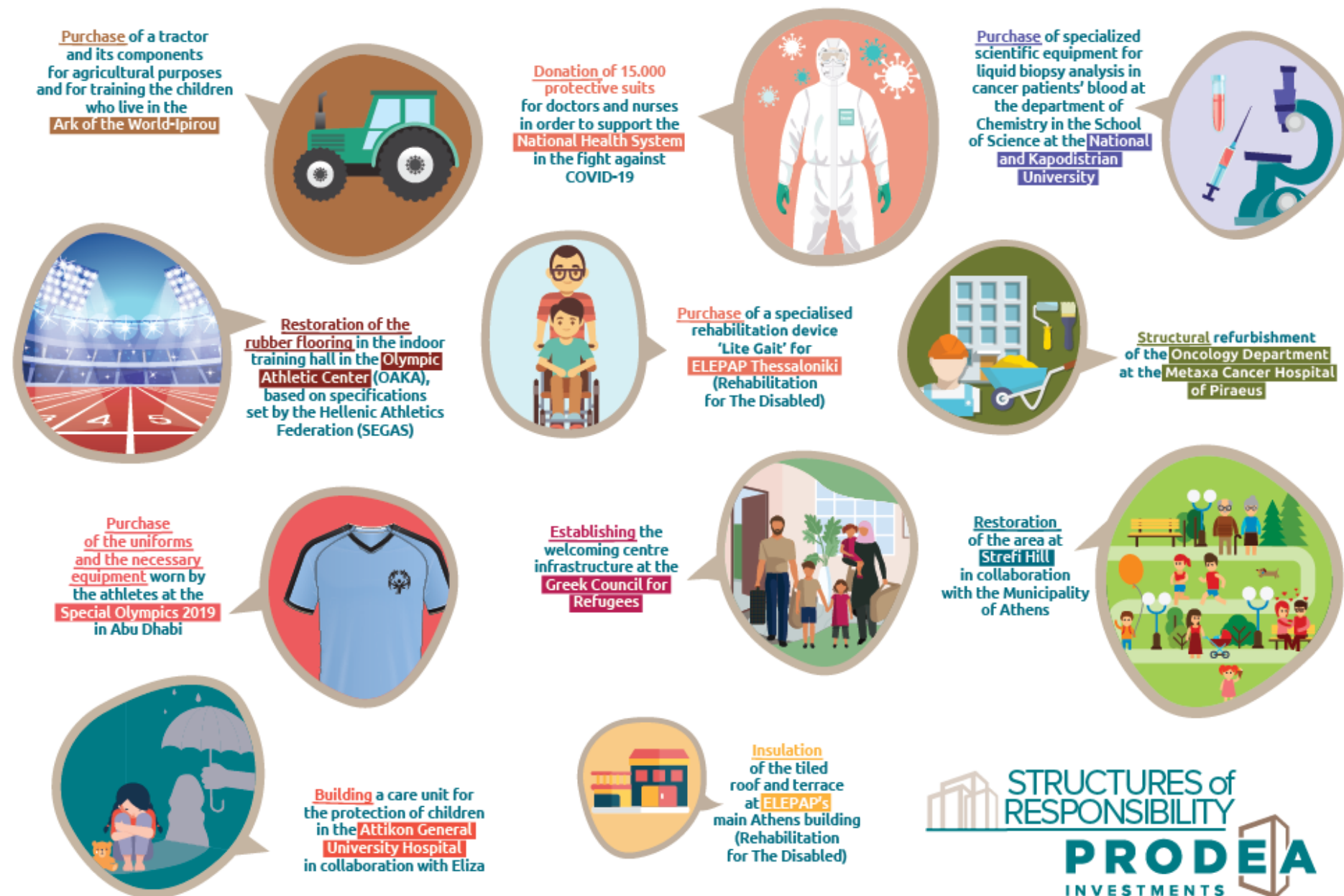
Corporate Social Responsibility: "Structures of Responsibility"

a continuously evolving plan of social actions and interventions



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1

ESG not just about “green buildings” but a quantitative universe of a company’s social responsibility

2

CSR & ESG no more “nice to have” but “a must have” for Greek companies aiming to attract investors and tap the money markets

3

Real estate by default an ideal sector for ESG adoption

4

ESG requires commitment, resources, time and cost



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