Warehouses De Pauw (WDP)
Green Financing Second Opinion

March 28, 2022

Warehouses De Pauw (WDP) is a publicly regulated real estate company incorporated under Belgian law specializing in warehouses and logistics. WDP manages more than 250 sites with long-term leasable warehouse space in Belgium, the Netherlands, Luxembourg, France, Germany, and Romania.

This Green Financing Framework includes eligible project categories of green buildings, energy efficiency, renewable energy, and clean transportation. Green buildings and energy efficiency will be the main categories followed by renewable energy, with some emphasis on refinancing. The framework is an update from 2020, assessed as CICERO Light Green with a governance score of Good. The main changes are additions of higher certification levels for green buildings and a defined threshold for the energy efficiency category. Eligible projects include buildings with BREEAM and EDGE environmental certifications or meeting the energy performance thresholds of the EU Taxonomy. While these criteria are a mix of Light and Medium Green, WDP expects a significant share to be spent on high levels of certifications with energy performance beyond regulatory requirements.

WDP has an excellent environmental governance structure. The framework includes reporting to investors and the public in line with best practices, and, in an update from the previous framework, external auditing of green project allocation and impacts. WDP has increased its energy monitoring and updated its climate targets, establishing a goal of net zero emissions across its value chain by 2050. Clients' transportation emissions are not currently considered in WDP targets and strategies. While limited action on physical climate risk has been taken to date, WDP will assess and mitigate risks and report according to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) by 2024.

We have undertaken a light touch EU Taxonomy assessment, and conclude that the framework's activities are likely aligned with the EU Taxonomy technical screening criteria for substantial contribution to climate change mitigation, except for green buildings where it is not yet possible to conclude on alignment. WDP's policies partially contribute to limiting harm to the other environmental objectives of the Taxonomy, though we have not assessed alignment with the specific DNSH criteria.

Based on the overall assessment of the projects that will be financed under this framework, and governance and transparency considerations, WDP's Green Financing Framework receives a **CICERO Medium Green** shading and a governance score of **Excellent**. Since the overall shading assumes that the issuer prioritizes assets with the highest climate benefits, we encourage transparent allocation and impact reporting on the balance between Medium Green projects vs. Lighter Green lower environmental certifications or energy performance improvements.

SHADES OF GREEN

Based on our review, we rate WDP's Green Financing Framework **CICERO Medium Green.**

Included in the overall shading is an assessment of the governance structure of the Green Financing Framework. CICERO Shades of Green finds the governance procedures in WDP's framework to be **Excellent**.

GREEN BOND & GREEN LOAN PRINCIPLES

Based on this review, this framework is found in alignment with the principles.

°CICERO Medium Green

°CICERO Shades of Green

Contents

1 Terms and methodology

This note provides CICERO Shades of Green's (CICERO Green) second opinion of the client's framework dated March 2022**.** This second opinion remains relevant to all green bonds and/or loans issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

The second opinion is based on a review of the framework and documentation of the client's policies and processes, as well as information gathered during meetings, teleconferences and email correspondence.

Expressing concerns with 'Shades of Green'

CICERO Green second opinions are graded Dark Green, Medium Green or Light Green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The shades are intended to communicate the following:

CICERO Shades of Green	Examples
Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Ideally, exposure to transitional and physical climate risk is considered or mitigated.	Wind energy projects with a strong governance structure that integrates environmental concerns
Medium green is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Physical and transition climate risks might be considered.	Bridging technologies such as plug-in hybrid buses
Light green is allocated to projects and solutions that are climate friendly but do not represent or contribute to the long-term vision. These represent necessary and potentially significant short-term GHG emission reductions, but need to be managed to avoid extension of equipment lifetime that can lock-in fossil fuel elements. Projects may be exposed to the physical and transitional climate risk without appropriate strategies in place to protect them.	Efficiency investments for fossil fuel technologies where clean alternatives are not available

Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, key governance aspects that can influence the implementation of the green bond or loan are carefully considered and reflected in the overall shading. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green financing framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

