

2019 Green Bond Report

9 July 2020



Muggensturm DC2, Germany

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Introduction

Prologis European Logistics Fund FCP-FIS (“PELF”) is pleased to present its second Green Bond Report following the inaugural green bond report published on 15 March, 2019.

This Green Bond Report is being released in relation to the July 2019 Green Bond issuance of PELF and covers additional impact analysis for the March and November 2018 Green Bond issuances as well. PELF is sponsored and managed by Prologis, Inc. (NYSE: PLD), one of the leading global companies on the sustainability front. As part of Prologis, sustainability is in PELF’s DNA and an integral part of our forward-thinking strategy. The year 2019 was significant in advancing PELF’s sustainability objectives.

This report details the allocation of the net proceeds of the July 2019 Green Bond. Further information on CO₂ avoidance on a portfolio level is being provided for the 2019 and previous 2018 issuances. It also details PELF’s sustainability goals and provides insight into some of the Fund’s initiatives by highlighting building features via case studies. Overall, this report reflects PELF’s commitment to incorporating sustainability in our business and our intention to be leader in green real estate investing.

On 9 July 2019, the Fund issued its third Green Eurobond for €450 million (ISIN no. XS2021462440), maturing on 9 July 2029. The 2019 Green Bond was issued in accordance with [Prologis’ Green Bond Framework](#) (released in June 2018). The 2019 Green Bond has been well received, demonstrated by the high-quality order book and demand from fixed income investors with focused environmental stewardship, social responsibility and governance (ESG) allocations.

All PELF green bond issuances demonstrate Prologis’ and the Fund’s alignment with the Paris Climate Agreement and the UN’s Sustainable Development Goals (SDGs). As a result of our ongoing commitment to sustainability, the Fund participated for the ninth consecutive year in the Global Real Estate Sustainability Benchmark (GRESB). The Fund placed 3rd out of 17 peers in the GRESB European Industrial Non-Listed category and earned a Green Star (5 out of 5 stars) once again, GRESB’s highest level of achievement and a testament to the Fund’s outstanding ESG performance. With this, the Fund has now earned a top-five position for eight consecutive years.

Furthermore, in an effort to continuously improve the monitoring of our eligible green building portfolio, we have worked with Arcadis to estimate the reduction in carbon emissions as a result of our building design. European and national legislations provide the framework and benchmark for measuring these outputs across various European countries, which was used to compare and estimate the impact of PELF’s allocated eligible green buildings. The analysis and estimation continue to be a pioneering effort across the European countries in which the Fund operates, providing insight into how logistics buildings can contribute to a sustainable future.

Prologis has been named the top real estate company on the 2020 Global 100 Most Sustainable Corporations in the World List. The 2020 recognition marks Prologis’ eleventh appearance on the list. Global 100 companies represent the top 1 percent in the world on sustainability performance, and the list is widely considered to be the

world's most authoritative sustainability assessment. It is administered by Corporate Knights, a specialised media company and investment research firm that ranks publicly traded global companies on a broad scope of metrics related to ESG. The company was named sector leaders for the Americas and Asia by GRESB, and along with seven of its funds, all earned Green Stars, GRESB's highest recognition of outstanding performance in ESG. In addition, Prologis has been part of the Dow Jones Sustainability Index (DJSI) for 12 years, including being part of DJSI's top 10% when Prologis was listed on the DJSI World Index in 2019. Additionally, Prologis received NAREIT's Industrial Leader in the Light Award for sustainability for the eighth consecutive year. For more information regarding Prologis' sustainability initiatives, KPIs and science-based targets for carbon emissions reduction across the corporate and real estate operations of Prologis family (including PELF), please visit the [Sustainability section of the Prologis website](#) or the [Prologis 2019 ESG Impact Report](#).

Sustainability

Sustainability is embedded in our long-term strategy. PELF, along with Prologis, has focused on continuous improvements to its portfolio, expanding the number and quality of sustainable buildings. PELF incorporates various sustainable building design features on many of its buildings to stay ahead of our customers' evolving energy, transportation and labour requirements. Sustainable design features, such as efficient lighting, cool roofs, data sensors and smart metering, result in less energy consumption and reduced carbon emissions. Our Well¹ certified design features focus on health and wellbeing promoting a productive working environment for our customers' employees. PELF's WELL-Gold certified facility in Tilburg, the Netherlands, is the first logistics project in the world to receive this certification.

