

# Second-Party Opinion

## Prologis Green Financing Framework

### Evaluation Summary

Sustainalytics is of the opinion that the Prologis Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds, Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, and Circular Economy and Pollution Prevention & Control, are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9, 11 and 12.



**PROJECT EVALUATION AND SELECTION** The Green Financing Committee, which comprises representatives from Prologis' management and its ESG team, will be responsible for the project evaluation and selection process. Prologis has processes in place to identify and manage environmental and social risks associated with the eligible projects, which apply to all allocation decisions made under the Framework. Sustainalytics considers this to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Prologis' Green Financing Committee will monitor and track the allocation of proceeds using an internal registry and oversee the management of proceeds using a bond-by-bond or portfolio approach. Prologis intends to allocate all proceeds within 36 months of issuance. Pending allocation, unallocated proceeds will be used for capital management activities or repayment of debt. Sustainalytics considers this to be aligned with market practice.



**REPORTING** Prologis commits to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting may include the list of eligible projects and amount of proceeds allocated to them, and the balance of unallocated proceeds. In addition, Prologis intends to report on relevant impact metrics. Sustainalytics views Prologis' allocation and impact reporting as aligned with market practice.



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**Issuer Location** San Francisco, US

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**For inquiries, contact the Sustainable Corporate Solutions project team:**

**John-Paul Iamonaco (Toronto)**  
Project Manager  
[john-paul.iamonaco@sustainalytics.com](mailto:john-paul.iamonaco@sustainalytics.com)  
(+1) 416 861 0403

**Sameen Ahmed (Toronto)**  
Project Support

**Han Xing (Toronto)**  
Project Support

**Lindsay Brent (Toronto)**  
Client Relations  
[susfinance.americas@sustainalytics.com](mailto:susfinance.americas@sustainalytics.com)  
(+1) 646 518 9623

## Introduction

Prologis, Inc. (“Prologis” or the “Company”) is a logistics real estate company that leases logistics facilities to approximately 6,700 customers principally in two major categories: business-to-business and online fulfilment. Headquartered in San Francisco, Prologis owns or has investments in properties and development projects totalling approximately 113 million m<sup>2</sup> of floor space in 19 countries as of September 30, 2023.

Prologis has developed the Prologis Green Financing Framework dated January 2024 (the “Framework”) under which Prologis or its affiliates<sup>1</sup> may obtain loans and credit facilities and issue green bonds, notes and placements (together the “Green Financings”)<sup>2</sup> and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to provide positive environmental impact. The Framework defines eligibility criteria in five areas:

1. Green Buildings
2. Renewable Energy
3. Energy Efficiency
4. Clean Transportation
5. Circular Economy and Pollution Prevention & Control

Prologis engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>3</sup> and the Green Loan Principles 2023 (GLP).<sup>4</sup> The Framework will be published in a separate document.<sup>5</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>6</sup> opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Prologis’ management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Prologis representatives have confirmed that: (1) they understand it is the sole responsibility of Prologis to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant information and (3) any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

<sup>1</sup> Prologis has communicated to Sustainalytics that it will have operational control over the issuance process of its affiliates, including public co-investment vehicles or private funds, as it pertains to any financing under the Prologis Green Financing Framework. Prologis has further confirmed that it will be responsible for ensuring alignment of any issuances with the criteria defined in the Framework.

<sup>2</sup> Prologis has confirmed to Sustainalytics that multi-tranche loans or revolving credit facilities will not be obtained under the Framework.

<sup>3</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>4</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>5</sup> The Prologis Green Financing Framework is available at: <https://www.prologis.com/sustainability/green-bonds>

<sup>6</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Prologis.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Prologis has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Prologis Green Financing Framework

