



# GREEN FINANCING FRAMEWORK

DECEMBER 2021



## A. Introduction

### 1. P3 Logistic Parks overview

P3 Logistics Parks (“P3”, the “Company”) is a Top 5 investor and developer of European industrial and logistics properties with more than 6.6 million m<sup>2</sup> of assets under management as of June 2021, and a land bank of 1.2 million m<sup>2</sup> for further development. P3 currently has commercial activities in 11 European countries (Germany, Poland, Slovakia, Italy, Czech Republic, Netherlands, Spain, France, Belgium, Austria and Romania) and has been investing and developing assets in the region for two decades. Headquartered in Luxembourg, P3 employs more than 200 people across 10 offices in key European cities, offering integrated investment, development, asset and property management services.

In 2017, P3 was acquired by GIC, the Sovereign Wealth Fund of the Government of Singapore. P3 operated a portfolio with a gross asset value of (GAV) of approximately €6.7bn as at June 2021 (with updated GAV of €7.4bn at year end 2021)

P3’s ability to deliver on customer promises is seen in high tenant retention and sector-leading customer satisfaction as evidenced by the consistently high occupancy rate across the portfolio. Our ability to deliver on development and investment promises has positioned us as a trusted partner for companies like Amazon, DHL, and Metro Group.

### 2. P3’s activities

- 2.1. We own: As a long-term owner of warehouse properties in Europe, we provide our customers with more than just space - we provide a home for their businesses where they can grow and consistently add value. Our network of parks forms part of a pan-European ecosystem that connects vast numbers of businesses.
- 2.2. We develop: We focus on providing high quality industrial and logistics real estate for our customers exactly where they need to be. P3 has a large existing land bank across Europe enabling us to quickly address the needs of our customers. Our development teams work together with customers to design and construct high quality, sustainable warehouse space.
- 2.3. We invest: At P3, we invest in strategically located logistics, retail logistics and industrial real estate. Our team of investment and acquisitions specialists continually source new opportunities to create long-term, additional value for our shareholder. We work with our customers on upgrades and tenant improvements, seeking to create both direct and indirect economic value for our shareholder and the communities where we operate.
- 2.4. We manage: Because P3 is a long-term owner and manager of our properties, we’re committed to help customers optimise costs while ensuring that the facilities are energy efficient, prepared for the future, and environmentally conscious. We assess customer satisfaction annually and seek to deliver a high-class occupancy experience.



## B. ESG Strategy

### 3. Approach to ESG

P3 acknowledges that society is more exposed than ever to environmental, social, and economic challenges. But we are also convinced that sustainable performance is the key to transforming these challenges into opportunities. Our ESG strategy is aligned with our purpose of creating space for companies and communities to create value, thrive and grow:

#### 3.1. Environmental considerations

##### **Seeking Sustainable Performance for our buildings and business.**

P3 acknowledges that the world faces a climate emergency and is committed to seeking ways to actively reduce our climate impact and energy consumption whilst enabling businesses and the economy to grow sustainably. We will seek and implement measures to be in line with globally recognized carbon neutral targets. We are in the process of establishing our Scope 1, 2 and 3 Greenhouse Gas (“GHG”) emissions reduction benchmarks and targets.

#### 3.2. Social considerations

##### **Nurture talent, foster a culture of development and contribute to a more resilient society.**

The future of P3’s business rests with its people. We believe our business will be sustainable if we create a culture that’s attracting, developing and retaining the right talents. P3 is conscious of the role we play in increasing society’s long-term resilience, and we seek to invest in and improve the communities where we operate. By 2022, 100% of employees will receive ethical business training annually. By 2023 new developments will include a social investment plan, as appropriate, to ensure that we are considering the needs of the communities where our assets are located.

#### 3.3. Good Governance

##### **Maintain investment-grade corporate governance practices, procedures and business ethics.**

P3 recognizes the need to operate a business to the highest governance standards, procedures and business ethics. This governance approach extends to the way we measure ourselves in relation sustainable business practices and is contained in a series of policies and procedures which guide how we address ESG needs of our stakeholders. The way in which we conduct and realize business is in line with the highest standards of corporate governance and business ethics. P3’s Governance Charter will be published in 2022.