The Fund's location decisions are driven primarily by customer needs and preferences as customers look to shorten delivery routes and reduce transit times and the associated carbon emissions. Design features, such as the use of more natural light, efficient insulation and access to nature can enhance employee health and comfort in the work environment. PELF's high-quality buildings result in operational efficiency, cost savings and health benefits for our customers and their employees. Ultimately, these efforts ensure value creation for our customers, other stakeholders and investors, while benefitting the environment.

Our enduring commitment to sustainability also includes upgrading existing buildings with LED lighting, cool roofs and water-saving solutions. Our industry-leading, energy-efficient buildings cost less to operate and can result in higher profitability for our customers.

In order to further improve and reduce PELF's buildings impact, the Fund has set specific goals measured by key performance indicators (KPIs). These goals include but are not limited to, the following:

PELF KPI	31 DEC 2018 ACTUALS	31 DEC 2019 ACTUALS	2018/2019 % CHANGE	31 DEC 2022 GOALS
Installed solar energy capacity	16 MW	29 MW	81%	65 MW
LED lighting (% of PELF portfolio)	36%	42%	6%	80%
Smart metering (% of PELF portfolio)	40%	42%	2%	85%

PELF's buildings added an additional 13 MW to arrive at 29 MW installed solar energy capacity at year end 2019, generating enough electricity to power 8,446 average European homes for a year (an additional equivalent of 3,404 average European homes compared to 2018).

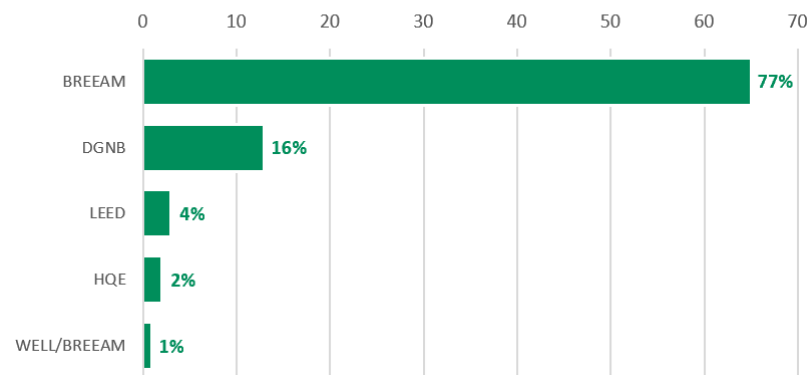
¹ The WELL Building Standard™ is the leading global rating system focused exclusively on the ways that buildings, and everything in them, can improve our comfort, drive better choices, and generally enhance our health and wellness.

PELF's total portfolio of green eligible buildings (in accordance with the Green Bond Framework June 2018 criteria) comprises 84 buildings at the end of 2019, an increase of 20 buildings compared to the end of 2018, with a total value of approximately €2.6 billion² across 11 European countries. As of 31 December 2019, the total net market value of the 84 buildings represents 28% of PELF's total Net Market Value (NMV).

PELF's Green eligible building portfolio (84 assets, 3.3 BN EUR NMV³, 11 countries)