Sustainalytics is of the opinion that the Prologis Green Financing Framework is credible, impactful and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories, Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation and Circular Economy and Pollution Prevention & Control, are aligned with those recognized by the GBP and GLP.
  - Prologis has established a look-back period of 24 months for all refinancing activities under the Framework, which Sustainalytics considers as aligned with market practice.
  - Under the Green Buildings category, Prologis may finance or refinance the purchase, development, re-development or improvement of industrial buildings<sup>7</sup> that meet one of the following criteria:
    - Buildings that: i) have achieved or are expected to achieve at least one of the following green building certifications: LEED (Silver, Gold or Platinum);<sup>8</sup> DGNB (Gold or Platinum);<sup>9</sup> BREEAM (Very Good, Excellent or Outstanding);<sup>10</sup> CASBEE (B+, A or S);<sup>11</sup> DBJ Green Building Certification (4 or 5);<sup>12</sup> BELS (4 or 5);<sup>13</sup> energy performance certificate (EPC) rating of A or B;<sup>14</sup> BOMA BEST (Silver, Gold or Platinum);<sup>15</sup> and Energy Star (75 and above).<sup>16</sup>
      - For LEED, BREEAM, CASBEE and BOMA BEST, Sustainalytics views that allocating proceeds to buildings that receive the top three levels of certification will have positive environmental impacts. Sustainalytics also notes, however, that market practice is to limit allocation of proceeds to buildings that have achieved any of the top two levels of these certification schemes. Sustainalytics acknowledges the additional challenges for logistics buildings to achieve the top two certification levels, mainly due to often being

<sup>7</sup> Prologis has confirmed to Sustainalytics that the Company will only finance or refinance the building envelopes without any financing towards industrial equipment or activities within these buildings.

<sup>8</sup> LEED: <https://www.usgbc.org/leed>

<sup>9</sup> DGNB: <https://www.dgnb.de/en>

<sup>10</sup> BREEAM: <https://bregroup.com/products/breeam/>

<sup>11</sup> CASBEE: <https://www.ibec.or.jp/CASBEE/english/>

<sup>12</sup> DBJ: [https://www.dbj.jp/en/service/program/g\\_building/](https://www.dbj.jp/en/service/program/g_building/)

<sup>13</sup> BELS: <https://www.epc-certification.com/the-benefits-of-green-building/>

<sup>14</sup> EPC: <https://www.epc-certification.com/the-benefits-of-green-building/>

<sup>15</sup> BOMA BEST: <https://bomacanada.ca/bomabest/aboutbomabest/levels/>

<sup>16</sup> Energy Star: [https://www.energystar.gov/buildings/building\\_recognition/building\\_certification](https://www.energystar.gov/buildings/building_recognition/building_certification)

- located farther away from city centres, but encourages Prologis to allocate proceeds to buildings that receive the top two levels of certification where feasible.
- Specifically for LEED Silver and BOMA BEST Silver, Sustainalytics believes this level of certification alone will not be sufficient to guarantee energy efficiency improvements of industrial buildings. Prologis has confirmed to Sustainalytics its focus on optimizing energy use and minimizing GHG emissions, and that its new design standards require the installation of more efficient lighting and the electrification of onsite equipment. Sustainalytics encourages Prologis to limit allocations to those industrial buildings where it can ensure a 20% energy efficiency improvement over a credible regional baseline.
  - Sustainalytics recognizes that an Energy Star rating of 85 is viewed as market practice for green building certification, as it implies that the financed building is among the top 15% in energy performance for similar industrial buildings in the relevant market. Therefore, Sustainalytics considers the Framework's eligibility criterion of achieving an Energy Star rating of 75 as a deviation from market practice.<sup>17,18</sup> Sustainalytics acknowledges Prologis' intent to pursue Energy Star certifications as part of its strategy to support its customers on their sustainability goals and to continue to drive to higher levels of building energy efficiency across the portfolio. Sustainalytics encourages Prologis to allocate to buildings that receive an Energy Star rating of 85 or above, where feasible.
  - Sustainalytics views all certification schemes specified in the Framework to be credible and the levels selected, with the exception of Energy Star, as aligned with market practice.
    - Industrial buildings that: i) have been renovated and achieve a minimum 30% reduction in carbon emissions or energy use versus pre-renovation level, or ii) rank in the top 15% of buildings in the relevant market in terms of energy efficiency or carbon emissions profile post-renovation. Sustainalytics considers this to be in line with market practice.
- Under the Renewable Energy category, Prologis intends to finance or refinance the acquisition, development, construction and installation of the following types of projects:
- Solar PV energy through rooftop or vertical solar panels, tidal power and on-shore and off-shore wind energy projects.
  - Geothermal-based electricity generation projects with life cycle emissions intensity below 100gCO<sub>2</sub>/kWh.
  - Investment in equipment, technology and infrastructure dedicated to energy storage, transmission, distribution or interconnection of electricity generated from renewable sources.
  - Prologis also intends to finance expenditures for purchasing renewable energy from wind and solar, through power purchase agreements (PPAs) and virtual PPAs (vPPAs) that have a term of at least five years.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficiency category, Prologis may finance or refinance projects and activities aimed at improving energy efficiency in buildings and other infrastructure. Eligible projects and activities may include the following investments:
- Installation of technologies, such as advanced or smart metres, load control and monitoring systems. Sustainalytics notes that Prologis may allocate to electric or gas smart meters. Smart meters for gas are consistent with the EU Taxonomy Delegated Act, even if such investments may prolong fossil fuel consumption. Sustainalytics considers investments tied to natural gas and associated components more suitable for transition finance.