## 4. **ESG targets**

Acting responsibly is vital to the long-term success of our business and will benefit our customers and employees as well as the wider communities impacted by our activities. We have established a strategic approach to ESG based on guiding principles setting out the framework for what we want to achieve over the longer-term. Our approach is aligned with the UN Sustainable Development Goals (“UN SDGs”) where we can achieve the most positive impacts over the longer-term.

Our goal is to reduce carbon emissions in line with globally recognized carbon neutral targets. Concrete projects in this regard include:

### 4.1. **Green Buildings**

We are in the process of establishing BREEAM (Building Research Establishment Environmental Assessment Method) certifications across our entire portfolio. By full year 2022, 75% of our portfolio will have been certified, targeting minimum BREEAM Very Good or equivalent. Where applicable, we will invest CAPEX into upgrading and retrofitting standing assets to meet our target certification level. As of the publish date of this Green Financing Framework, 23% of our assets were certified BREEAM Very Good or equivalent. All new developments are targeting BREEAM Very Good (or equivalent) or higher. P3 will maintain a high level of sustainable certifications across portfolio and seek to actively manage potential carbon stranding risk.

### 4.2. **Renewable Energy**

We continue to explore opportunities to increase the solar footprint on our portfolio. This will allow a gradual increase in the generation of renewable energy for use within our buildings or for feeding back into the grid. P3 currently has 23MW of roof solar capacity installed across our portfolio; we are targeting 50MW by 2026.

### 4.3. **Energy efficiency**

We will continue to upgrade standing assets with energy efficiency measures, such as LED. Currently, approximately 55% of our portfolio is equipped with high-efficiency LED lighting, and this comes as standard with all new developments. We aim to have at least 90% of our assets fitted with LED lightning by 2030.

## C. Green Financing Framework

### 5. Rationale for the establishment of the Green Financing Framework

P3 is convinced that green financing instruments are an effective tool to support its efforts towards its sustainability objectives and reinforce its commitment to contribute to the achievement of globally recognized carbon neutral targets. By establishing the present Green Financing Framework (the “Framework”), P3 intends to align its funding strategy with its ESG objectives.

P3 and its financing subsidiaries (together, “P3”) may issue green bonds, loans, or any other financing instruments (collectively the “Green Financing Instruments”, “GFI”) in line with this Framework. P3 intends to allocate an amount equal to the net proceeds of any Green Financing Instrument to a portfolio of eligible green projects (the “Eligible Green Projects”, “EGP”) defined, selected, tracked and reported on in accordance with this Framework.

P3 may establish or utilise other entities for financing in the future, and the relevant fundraisings and instruments may be designated by P3 to be included in this Framework if meeting the relevant criteria.

### 6. Green Bond Principles

The Framework follows the International Capital Market Association Green Bond Principles (“GBP”) 2021<sup>1</sup> and the Loan Market Association Green Loan Principles (“GLP”) 2021<sup>2</sup>. P3 intends to follow best market practice and will communicate in a transparent manner on:

- Use of proceeds
- Process for project evaluation and selection
- Management of proceeds
- Reporting
- External verification

Each of P3’s eligible categories have been aligned with the relevant UN Sustainable Development Goals and EU environmental objectives. The Framework also takes into consideration, where possible, the EU Taxonomy Regulation<sup>3</sup> (the “EU Taxonomy”) and the EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation<sup>4</sup> adopted in June 2021.

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<sup>1</sup> International Capital Market Association, Green Bond Principles, June 2021, <https://www.icmagroup.org/sustainable-finance/theprinciples-guidelines-and-handbooks/green-bondprinciples-gbp/>

<sup>2</sup> Loan Market Association, Green Loan Principles, February 2021: <https://www.lsta.org/content/green-loan-principles/>

<sup>3</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

<sup>4</sup> EU Taxonomy Delegated Act on Climate Change Mitigation and Adaptation published in April 2021 and adopted in June 2021: [https://ec.europa.eu/info/publications/210421-sustainable-finance-communication\\_en](https://ec.europa.eu/info/publications/210421-sustainable-finance-communication_en)