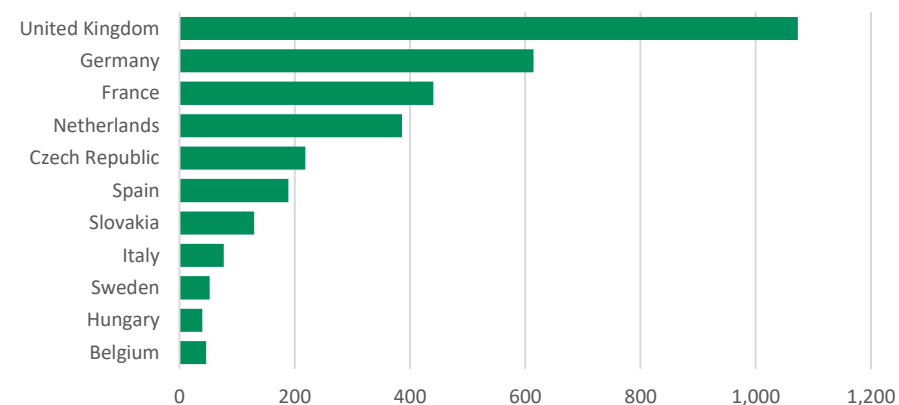
GREEN ELIGIBLE BUILDINGS PORTFOLIO - COMPOSITION BY CERTIFICATE TYPE

number of buildings



GREEN ELIGIBLE BUILDINGS PORTFOLIO COUNTRY SPLIT BY NMV³

€M



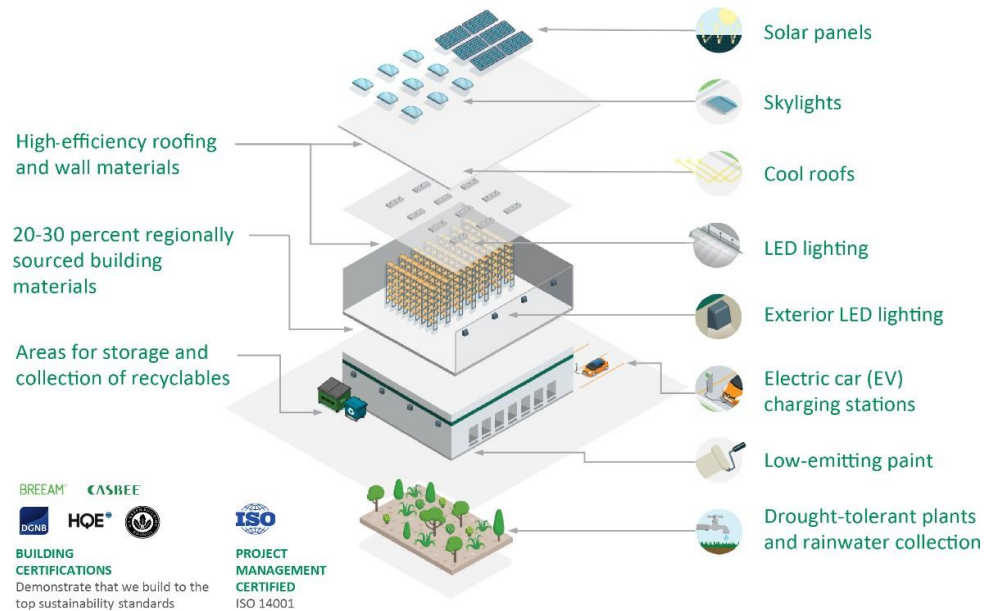
PELF continuously reviews its Green Bond Framework against potential new developments (such as EU Green Bond Standards and EU Taxonomy for Sustainability Activities as well as the United Nations Sustainable Development Goals) and will update the Green Bond Framework as appropriate.

² Represents the investment in the buildings as determined at the end of the quarter when acquired. See the section titled "Allocation" for further detail.

³ As of 31 December 2019.

PROLOGIS SUSTAINABLE BUILDING DESIGN

Prologis' sustainable building design⁴, including such features as high efficiency lighting, insulation and ventilation, minimise use of energy and water, reducing operating costs for us and our customers while promoting employee wellness and productivity. The following is an illustration of the sustainable design features typical of the certified sustainable buildings in our green portfolio.



Green eligible building case studies

The following three case studies from our allocation of bond issuance proceeds/green bond eligible portfolio provide further insights. These case studies highlight certain sustainability building features.

⁴ Illustration of state-of-the-art building. Not all buildings have all the features shown.



2019 GREEN BOND

Bologna Interporto DC16, Italy

Classification: LEED® Gold

Potential CO₂ savings⁵: 587 tonnes of CO₂ equivalent/annum

Bologna Interporto DC16⁶ is a cross dock class-A facility built to the highest international standards, located north of Bologna and completed in 2018.

Core features: The facility features Prologis' EGGLE technology, a digital innovation which allows customers to optimise their buildings' technical management, reduce costs and minimise environmental impact. It is the first tool of its kind in the logistics real estate sector and enables remote building management. The interface connects to the building by sensors, allowing users to monitor energy consumption, manage maintenance deadlines and detect operational malfunction. Additionally, the property is fully fitted with LED lighting in both its interior and exterior and is equipped with solar panels with a maximum peak capacity of 0.31 MW.

The property is certified LEED® Gold.

⁵ Baseline and avoided CO₂ emissions estimated by Arcadis based on analysis of data from existing BREEAM, DGNB, LEED and EPC and EPC assessments as of 2 July 2020. (The estimate is on the building core and shell design for annual emissions savings against the baseline buildings.)

⁶ The real estate investments presented in this presentation are a small subset of the investments made by the venture. They are not intended to be a comprehensive or indicative measure of the venture's investment returns.