2 Brief description of WDP's Green Financing Framework and related policies

Headquartered in Wolvertem, Belgium, Warehouses De Pauw NV/SA (WDP) is a publicly regulated real estate company incorporated under Belgian law specializing in warehouses and logistics. WDP serves as an investor, developer, and manager of more than 250 sites with 6 million square meters of long-term leasable warehouse space. Customers are primarily large international corporates that are both end users and logistics service providers, with industrial, retail (food), fast-moving consumer goods (FMCG), and fruits and vegetables as the most common tenant industries. Valued at around €6 billion as of December 2021, WDP operates mainly in Belgium, the Netherlands, Luxembourg, France, Germany, and Romania. WDP is listed on Euronext on the Brussels and Amsterdam stock exchanges.

The green finance framework is an update from 2020, assessed as CICERO Light Green at the time. The main changes in the framework are additions to green buildings and energy efficiency criteria referencing EU Taxonomy standards while removing the waste and water management eligible project categories.

Environmental Strategies and Policies

WDP has a total climate footprint of 232.259 tCO_2e and reports its calculations are aligned with Greenhouse Gas Protocol guidance. Most emissions are the company's Scope 3 embodied carbon from warehouse development materials (~55%, or 270 $kgCO_2e/m^2$ in 2020), client energy consumption at WDP facilities (~35%, 17 $kgCO_2e/m^2$), renovations (~5%, 100 $kgCO_2e/m^2$), and solar panels (~5%, 3,010 $kgCO_2e/kWp$), with less than 1% emissions from Scopes 1 and 2 offices and car parks. Client transportation emissions are not included in WDP's footprint calculations.

In 2022, WDP released its first Climate Action Plan, with a goal of reaching net zero across its value chain, from development and operations through end-of life, by 2050. WDP has committed to a phased approach of achieving net zero for its Scopes 1 and 2 emissions from its corporate offices by 2025 and its car parks by 2030, and its Scope 3 emissions from downstream sources by 2040 and upstream sources by 2050. According to WDP, they will seek Science Based Targets Initiative (SBTi) net zero target validation in 2022 using a small and medium enterprise (SME) pathway.

WDP's Climate Action Plan also commits to energy targets, including achieving 100% renewable energy procurement for on-site use by clients for contracts under WDP control by 2023 (56% as of 2021), 250 MWp solar generation by 2025 (95 MWp as of 2021), 100% energy monitoring coverage by 2025 (73% as of 2021), and 100% LED coverage by 2030 (40% as of 2021). In 2020, WDP reported an absolute building energy intensity of 52.49 kWh/m^2.

To achieve its Scopes 1 and 2 emissions goals, WDP will continue to generate or source renewable energy for its offices with rooftop solar panels and geothermal heat pumps, green procurement strategies, and green power charging for cars and trucks in its lots. To address upstream emissions, WDP plans to procure more sustainable and circular construction materials and PV panels and harness predictive maintenance technologies. According to WDP, downstream emissions reductions will come from green energy procurement and on-site solar production, energy efficiency measures such as improving insulation, heating and air conditioning systems and installing LED lighting and motion detecting, and electrification of heating and cooling. WDP reports that it may pursue nature-based and technological carbon removals to address residual emissions after it has maximized mitigation efforts,

with a formal policy on net zero-related removals expected by end of 2023. According to WDP, the company will align with Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations by 2024, conduct scenario analysis on physical and transition risks in the near term to create a resilience strategy, and report to CDP in 2022. WDP currently reports according to the Global Reporting Initiative (GRI) Core standard.

Use of proceeds

Eligible projects fall under the categories of green buildings, energy efficiency, renewable energy, and clean transportation. The proceeds of green financing instruments can be used to finance and refinance eligible projects partly or completely and will be managed on a portfolio basis. WDP reports that there is no predetermined lookback period due to the focus on updates to their existing property portfolio as well as new developments for this issuance. While expected allocation across eligible project types is not predetermined, WDP reports that there will likely be an emphasis on green buildings and energy efficiency followed by renewable energy. According to WDP, a significant share of projects under the green building category will achieve a 30% reduction in PED or higher levels of environmental certifications (e.g., BREEAM Excellent or Outstanding, EDGE Advanced) to ensure energy performance improvements beyond regulatory requirements or standard practice. If a project no longer meets the eligibility criteria, WDP will remove the project from the green portfolio and has the ambition to replace it with an eligible project as soon as reasonably practicable.