<sup>17</sup> CBI Building criteria: <https://www.climatebonds.net/files/files/sector-criteria-buildings-criteria-v2-1-dec2023.pdf>

<sup>18</sup> EU Taxonomy Delegated Act Annex 1, page 178: [https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1\\_en.pdf](https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf)

- Electricity storage, transmission and distribution dedicated to EV charging and electric fleet infrastructure.
- Front-of-the-meter energy storage. Sustainalytics notes that the energy storage systems financed under the Energy Efficiency category may include systems that are not directly connected to renewables or an electrical grid that is on a credible pathway to decarbonization. Sustainalytics recognizes the critical need to expand utility-scale storage systems in order to enable the expansion of renewable energy, while also noting that the environmental benefit of storage systems depends on the carbon intensity of the grid to which they are connected. Sustainalytics encourages Prologis to prioritize installation of storage systems on grids that follow a credible decarbonization pathway<sup>19</sup> and to report on the positive impacts achieved, where feasible.
- Front-of-the-meter transmission, distribution and interconnection components that maintain or increase the renewable energy capacity of the grid. Despite the variety of potential allocations, Sustainalytics views positively investments that are designed to support the expansion of renewable energy and encourages Prologis to select projects that are clearly anticipated to facilitate such expansion and report on its impact.
- Equipment, technology and infrastructure that improve energy efficiency by at least 20%, through the following:
  - Energy-efficient lighting, such as LEDs, and energy-efficient roof improvements, such as installation of cool or green roofs, high-performance or low U value insulation products.
  - HVAC systems and electric heat pumps. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Prologis has communicated to Sustainalytics that allocation to heat pumps will be limited to those with high-GWP refrigerants, specifically R-32, and that a robust refrigerant management system will be in place for leak detection, monitoring and control.
- Sustainalytics notes that the financed expenditures will exclude fossil fuel-powered technology and equipment, and considers investments under this category to be aligned with market practice.
- Under the Clean Transportation category, Prologis intends to finance the installation of EV charging stations, bicycle lanes and bicycle storage facilities. Sustainalytics considers investments under this category to be in line with market practice.
- Under the Circular Economy and Pollution Prevention & Control category, Prologis may finance the procurement of recycled and low-carbon building materials and components, such as steel, asphalt, concrete and glass for the construction or refurbishment of buildings.
  - Regarding procurement of low-carbon building materials, Prologis has confirmed that such materials will be used for the construction or refurbishment of buildings that meet the criteria defined in the Green Buildings category of the Framework.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Project Evaluation and Selection:
  - Prologis' Green Financing Committee, which includes representatives from the Company's management and Global ESG team, will be responsible for selecting projects in line with the eligibility criteria in the Framework.
  - Prologis has a risk management framework to identify and manage risks across its operations, including environmental and social risks associated with the projects financed under the Framework. Prologis will also address such risks through its internal policies and processes, such as its Code of Ethics and Business Conduct. For more information, refer to Section 2.
  - Based on the described project evaluation and environmental and social risk assessment processes, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:

<sup>19</sup> Sustainalytics considers a grid to be aligned with a credible decarbonization pathway if it meets either of the following criteria: i) more than 67% of newly enabled generation installed capacity in the system is below the emissions threshold of 100 gCO<sub>2</sub>e/kWh, measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period; or ii) the average system grid emissions factor is below the threshold of 100 gCO<sub>2</sub>e/kWh over a rolling five-year period.