GREEN ELIGIBLE BUILDING

Muggensturm DC2, Germany

Classification: DGNB Gold

Potential CO₂ savings⁷: 2.184 tonnes of CO₂ equivalent/annum

Carbon Neutral in Operations by Design

Muggensturm DC2⁸ is Germany's first logistics building designed to be carbon-neutral and which allows the occupier of the building to run carbon-neutral operations. The property was a build-to-suit development completed in 2019 for the customer L'Oréal, with sustainability as a priority in its design, construction and operation. This property is pioneering the future of sustainability features in logistics properties.

Core features: The facility holds approximately 7,400 solar panels on the roof. The solar power system has a maximum peak capacity of 2.0 MW. The roof also holds around 30,000 sqm of green space that serves as home for the area's skylarks. Other outstanding sustainability features of the facility include LED lighting both inside and out, as well as enhanced insulation and low-emission paints and sealants. Through the production of zero-emission solar energy on the roof and the procurement of certified renewable energy from the grid, the building has achieved full carbon neutrality in its operations.

The state-of-the-art sustainability features have earned for the property the DGNB Gold certification. Additionally, the distribution centre was awarded the 2019 Logix Award, presented at the Expo Real in Munich on 7 October 2019. This award is a statement for the environmentally friendly design of the logistics facility.

⁷ Baseline and avoided CO₂ emissions estimated by Arcadis based on analysis of data from existing BREEAM and EPC assessments as of 2 July 2020. (The estimate is on the building core and shell design for annual emissions savings against the baseline buildings.)

⁸ The real estate investments presented in this presentation are a small subset of the investments made by the venture. They are not intended to be a comprehensive or indicative measure of the venture's investment returns.



2019 GREEN BOND

Oosterhout DC1, the Netherlands

Classification: BREEAM “Very Good”

Potential CO₂ savings⁹: 1.613 tonnes of CO₂ equivalent/annum

Oosterhout DC1¹⁰ is located in Oosterhout, a city in the south of the Netherlands and situated between Breda and Tilburg. Prologis teamed up with the Dutch sustainable consultancy firm M3E to pilot a carbon mitigation program during the development of the property. Several sustainability measures were implemented to reduce the overall carbon emissions, where emissions were not only reduced, but fully compensated. Altogether, Oosterhout DC1 realised an emission reduction of almost 7 percent.

Core features: The property is designed to be sustainable by nature of the unit’s airtightness and rooftop solar panels. It is fully fitted with LED lighting in both its interior and exterior, and benefits from motion detection sensors and other energy regulating technologies to ensure efficient energy use. The rooftop solar panels have a maximum peak capacity of 2.6 MW and the site has bicycle sheds with solar panels generating 10.000 kWh/year.

Prologis executed a carbon emission reduction program based upon the lifecycle of the building, including the construction phase. Carbon emissions were reduced by using circular building materials. For the

⁹ Baseline and avoided CO₂ emissions estimated by Arcadis based on analysis of data from existing BREEAM, DGNB, LEED and EPC assessments as of 2 July 2020. (The estimate is on the building core and shell design for annual emissions savings against the baseline buildings.)

¹⁰ The real estate investments presented in this presentation are a small subset of the investments made by the venture. They are not intended to be a comprehensive or indicative measure of the venture’s investment returns.

unavoidable embodied carbon emissions associated with the construction and building materials, Prologis pursued further carbon mitigation through its partnership with Cool Earth. In collaboration with the certifying agency, Planet Mark™, 337 acres of endangered rainforest were secured by Cool Earth to mitigate carbon emissions from deforestation and maintain critical biodiversity. The facility has been awarded with a “Very Good” BREEAM certification.

CO₂ Avoidance Summary by Bond allocation of the Green Eligible Building Portfolio

Portfolio-1 and Portfolio-2 have 9.19 kilograms of estimated CO₂ savings per square meter (20% saving vs. baseline) per year and 18.01 kilograms of estimated CO₂ savings per square meter (40% saving vs. baseline) per year respectively, by design¹¹. Portfolio-3 has 17 kilograms of estimated CO₂ savings per square meter (64 % saving vs. baseline) by design¹¹ per year.

BOND PORTFOLIOS	ISIN NO	ISSUANCE DATE	SAVING %	SQM	SAVING PER SQM (KG CO ₂ /YEAR)
Bond 1-2018	XS1789176846	3/15/2018	20%	304,964	9.19
Bond 2-2018	XS1904690341	11/14/2018	40%	351,688	18.01
Bond 3-2019	XS2021462440	7/9/2019	64%	330,881	17.00

¹¹ Baseline and avoided CO₂ emissions estimated by Arcadis based on analysis of data from existing BREEAM, DGNB, LEED and EPC assessments as of 2 July 2020. (The estimate is on the building core and shell design for annual emissions savings against the baseline buildings.)