## 6.1. Use of Proceeds

An amount equal to the net proceeds from the issuance of each Green Financing Instrument will be used to finance or refinance, in whole or in part, new or existing Eligible Green Projects that meet the Eligibility Criteria defined below:

GBP Eligible Categories	Eligibility Criteria and Example Projects	UN SDGs	EU Environmental Objectives
<b>Green Buildings</b>	<p>Acquisition, construction, development of new and existing properties that meet recognised standards, such as:</p> <ul style="list-style-type: none"> <li>• BREEAM certification of at least Very Good</li> <li>• DGNB certification of at least Gold</li> <li>• Any other equivalent or higher level of certification</li> </ul>	<p>9. Industry, innovation and infrastructure</p> <p>11. Sustainable Cities and Communities</p> <p>13. Climate action</p>	Climate Change Mitigation
<b>Renewable Energy</b>	<p>Investments and/or expenditures on acquisition, development, construction, and/or installation of renewable energy production and storage units to generate on-site renewable energy, including (but not limited to):</p> <ul style="list-style-type: none"> <li>• On-site solar systems</li> <li>• Battery storage</li> </ul>	<p>7. Affordable and clean energy</p> <p>13. Climate action</p>	Climate Change Mitigation

GBP Eligible Categories	Eligibility Criteria and Example Projects	UN SDGs	EU Environmental Objectives
<b>Energy Efficiency</b>	<p>Investments and/or expenditures on the refurbishment, renovation or upgrade of existing buildings that result in an energy efficiency improvement of at least 20%.</p> <p>These activities contribute to the reduction of energy consumption including, but not limited to, building upgrades, equipment, systems, operational improvements, and maintenance, such as:</p> <ul style="list-style-type: none"> <li>• Investments on LED lighting</li> <li>• Improvements to thermal performance of the building fabric</li> <li>• HVAC systems powered by non-fossil fuels</li> </ul>	<p>7. Affordable and clean energy</p> <p>13. Climate action</p>	<p>Climate Change Mitigation</p>

Eligible Green Projects may include physical assets such as green buildings and renewable energy capacity, as well as capital expenditures and selected operating expenditures related to those assets.

## 6.2. Process for project evaluation and selection

P3 has established a cross-functional Green Financing Committee (the ‘Committee’) to act on behalf of the Company to oversee the project evaluation and selection process and ensure selected Green Projects align with the Eligibility Criteria defined in the Use of Proceeds section of this Framework.

The Committee is comprised of senior management and representatives from various functions, including ESG and Finance, and will meet semi-annually. The Committee is chaired by the ESG Lead within the business.

### 6.2.1. The responsibility of the Committee includes:

- Reviewing the EGP to ensure all assets and expenditures meet the Eligibility Criteria of the Framework
- Approving the annual Green Financing Reporting
- Monitoring the evolution of the green capital markets to ensure alignment with market practice
- Reviewing the Framework from time to time to ensure it remains aligned to market practice and P3’s ESG strategy

### **6.3. Management of Proceeds**

P3 will ensure that the amount of Eligible Green Projects which will collectively form the “Green Portfolio”, will always be in excess of the equivalent net proceeds from the Green Financing Instruments.

A list of EGPs is maintained by the Finance team and the Finance team is ultimately responsible for keeping this list up to date.

The net proceeds of any GFI will be managed on a portfolio basis by the Treasury function of the Manager via an internal register.

P3 intends to fully allocate the net proceeds raised by any relevant GFI as soon as reasonably practicable and no later than 24 months following issuance.

#### **6.3.1. Lookback Period**

Net proceeds will be drawn from the GFI to finance only the qualifying expenditures / investments on EGPs or to refinance expenditures / investments on EGPs which had previously been funded from other sources.

The Green Portfolio may include expenditures or assets made up to 36 months before the relevant GFI issuance.

Assets falling under the Green Building category will be recognised at their market value and shall qualify for refinancing without a specific look-back period provided that they follow the relevant eligibility criteria.

#### **6.3.2. Unallocated Proceeds**

Any unallocated proceeds from the GFI will be managed by the Company’s Finance function in ways that comply with the Company’s Finance policy.