- Prologis' Green Financing Committee will be responsible for monitoring and tracking the net proceeds of the Green Financings and aggregate value of the eligible assets through an internal registry system.
- Prologis intends to allocate all proceeds within 36 months of issuance. Pending full allocation, unallocated net proceeds will be used for capital management activities or payment of outstanding debt that is not associated with carbon-intensive activities.
- Based on the use of a tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Prologis commits to report annually on the allocation and impact of proceeds on its website. The reporting will commence within a year of issuance undertaken on an aggregate portfolio or bond-by-bond basis.
  - The allocation report will include the list of eligible projects financed and the total amount of proceeds allocated to them, the share of financing versus refinancing, the outstanding proceeds for each Green Financing issued under the Framework and the balance of unallocated proceeds.
  - The impact report may include case studies and quantitative impact metrics, such as the level of green buildings certifications achieved; rate of reduction in energy use or carbon emissions; energy consumption (in kWh) and number of infrastructure projects deployed that support clean transportation. For a complete list of impact metrics, refer to the Framework.
  - Based on the annual allocation and impact reporting commitments, Sustainalytics considers this process to be in line with market practice.

#### **Alignment with the Green Bond Principles 2021 and Green Loan Principles 2023**

Sustainalytics has determined that the Prologis Green Financing Framework aligns with the four core components of the GBP and GLP.

## **Section 2: Sustainability Strategy of Prologis**

### **Contribution to Prologis' sustainability strategy**

Prologis focuses on the following environmental areas in its sustainability strategy: i) minimizing construction impacts; ii) managing buildings more efficiently; and iii) providing customers with sustainable logistics solution services, such as renewable energy and EV charging.<sup>20</sup>

Prologis approaches sustainable logistics by supporting its customers to reduce their energy use and emissions and providing them with onsite energy generation, energy storage and mobility solutions.<sup>21</sup> In 2021, Prologis committed to having every eligible project approved by its investment committee achieve a sustainable certification.<sup>22</sup> In 2022, the Company established targets to achieve net zero emissions from its operations by 2030 and its value chain by 2040, which is aligned with the Science Based Targets initiative's Corporate Net-Zero Standard. In the same year, Prologis also set out the following targets for 2025: i) achieving carbon neutrality in construction works; ii) installing one gigawatt of solar capacity supported by storage; iii) achieving a green building certification for every new development or redevelopment; and iv) installing 100% LED lights across all of its warehouses<sup>23</sup> and office space across its portfolio.<sup>24</sup> Additionally, Prologis has set a target of installing an EV charging capacity of 900 MW for mobility solutions for its customers' fleets by 2030.<sup>25</sup>

As of 2022, Prologis has: i) reduced its Scope 1 and 2 emissions by 64% and Scope 3 emissions by 20%, versus 2019 levels; ii) offset 40% of estimated GHG emissions related to construction; iii) achieved 405 MW of solar generation capacity across its portfolio; and iv) installed LED lighting across 71% of its operating properties; and v) installed cool roofs in its operating properties to reduce the energy use in summertime.<sup>26</sup> In addition, as of 2023, 19.41% of the Company's portfolio has received a sustainable certification, including

<sup>20</sup> Prologis, "2022-23 ESG report", (2023), at: <https://prologis.getbynder.com/m/341c024f0b023afa/original/Prologis-2022-23-ESG-Report.pdf>

<sup>21</sup> Prologis, "2022-23 ESG report", (2023), at: <https://prologis.getbynder.com/m/341c024f0b023afa/original/Prologis-2022-23-ESG-Report.pdf>

<sup>22</sup> Prologis, "Green Financing Framework", (2024).

<sup>23</sup> Prologis has communicated to Sustainalytics that these warehouses refer to all of Prologis' operating warehouses within its portfolio of logistics facilities for its clients.

<sup>24</sup> Prologis, "2022-23 ESG report", (2023), at: <https://prologis.getbynder.com/m/341c024f0b023afa/original/Prologis-2022-23-ESG-Report.pdf>

<sup>25</sup> Prologis, "Leveraging Scale in Energy and Sustainable Logistics", at: [https://d1io3yog0oux5.cloudfront.net/\\_bdd08e041f54c716a5f0043b0f9e97b/prologis/db/2220/21528/file/PLD+Investor+Forum+2023+-+Leveraging+Scale+in+Energy+and+Sustainable+Logistics.pdf](https://d1io3yog0oux5.cloudfront.net/_bdd08e041f54c716a5f0043b0f9e97b/prologis/db/2220/21528/file/PLD+Investor+Forum+2023+-+Leveraging+Scale+in+Energy+and+Sustainable+Logistics.pdf)