Allocation

On 15 March and 14 November 2018, PELF issued its first and second green bonds, respectively. The Green Bond Committee evaluated and selected projects that comply with the “Use of Proceeds” eligibility criteria of the [Green Bond Framework](#) and allocated the net proceeds of the bonds to green buildings with a qualifying sustainable building classification (i.e. section 1.a.i of the Green Bond Framework’s “Use of Proceeds”). The net proceeds were allocated to two portfolios comprised of these green buildings, one for each green bond issuance. Net proceeds of €295,977,000 from the 15 March 2018 green bond issuance and the net proceeds of €295,611,000 from the 14 November 2018 green bond issuance, totalling €591,588,000 in net proceeds, have been allocated fully to Portfolio 1 and Portfolio 2.

From the total portfolio of 84 (as of Q4 2019) green buildings (in accordance with the criteria set out in the Green Bond Framework), the Green Bond Committee composed Portfolio 3 in addition to the existing Portfolio 1 and 2. Portfolio 3 includes 14 buildings to which the 2019 Green Bond issuance net proceeds of €445,720,500 were allocated as described in the table below.

The allocation values represent the investment in the buildings as determined at the end of the quarter when acquired. In the case of assets valued in currencies other than Euro, the applicable foreign exchange rate at the end of that quarter was used to convert the values to a Euro equivalent¹².

PORTFOLIO 3: GREEN BOND ISSUED 9 JULY 2019

€445,720,500 in net proceeds

PROPERTY NAME	COUNTRY	CERTIFICATION LEVEL
Bologna Interporto DC16	Italy	LEED Gold
Bratislava DC7B & DC7C	Slovakia	BREEAM “Good”
Bratislava DC15	Slovakia	BREEAM “Good”
Bratislava DC18	Slovakia	BREEAM “Good”
Cologne DC5	Germany	DGNB-Platinum
DIRFT II DC2 Zone 2 Plot A	United Kingdom	BREEAM “Excellent”
Douvrin DC2	France	BREEAM “Excellent”
Le Havre DC7	France	BREEAM “Good”
Nieuwegein DC2	Netherlands	BREEAM “Very Good”
Oosterhout DC1 Exp	Netherlands	BREEAM “Very Good”
Ryton DC4	United Kingdom	BREEAM “Very Good”
Ryton DC7	United Kingdom	BREEAM “Excellent”
Ryton DC1	United Kingdom	BREEAM “Excellent”
Tilburg DC4 PH III Exp.	Netherlands	BREEAM “Very Good”
Total allocation		€445,720,500
Total SQM		330,881

Allocated amounts match the net proceeds for each of the bonds, resulting in a full allocation of the net proceeds. For the Green Bond Committee’s assertion on the allocation of the bonds’ net proceeds and KPMG’s assurance reports, please see Appendices A and B.

¹² Assets acquired from PTELF (Prologis Targeted Europe Logistics Fund) are represented by their value as of 31 December 2017, equivalent to the end of the quarter when PTELF and its assets were acquired by PEPF II (Prologis European Properties Fund II) to form PELF.

Appendix

A. Management Assertion



Management Assertion

Prologis Green Bond Committee

Mrs. Deborah Briones, Mr. Christian Nickels-Teske, Mr. Ali Nassiri

The Prologis Green Bond Committee asserts that the net proceeds of €445,720,500 from the 9 July 2019 Green Bond issuance have been allocated fully to Portfolio 3 in accordance with the eligibility criteria described in the Green Bond Framework.

Appendix

B. Report of Independent Accountant

INDEPENDENT LIMITED ASSURANCE REPORT TO PROLOGIS INTERNATIONAL FUNDING II S.A. ON THE ALLOCATION OF THE NET PROCEEDS TO ELIGIBLE PROJECTS

We have been engaged by the Board of Directors (the “Management”) of Prologis International Funding II S.A. (“Prologis” or “the Issuer”) to provide limited assurance as to whether the Net Proceeds (“Net Proceeds”) of the Green Bond (“the Green Bond”) issued on 9 July 2019 (settlement date) by the Issuer, and described in the “Allocation” section on page 12 of the Prologis European Logistics Fund FCP-FIS 2019 Green Bond Report dated 9 July 2020 (“the Report”), have been allocated to eligible projects (“Eligible Projects”), as per the Internal Criteria defined in the Green Bond Framework developed for Prologis Inc., Prologis L.P., related co-investments ventures and other affiliates and dated June 2018 (the “Green Bond Framework”).