Selection

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance funding. The broader the project categories, the more importance CICERO Green places on the governance process.

According to the framework, WDP will undertake a two-step process to select eligible projects. First, the Treasury Department, under leadership of the Chief Financial Officer, will evaluate projects' eligibility and suggest their addition to the green portfolio if they meet applicable criteria and comply with relevant group-level policies. Then WDP's ESG Team, consisting of the company's General Counsel, Head of Human Resources, Head of Sustainability and Energy, and Head of Investor Relations, will validate and approve or reject those recommendations on at least a quarterly basis. According to WDP, avoiding or mitigating other potential environmental and social risks of eligible projects are considered through the implementation and monitoring of the company's environmental and social policies.

Management of proceeds

CICERO Green finds the management of proceeds of WDP to be aligned with the Green Bond and Green Loan Principles.

The net proceeds from green financing instruments will be managed by WDP's Treasury team on a portfolio basis using an internal register system to track green assets rather than a separate bank account. According to WDP, the company will aim to ensure the outstanding green assets are at all times larger than, or at least equal to, the outstanding green financing. If a green financing instrument is outstanding, an amount equivalent to the proceeds will be allocated to eligible projects. If a project no longer meets the eligibility criteria, WDP will remove the project from the green portfolio and has the ambition to replace it with an eligible project as soon as reasonably practicable.

While WDP plans to fully allocate the proceeds of green financing instruments within two years after issuance, any unallocated proceeds will be invested in line with internal policies, primarily in temporary debt reduction for

new developments that will be BREEAM at least Very Good certified. WDP's ESG team will review and approve the allocation of proceeds from green financing instruments on a quarterly basis.

Reporting

Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs. Procedures for reporting and disclosure of green finance investments are also vital to build confidence that green finance is contributing towards a sustainable and climate-friendly future, both among investors and in society.

Following review and approval by the WDP ESG Team, WDP's Treasury department will on an annual basis report to investors on the allocation and impact of the portfolio of eligible assets. WDP commits to publishing this reporting annually on the Investor Relations section of WDP's website in alignment with International Capital Market Association (ICMA) standards. Allocation reporting will include an aggregated breakdown by category, country, new financing vs. refinancing, assets vs. capital expenditures, and environmental objectives supported, as well as the amount of unallocated proceeds. Impact reporting will be undertaken on a portfolio basis and describe the performance of eligible green projects against predefined metrics by category, as well as data reporting and methodology transparency. According to WDP, impact reporting indicators will include:

Category	Indicators
Green Buildings	• Number of eligible buildings, type of scheme, (such as BREEAM, EDGE, EPC label, or any equivalent internationally recognized third-party verified certification scheme), certification level, and m^2 Gross Building Area • Energy intensity expressed in kWh/m^2 for Green Buildings • Carbon emissions in tonnes CO_2 equivalent • Selected case studies
Energy Efficiency	• kWh/m^2 of Gross Building Area per annum for refurbished buildings • Carbon emissions in tonnes CO_2 equivalent • LED coverage (as a % of the group portfolio) • Energy monitoring system coverage (as a % of the group portfolio) • The amount of energy savings and carbon emissions reduced in tonnes CO_2 equivalent • Selected case studies
Renewable Energy	• The total installed capacity (in MWp) • The total annual generation of renewable energy (in MWh) • The relative percentage of renewable energy generated on site and the percentage / absolute amount of energy reduced / carbon emissions avoided • Energy storage capacity (MWh) • Selected case studies
Clean transportation	• The number of implemented EV charging stations • The percentage of logistics sites with electric vehicle charging stations where parking lots represent at least 10% of parking space • Selected case studies

Table 1. Potential impact reporting indicators

WDP notes that grid emission factors will be based contractual data if available or IEA country averages. Other baselines and calculation methodologies will be disclosed in reporting. An external auditor will review impact reporting indicators as well as the allocation of proceeds towards Eligible Green Projects annually to confirm compliance with the framework and eligibility criteria.