<sup>26</sup> Prologis, "2022-23 ESG report", (2023), at: <https://prologis.getbynder.com/m/341c024f0b023afa/original/Prologis-2022-23-ESG-Report.pdf>

certification from LEED, BREEAM, CASBEE and DGNB.<sup>27</sup> Since 2016, Prologis Ventures has made more than USD 180 million of investments in nearly 40 companies operating in supply chain transformation, digital buildings and real estate and construction to support its ESG-related solutions.<sup>28</sup> Furthermore, the Company has issued 27 green bonds worth USD 9.27 billion to fund green building design and innovation since 2018.<sup>29</sup>

Sustainalytics is of the opinion that the Prologis Green Financing Framework is aligned with the Company's overall sustainability strategy and initiatives and will further its action on its key environmental priorities.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the Green Financings issued under the Framework will be directed towards eligible projects that are expected to have positive environmental or social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving land use and loss of biodiversity associated with large-scale infrastructure development; emissions, effluents and waste generated in construction; occupational health and safety; human and labour rights; and community relations.

Sustainalytics is of the opinion that Prologis is able to manage or mitigate potential risks through implementation of the following:

- Sustainalytics notes that financing may take place across multiple countries, including China, which has been identified as a high-risk country bearing in mind the potential impact of planned investments. However, Sustainalytics notes that Prologis has established risk management procedures to ensure that any adverse effects are sufficiently identified and addressed.
- To manage the overall environmental and social risks, Prologis has developed an ESG Policy, which requires the Company to comply with relevant environmental laws and regulations.<sup>30</sup> Under the ESG Policy, Prologis has established a global Environmental Management System (EMS) in accordance with the ISO 14001: 2015<sup>31</sup> requirements for its development activities.<sup>32</sup> In addition, the Company has in place a Supplier Code of Conduct,<sup>33</sup> which requires its suppliers to comply with applicable federal, state and local environmental laws and regulations.
- To address the risks of land use and the impact of its operations on biodiversity, Prologis conducts environmental impact assessments (EIA) as a part of the land procurement and entitlement process and performs appropriate assessment of impacts to ecologically significant habitats, across its portfolio.<sup>34</sup> In addition, the Company's new construction activities are subject to local environmental permit procedures, which normally include evaluation of sensitive habitats and protected species through an EIA.<sup>35</sup> For some developments, the Company also removes historic contaminants from the soil and water that might negatively impact biodiversity.<sup>36</sup>
- Regarding emissions, effluents and waste, Prologis must follow all applicable environmental laws and regulations as well as its own internal procedures for proper disposal, handling and storing of hazardous materials.<sup>37</sup> The Company also requires its contractors to reduce waste and comply with national, regional and local laws and regulations related to water quality and availability.<sup>38</sup>
- To address risks associated with occupational health and safety, Prologis must comply with all applicable laws regarding the health and safety of its own workforce and third parties.<sup>39</sup> The Company also has policies, procedures and related provisions in its contracts by force of its Human Rights Policy.<sup>40</sup> The Company has in place safety procedures and protocols that include safety

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Ibid.

<sup>30</sup> Prologis, "Environmental, Social and Governance (ESG) Policy", at: <https://prologis.getbynder.com/m/4b6cf731470b67ce/original/Prologis-ESG-Policy.pdf>

<sup>31</sup> ISO 14001 is the internationally recognized standard for environmental management systems (EMS). It provides a framework for organizations to design, implement, and continually improve their environmental performance. ISO, "ISO 14001:2015", at: <https://www.iso.org/standard/60857.html>

<sup>32</sup> Prologis, "Environmental, Social and Governance (ESG) Policy", at: <https://prologis.getbynder.com/m/4b6cf731470b67ce/original/Prologis-ESG-Policy.pdf>

<sup>33</sup> Prologis, "Prologis Supplier Code of Conduct", at: <https://prologis.getbynder.com/m/6d693e8c3f09177f/original/supplier-code-of-conduct-2019.pdf>

<sup>34</sup> Prologis, "Environmental, Social and Governance (ESG) Policy", at: <https://prologis.getbynder.com/m/4b6cf731470b67ce/original/Prologis-ESG-Policy.pdf>