1. Management’s responsibility for the Report

The Management of Prologis is responsible for the:

- a) Preparation of the page 12 of the Report (and the information contained within it, in accordance with the Internal Criteria included in the Green Bond Framework);
- b) Design, implementation and maintenance of such internal control as the Management of Prologis determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error; for determining and implementing Prologis’ objectives and related activities in respect of the Report, including Allocation and/or Use of Net Proceeds and Eligible Project evaluation and Selection in accordance with the Green Bond Framework; and for defining the Internal Criteria used in the Green Bond Framework;
- c) Prevention and detection of fraud and for identifying and ensuring that Prologis complies with laws and regulations applicable to its activities, including Internal Criteria in accordance with the Green Bond Framework;
- d) Process to ensure that personnel involved with the preparation of the Report are properly trained, systems are properly updated and that any changes in reporting relevant to the Report encompass all significant relevant business units. This responsibility also includes informing us of any changes in the Prologis’ operations since the date of preparation and issuance of the “Allocation” section in the Report.

The Report has been prepared for the investors of the Green Bond listed on the Euro Multilateral Trading Facility (MTF) of Luxembourg Stock Exchange and the Management of Prologis.

2. Responsibility of the Réviseur d’Entreprises agréé

Our responsibility is to provide a limited assurance on the Allocation of the Net Proceeds of the Green Bond to Eligible Projects in accordance with International Standard on Assurance Engagements ISAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information (hereafter “ISAE 3000”), as adopted for Luxembourg by the Institut des Réviseurs d’Entreprises.



This standard requires that we comply with applicable ethical requirements, including independence requirements, and plan and perform the engagement to obtain limited assurance about whether:

- the Net Proceeds of the Green Bond issued on 9 July 2019 (settlement date) by the Issuer, and described on page 12 of the Report, have been allocated to Eligible Projects as per the Internal Criteria defined in the Green Bond Framework.

3. Summary of work performed

A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate, with relation to the data contained in the Report.

These procedures include:

- Read sections of the Prospectus dated 16 April 2019 and supplementary prospectus dated 21 June 2019 and the Internal Criteria defined in the Green Bond Framework of Prologis dated June 2018, which address the applicability of the eligibility Criteria used to evaluate and select Eligible Projects and to allocate the Net Proceeds of the Green Bond;
- Understand how processes, systems and controls related to the use of net proceeds, process for project selection and evaluation have been implemented by the Issuer;
- Verify the existence of Internal Criteria for asset evaluation and selection;
- Ensure existence of a process in place to determine the eligibility of assets in accordance with the Internal Criteria;
- Check documentation which supports systems and controls in place for the assets evaluation and selection;
- Review the Eligible Projects to determine whether the eligibility is supported by evidence;
- Recalculate the remaining balance to ensure matching between net proceeds and earmarked Eligible Projects.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with International Standards on Auditing and Assurance Engagements, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Our limited assurance engagement is not designed to detect all internal control weaknesses or errors in the Report in meeting the requirements of Prologis, as the evidence has been obtained on a sample basis. Accordingly, we do not express an audit or a reasonable assurance conclusion on the “Allocation” section on page 12 of the Report, nor on the Report as a whole.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion in our limited assurance report.



4. Conclusion

Based on the procedures described above, nothing has come to our attention that causes us to believe that the Net Proceeds of the Green Bond issued on 9 July 2019 (settlement date) by the Issuer as described in the “Allocation” section on page 12 of the Report, have not been allocated to Eligible Projects, as per the Internal Criteria defined in the Green Bond Framework.

5. Restriction on distribution

Our report is solely for the purpose set forth in the first paragraph of this report, for your information and for the information of existing investors who have participated in the Green Bond issued on 9 July 2019 (settlement date), and is not to be used for any other purposes or to be distributed to any other parties. This report related only to the items specified above and does not extend to any financial statements or financial information of the Issuer or Prologis European Logistics Fund FCP-FIS for any period subsequent to 31 December 2019 taken as a whole.

Luxembourg, 9 July 2020

KPMG Luxembourg, Société coopérative
Cabinet de révision agréé

A handwritten signature in black ink, appearing to read 'Muhammad Tahir Khan', with a stylized flourish at the end.

Muhammad Tahir Khan
Associate Partner