°CICERO Shades of Green

3 Assessment of WDP's Green Financing Framework and policies

The framework and procedures for WDP's green bond or loan investments are assessed and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where WDP should be aware of potential macro-level impacts of investment projects.

Overall shading

Based on the project category shadings detailed below, and consideration of environmental ambitions and governance structure reflected in WDP's Green Financing Framework, we rate the framework **CICERO Medium Green.**

Eligible projects under the WDP's Green Financing Framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds and loans aim to provide investors with certainty that their investments deliver environmental returns as well as financial returns. The Green Bonds Principles (GBP) state that the "overall environmental profile" of a project should be assessed and that the selection process should be "well defined".

Category	Eligible project types	Assessment of alignment with the EU Taxonomy technical screening criteria for substantial contribution to climate change mitigation	Green Shading and some concerns
Green Buildings	New and existing buildings, including investments in buildings under development and building acquisitions that comply with any of the following criteria: Sustainable certified buildings • BREEAM New Construction, or In-Use certification: Very Good, Excellent or Outstanding • EDGE Certified, Advanced, or Zero-Carbon • Green building certification equivalent to the above (e.g., LEED ≥ Gold; HQE ≥ Very Good or DGNB ≥ Silver) Low energy buildings • For buildings built before 31-12-2020, the building has at least an Energy Performance Certificate ("EPC") class A, or is within the top 15% of the national/regional	• **7.1 Construction of new buildings: not possible to conclude on full alignment.** Under the Taxonomy, new buildings must have a PED 10% lower than the NZEB threshold and buildings larger than 5000 m^2 meet additional air tightness and thermal integrity testing and lifecycle global warming potential criteria. Financed activities related to new low energy buildings likely meet the Taxonomy's 10% lower PED than the threshold set for national NZEB requirements. However, according to the issuer, NZEB requirements for industrial buildings such as WDP's warehouses are often not defined, or these buildings are exempt at the national level. This is the case for key markets for WDP such as France, Belgium, and the Netherlands. This has created challenges for establishing whether logistics real estate meets these thresholds. WDP reports that it is working to align with the Taxonomy to the extent possible but cannot yet establish full alignment due to this regulatory uncertainty. WDP plans to update these topics in future issuances.	**Light to Medium Green** ✓ The framework allows for a range of different sustainable building certifications and levels (e.g., BREEAM In-Use and New Construction from Very Good to Outstanding, EDGE Certified to Zero-Carbon) as well as buildings meeting Taxonomy energy thresholds. ✓ While certification standards cover a broad set of issues that are important to sustainable development, they differ considerably in their requirements for energy efficiency, embodied emissions of construction materials, transportation emissions, and resiliency. ✓ Certification alone does not guarantee improvement compared to regulation, or in the absence of such, it is not clear that this represents significant improvements compared to standard practice. ✓ There is also uncertainty as to what will be within the top 20% (for EDGE certification) or 15% (for low energy building criteria) of a country's building stock in terms of energy performance, and

building stock in terms of Primary Energy Demand (PED).[1]
- For buildings built after 31-12-2020, the Primary Energy Demand in kWh/m^2 per year, as displayed on the EPC, is at least 10% lower than the threshold set for the national nearly zero-energy building (NZEB) requirement.[2]

It is not yet clear whether financed activities related to sustainable certified buildings are aligned with these technical screening criteria. BREEAM, which WDP will use primarily in Western Europe, is currently working to align its criteria with Taxonomy criteria and further information is expected in 2022. EDGE certification, which WDP reports it will use for its Eastern European sites, has energy reduction (as well as water and embodied energy in materials) criteria starting at 20% compared to a country baseline, which may not meet Taxonomy thresholds depending on country context.

For all new construction projects in the green buildings category larger than 5,000 m^2, WDP notes that it may undertake tightness, thermal integrity, and lifecycle global warming potential measures or alternative quality control processes, demonstrating alignment with the Taxonomy technical screening criteria.