<sup>35</sup> Prologis, "2022-23 ESG report", (2023), at: <https://prologis.getbynder.com/m/341c024f0b023afa/original/Prologis-2022-23-ESG-Report.pdf>

<sup>36</sup> Prologis, "2022-23 ESG report", (2023), at: <https://prologis.getbynder.com/m/341c024f0b023afa/original/Prologis-2022-23-ESG-Report.pdf>

<sup>37</sup> Prologis, "Prologis Code of Ethics and Business Conduct", at: <https://prologis.getbynder.com/m/3e32a1cdd199aa35/original/Prologis-Code-of-Ethics.pdf>

<sup>38</sup> Prologis, "2022-23 ESG report", (2023), at: <https://prologis.getbynder.com/m/341c024f0b023afa/original/Prologis-2022-23-ESG-Report.pdf>

<sup>39</sup> Prologis has confirmed to Sustainalytics that third parties include the Company's suppliers, tenants and contractors.

<sup>40</sup> Prologis, "Human Rights Policy", at: <https://prologis.getbynder.com/m/28d61f41470def31/original/Prologis-Human-Rights-Policy.pdf>

training and immediate reporting of unsafe conditions.<sup>41</sup> The Company has also established the Prologis Safety Committee<sup>42</sup> and has developed disaster response plans and a Safety Helpline.<sup>43</sup> Finally, Prologis also requires its tenants and suppliers to comply with all laws and regulations related to community safety in their occupancy and operations.<sup>44,45</sup>

- To manage risks associated with human rights and labour laws, Prologis has in place a Human Rights Policy<sup>46</sup> in conjunction with its Code of Ethics and Business Conduct,<sup>47</sup> which require the Company and its suppliers and vendors to comply with all local labour laws and regulations, such as working hours, fair compensation and freedom of association.<sup>48</sup>
- To manage its community relations, Prologis consults with stakeholders and incorporates their feedback through stakeholder meetings, ESG materiality assessments and entitlement processes.<sup>49</sup> Prologis' community engagement also includes engagements with elected officials, community groups and other businesses during the project planning phase.<sup>50</sup> Finally, Prologis also works with its tenants to mitigate and minimize the community impact if a community safety incident occurs.<sup>51</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Prologis has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

The use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

#### Importance of green buildings in reducing global GHG emissions

Green buildings are crucial in the transition to a global low-carbon economy and in addressing the overall impact of climate change.<sup>52</sup> The buildings and construction sectors were responsible for approximately 38% of global energy demand and 37% of energy- and process-related CO<sub>2</sub> emissions in 2021.<sup>53</sup> According to the UN, direct and indirect CO<sub>2</sub> emissions from the buildings sector need to decline by 50% and 60%, respectively, by 2030 to align with the Paris Agreement's 1.5°C scenario.<sup>54</sup> Additionally, the average retrofit rate of the global building stock is 1% per year, which delivers less than a 15% energy intensity reduction on average.<sup>55</sup> In this sense, all new buildings and 20% of the world's existing building stock need to be zero emissions by 2030 and the energy consumption of all buildings will need to reduce by 35% by 2030 from a 2020 baseline to reach net zero emissions (NZE) by 2050.<sup>56,57</sup> Finally, a continued growth of at least 11% year-on-year in the rate of investments in energy efficiency in the global buildings sector could put this sector on track to reach the 2030 annual investment levels needed in the NZE scenario.<sup>58</sup>

<sup>41</sup> Prologis, "Prologis Code of Ethics and Business Conduct", at: <https://prologis.getbynder.com/m/3e32a1cdd199aa35/original/Prologis-Code-of-Ethics.pdf>

<sup>42</sup> Prologis, "Prologis Code of Ethics and Business Conduct", at: <https://prologis.getbynder.com/m/3e32a1cdd199aa35/original/Prologis-Code-of-Ethics.pdf>

<sup>43</sup> Prologis, "Environmental, Social and Governance (ESG) Policy", at: <https://prologis.getbynder.com/m/4b6cf731470b67ce/original/Prologis-ESG-Policy.pdf>

<sup>44</sup> Prologis, "2022-23 ESG report", (2023), at: <https://prologis.getbynder.com/m/341c024f0b023afa/original/Prologis-2022-23-ESG-Report.pdf>

<sup>45</sup> Prologis, "Prologis Supplier Code of Conduct", at: <https://prologis.getbynder.com/m/6d693e8c3f09177f/original/supplier-code-of-conduct-2019.pdf>