Pending allocation to EGPs, P3 will invest the balance of unallocated proceeds at their own discretion as per their liquidity management policy, including in cash and / cash equivalents, liquid marketable liquidity instruments, and / or via the temporary repayment of debt unrelated to carbon-intensive activities under the Company’s Revolving Credit Facility (RCF).

#### **6.3.3. Disposals**

P3 may dispose of buildings that were financed by the GFI. When this occurs, P3 will on a best effort basis substitute any EGPs that are no longer eligible, or which have been disposed of, as soon as is reasonably practicable with an appropriate Eligible Green Project.

### **6.4. Reporting**



P3 will report on its website on the allocation of net proceeds to the Eligible Green Projects (the 'Green Financing Report') one year following the issuance of the applicable Green Financing Instrument.

This reporting will be updated annually until full allocation of the Green Financing Instrument, and thereafter in case of material change. P3 intends to report on the allocation of the net proceeds to the Eligible Green Projects at least at the category level and on an aggregated basis for all the P3's Green Financing Instruments for so long as such Green Financing Instruments remain outstanding.

#### **6.4.1. Allocation Reporting**

To the extent practicable, P3 will provide information such as:

- The total amount of net proceeds allocated at least at the eligible project category level
- The number of Eligible Green Projects
- The share of financing (proceeds allocated to post-issuance Eligible Green Projects) vs refinancing (proceeds allocated to pre-issuance Eligible Green Projects)
- The breakdown per type of Eligible Green Projects (e.g. asset values, capital expenditures).
- The balance of unallocated proceeds, if any

#### **6.4.2. Impact Reporting**

To the extent possible, P3 plans to report on the environmental impact in aggregate for eligible categories, together with the aforementioned proceeds allocation status in future annual Green Financing Reports. Examples of possible environmental indicators could include:

##### **6.4.3. Green Buildings**

- Number and floor space of Green Buildings meeting the eligibility criteria (m<sup>2</sup>)
- Green certification level
- Estimated annual CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>)

##### **6.4.4. Renewable Energy:**

- Total installed capacity (MW)
- Estimated annual CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>)

##### **6.4.5. Energy Efficiency**

- Expected energy savings per year (MWh)
- Estimated annual CO<sub>2</sub> emissions avoided (tCO<sub>2</sub>)

Where appropriate, case studies or project summaries may also be provided.

Where relevant, information will be provided on the impact assessment and data reporting methodologies applied by the P3. The approach to impact reporting may be updated over time to align with emerging reporting standards and methodologies.

## 7. ESG Risk Management

- 7.1. Operational Risks. P3 systematically monitors key aspects of business risk. ESG risk assessment is built into our development and investment processes, ensuring that we identify and adequately address material risks related to climate change mitigation and adaptation, environmental management practices, working and safety conditions, anti-bribery and corruption practices, and compliance with relevant laws and regulations. P3 will publish its first annual climate-related transitional risks report in 2022.
- 7.2. Ethical conduct. P3's policy is to conduct all its business honestly and ethically. P3 takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its operations, business dealings and relationships worldwide. P3 has implemented and follows clear procedures<sup>5</sup> to prevent and report bribery, corruption, money laundering and the funding of terrorism, and requires its business partners to do the same.

## 8. External Verification

### 8.1. Second Party Opinion

The Issuer has appointed Sustainalytics to provide an independent Second Party Opinion report ('SPO') on this Framework, which will be available on the P3 website on the following page: <https://www.p3parks.com/investors>.

The SPO provides investors with an independent assessment of the expected sustainability benefits of the Eligible Green Projects categories and the alignment of this Framework with the GBP and GLP.

### 8.2. Post-Issuance Verification

In addition, starting one year after issuance of any Green Financing Instrument, an independent external auditor will verify the internal tracking method and allocation of the funds annually until full allocation of the outstanding Green Financing Instruments, confirming that an amount equal to the net proceeds of the Green Financing Instruments has been allocated in compliance with of the Use of Proceeds criteria set forth in this Framework.

### 8.3. Periodic Improvement

As the green finance market continues to evolve, P3's Framework may be subsequently revised or updated to remain consistent with shifting expectations, best market practices and regulatory landscape. For any material revision of the Framework, P3 will seek to obtain a refreshed SPO.

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<sup>5</sup> <https://www.p3parks.com/compliance>

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