- **7.7 Acquisition and ownership of buildings: not possible to conclude on full alignment.**

this could include buildings that are not better than regulation or standard practice.
- ✓ WDP reports that a significant share of its allocation of proceeds will go to higher level certifications (e.g., BREEAM Excellent or Outstanding, EDGE Advanced) or re-developments achieving 30% reductions in PED. In the context of the issuer's governance and expected allocation of proceeds, we assign a Light to Medium Green shade to this category.
- ✓ Note that buildings with fossil fuel (e.g., natural gas) heating and cooling can be included.
- ✓ Be aware that climate risk assessment and resilience measures have been committed to but have not yet been fully implemented.
- ✓ Lifecycle emissions of construction materials are addressed in longer-term targets but may not be mitigated nearer term.

[1] The composition of this top 15% is dynamic as real estate will become more energy efficient over time. In case WDP will allocate green finance proceeds to this category, the allocation reporting will include details on the methodology for determining this top 15% based on adequate evidence. Buildings with an effective rated output for heating systems, systems for combined space heating and ventilation, air-conditioning systems or systems for combined air-conditioning and ventilation of over 290 kW are efficiently operated through energy performance monitoring and assessment.
[2] For buildings larger than 5000 m^2, upon completion, the building resulting from the construction undergoes testing for air-tightness and thermal integrity, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. Alternatively, where robust and traceable quality control processes are in place during the construction process this will be used as alternative to thermal integrity testing. In addition, the life-cycle Global Warming Potential (GWP) of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.

Under the Taxonomy, buildings built after 31 December 2020 must have a PED 10% lower than the NZEB threshold and meet additional air tightness, thermal integrity, and lifecycle global warming potential criteria. Please see the analysis for 7.1 above.

Buildings built before that time must have an EPC class A or demonstrate with adequate evidence that they are within the top 15% of national or regional building stock in terms of PED, as demonstrated by adequate evidence. According to the issuer, the Energy Performance of Buildings (EPB) Directive allows members states to decide not to impose EPC labeling system requirements on industrial buildings, which includes logistics real estate like WDP's warehouses, creating challenges determining whether these buildings meet Taxonomy thresholds. The EPB is currently under review and may be updated to include logistics real estate. WDP notes that it is tracking these regulatory developments and plans to update these topics in future issuances.

As described above, it is not yet clear whether financed activities related to sustainable certified buildings or low energy buildings are aligned due to certification and regulatory uncertainty. Similarly, EDGE energy reduction criteria

		starting at 20% compared to a country baseline may not meet these Taxonomy criteria depending on country context. As there is greater clarify on thresholds for warehouses, WDP should continue to provide adequate evidence for these performance benchmarks. All large, non-residential buildings that are owned or acquired must also be covered by energy monitoring systems to align with the Taxonomy. WDP is implementing energy monitoring at 73% of sites, with a goal of 100% coverage by 2025.	
Energy Efficiency °C	Renovated buildings or investments in individual renovation measures to that comply with any of the following criteria: • The building renovation leads to a reduction in Primary Energy Demand of at least 30% • The building renovation complies with the applicable national/regional requirements for major renovations (implementing the EU Energy Performance of Buildings Directive) • Individual renovation measures to improve energy efficiency, including but not limited to building insulation, LED lighting, energy efficient	• **7.2 Renovation of existing buildings: likely aligned.** Financed activities meet the 30% PED reduction threshold for renovation of existing buildings or compliance with national or regional thresholds necessary for renovation of existing buildings. • **7.3. Installation, maintenance and repair of energy efficiency equipment: likely aligned.** Financed activities include the installation or maintenance of energy efficiency equipment such as insulation, light sources, windows and doors, and HVAC systems. • **7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy**	**Medium Green** ✓ Consider that eligible projects that achieve the 30% PED reduction threshold represent significant steps towards the low carbon transition, while there is uncertainty about the level of improvement achieved with activities under the other criteria. ✓ While individual energy efficiency renovation measures carry little climate risk, is not clear what level of quantifiable improvements these types of eligible projects would achieve.