<sup>46</sup> Prologis, "Human Rights Policy", at: <https://prologis.getbynder.com/m/28d61f41470def31/original/Prologis-Human-Rights-Policy.pdf>

<sup>47</sup> Prologis, "Prologis Code of Ethics and Business Conduct", at: <https://prologis.getbynder.com/m/3e32a1cdd199aa35/original/Prologis-Code-of-Ethics.pdf>

<sup>48</sup> Prologis, "Human Rights Policy", at: <https://prologis.getbynder.com/m/28d61f41470def31/original/Prologis-Human-Rights-Policy.pdf>

<sup>49</sup> Prologis, "Environmental, Social and Governance (ESG) Policy", at: <https://prologis.getbynder.com/m/4b6cf731470b67ce/original/Prologis-ESG-Policy.pdf>

<sup>50</sup> Prologis, "2022-23 ESG report", (2023), at: <https://prologis.getbynder.com/m/341c024f0b023afa/original/Prologis-2022-23-ESG-Report.pdf>

<sup>51</sup> Prologis, "2022-23 ESG report", (2023), at: <https://prologis.getbynder.com/m/341c024f0b023afa/original/Prologis-2022-23-ESG-Report.pdf>

<sup>52</sup> Tricoire, J.P. (2021), "Why buildings are the foundation of an energy-efficient future", World Economic Forum, at:

<https://www.weforum.org/agenda/2021/02/why-the-buildings-of-the-future-are-key-to-an-efficient-energy-ecosystem/>

<sup>53</sup> UN Environment Programme, "Global Status Report for Buildings and Construction", (2022), at: [https://globalabc.org/sites/default/files/inline-files/2022%20Global%20Status%20Report%20for%20Buildings%20and%20Construction\\_0.pdf](https://globalabc.org/sites/default/files/inline-files/2022%20Global%20Status%20Report%20for%20Buildings%20and%20Construction_0.pdf)

<sup>54</sup> UN Environment Programme, "Building sector emissions hit record high, but low-carbon pandemic recovery can help transform sector", (2020), at: <https://www.unep.org/news-and-stories/press-release/building-sector-emissions-hit-record-high-low-carbon-pandemic>

<sup>55</sup> IEA, "Building Envelopes", at: <https://www.iea.org/energy-system/buildings/building-envelopes>

<sup>56</sup> IEA, "Renovation of near 20% of existing building stock to zero-carbon-ready by 2030 is ambitious but necessary", (2022), at:

<https://www.iea.org/reports/renovation-of-near-20-of-existing-building-stock-to-zero-carbon-ready-by-2030-is-ambitious-but-necessary>

<sup>57</sup> IEA, "Buildings", (2022), at: <https://www.iea.org/reports/buildings>

<sup>58</sup> Ibid.



Based on the above, Sustainalytics is of the opinion that eligible projects under the Framework have the potential to contribute to reducing emissions in the buildings sector in the countries where Prologis operates and more broadly to achieving global GHG emissions reduction targets.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The Green Financings issued under the Prologis Green Financing Framework are expected to help advance the following SDGs and targets:

| Use of Proceeds Category                            | SDG  | SDG target  |
|---|--|---|
| Green Buildings                                     | 9. Industry Innovation and Infrastructure  | 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities |
| Renewable Energy                                    | 7. Affordable and clean energy             | 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix  |
| Energy Efficiency                                   | 7. Affordable and clean energy             | 7.3 By 2030, double the global rate of improvement in energy efficiency   |
| Clean Transportation                                | 11. Sustainable Cities and Communities     | 11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons     |
| Circular Economy and Pollution Prevention & Control | 12. Responsible Consumption and Production | 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse  |

### Conclusion

Prologis has developed the Prologis Green Financing Framework under which it may obtain loans and credit facilities, and issue green bonds, notes and placements and use the proceeds to finance and refinance investments in Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation and Circular Economy and Pollution Prevention & Control projects. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Prologis Green Financing Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the Prologis Green Financing Framework is aligned with the overall sustainability strategy of Prologis and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goals 7, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that Prologis has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that Prologis is well positioned to issue the financial instruments listed in the Framework and that the Prologis Green Financing Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

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Or contact us [contact@sustainalytics.com](mailto:contact@sustainalytics.com)