	windows and doors, highly efficient heating-, ventilation and air-conditioning (HVAC), smart meters and energy monitoring systems	**performance of buildings: likely aligned.** Financed activities include the installation or maintenance of energy measuring and regulation equipment such as smart meters.	✓ Some of the efficiency measures can be in buildings with heating/cooling based on fossil fuels. WDP reports that the company is aware of potential lock-in and rebound effects and is working to mitigate these risks from both a climate and cost savings perspective.
Renewable Energy	Investments and expenditures related to on-site renewable energy generation and related technologies that support the energy transition, including: • Renewable energy generation from solar photovoltaic and/or wind projects • Energy storage solutions such as batteries that optimise the use of renewable energy generated on-site • Other low carbon technologies such as district heating/cooling infrastructure, electric / solar photovoltaic air and ground heat pumps, geothermal energy installations	• **7.6 Installation, maintenance and repair of renewable energy technologies: likely aligned.** Financed activities include the installation, maintenance, and repair of renewable energy generation and storage technologies and heat pumps on-site. It is unclear whether geothermal lifecycle emissions from possible geothermal installations will be lower than the 100gCO_2e/kWh Taxonomy threshold, but WDP's focus is primarily on solar.	**Dark Green** ✓ Renewable energy generation and storage supports the low carbon transition. ✓ Note that district heating and cooling grids may include fossil fuel (e.g., natural gas) infrastructure, risking lock-in effects. WDP notes that projects under this eligibility criteria will be evaluated on a case-by-case basis to ensure lower carbon and renewable ready options are pursued, particularly where WDP has greater influence, such on-site installations. ✓ Be aware of lifecycle emissions from all renewable energy technologies, which can vary greatly depending on sourcing and design, as well as potential harmful discharges from geothermal projects.

Clean Transportation 	Investments and expenditures to promote and facilitate sustainable transportation modes, including: • Electrical vehicle charging stations for passenger cars and (light) commercial vehicles, as well as related infrastructure • Improved accessibility of public transport • Bicycle parking and facilities	• **6.13 Infrastructure for personal mobility, cycle logistics: likely aligned.** Financed activities are infrastructure dedicated to cycle logistics. • **6.15 Infrastructure enabling low-carbon road transport and public transport: likely aligned.** Financed activities are dedicated to urban and suburban public passenger transport. • **7.4 Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings): likely aligned.** Financed activities are the construction and operation of EV charging stations and associated infrastructure.	**Dark Green** ✓ Well-aligned with a low carbon transportation future. ✓ Electrification and cycling are avenues for decarbonizing the transport sector, while public transport is more resource efficient than private modes of transportation. ✓ Note that charging stations could be used by hybrids as well as fully electric vehicles.

Table 2. Eligible project categories

Background

Decarbonizing buildings and construction as well as transportation and logistics will be critical in achieving a law carbon and climate resilient future.

According to the IEA, nearly one-third of total global final energy consumption comes from buildings and construction, accounting for about 15% of direct climate emissions.[3] Emissions from building operations have increased around 1% each year since 2010 due growth in construction despite increasing energy efficiency standards and growth in renewable energy, threatening this sector's pathway to net zero by 2050 and a 20% zero carbon ready building stock milestone in 2030.[4] To get back on track, energy consumed per square meter in 2030 must be 45% lower than in 2030.[5] In its Net Zero by 2050 report, the IEA recommends mitigation measures including energy efficiency, electrification, avoided demand, and bioenergy and other renewables deployment.[6] While environmental certification systems such as BREEAM and LEED calculate the environmental footprint and raise awareness of environmental issues, they often fall short of guaranteeing compliance with factors that insure a low-climate impact building, such as energy efficiency, access to public transport, climate resilience, or sustainable building materials.

Transportation emissions are also growing overall despite a temporary drop due to the COVID-19 pandemic, and currently account for 37% of total emissions, three-quarters of which are from road transport.[7] The IEA's Net Zero by 2050 scenario requires a 20% decrease in emissions by 2030 for the sector to stay on track through accelerating measures such as modal shift, operational and technical efficiency improvements, and a transition to electric mobility and other low-carbon fuels.[8] To achieve a low-carbon future, further innovation will be needed across transportation modes to move many necessary technologies and fuel alternatives beyond the prototype and demonstration stage towards full commercialization and widespread deployment[9] Electrification of transportation to achieve emissions reductions will require greening the grid and improving lifecycle emissions from renewable energy generation.

EU Taxonomy

The EU Taxonomy is a classification system establishing a list of environmentally sustainable economic activities.[10] The regulation defines six environmental objectives.[11] To be considered sustainable, an activity must substantially contribute to at least one of the six environmental objectives without harming the other objectives ("Do No Significant Harm"), while complying with minimum social safeguards.[12] So far, the EU has adopted delegated acts under the regulation that set out the technical screening criteria for the climate mitigation and adaptation objectives, respectively. The DNSH-criteria are developed to make sure that progress

[3] Buildings: A Source of Enormous Untapped Energy Efficiency Potential, IEA, https://www.iea.org/topics/buildings
[4] Ibid.; Tracking Buildings 2021, IEA, https://www.iea.org/reports/tracking-buildings-2021
[5] Tracking Buildings 2021, IEA, https://www.iea.org/reports/tracking-buildings-2021
[6] Net Zero by 2050: A Roadmap for the Global Energy Sector, IEA, https://www.iea.org/reports/net-zero-by-2050
[7] Transport: Improving the Sustainability of Passenger and Freight Transport, IEA, https://www.iea.org/topics/transport; Tracking Transport 2021, IEA, https://www.iea.org/reports/tracking-transport-2021
[8] Transport: Improving the Sustainability of Passenger and Freight Transport, IEA, https://www.iea.org/topics/transport; Net Zero by 2050: A Roadmap for the Global Energy Sector, IEA, https://www.iea.org/reports/net-zero-by-2050
[9] Tracking Transport 2021, IEA, https://www.iea.org/reports/tracking-transport-2021
[10]Regulation EU 2020/852 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN
[11] The six environmental objectives as defined in the proposed Regulation are: (1) climate change mitigation; (2) climate change adaptation; (3) sustainable use and protection of water and marine resources; (4) transition to a circular economy, waste prevention and recycling; (5) pollution prevention and control; (6) protection of healthy ecosystems.
[12] Alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, including the International Labour Organisation's ('ILO') declaration on Fundamental Rights and Principles at Work, the eight ILO core conventions and the International Bill of Human Rights.

against some objectives is not made at the expense of others and recognizes the relationships between different environmental objectives. Relevant EU-Taxonomy activities for WDP are listed in Table 2 above. This review does not consider contexts outside of the EU where WDP currently operates.

CICERO Green assesses that the financed Taxonomy activities the project categories are likely aligned with the mitigation criteria in the EU Taxonomy, with the exception of the aspects of green buildings detailed above where it is not currently possible to determine alignment.

Do No Significant Harm

In the following, CICERO Green does not assess alignment with the specific DNSH-criteria for each of the relevant Taxonomy activities that could be financed under the framework. For each environmental objective, we consider the DNSH approach more broadly, taking into account governance aspects. Overall, we find that WDP's policies partially contribute to avoiding any significant harm to the other environmental objectives. The full implementation of WDP's current commitments to undertake climate adaptation assessment and risk mitigation measures and source more circular materials should contribute to adherence to the DNSH criteria on climate adaptation and circular economy. Information on water, pollution, and biodiversity management is insufficient to evaluate performance in these areas beyond regulatory compliance.

Climate change adaptation

WDP has committed to aligning with Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations in its 2023 Annual Report (published in 2024) and conducting scenario analysis on physical and transition risks in the near term to create a resilience strategy.

Transition to a circular economy

In WDP's 2022 Climate Action Plan, the company reports that it plans to develop circular design solutions for its warehouses in collaboration with architects and construction partners. WDP also commits to sourcing more circular alternatives for building materials such as concrete, steel, and solar panels.

Protection of water and marine resources

WDP's monitors and reports on its water use by its corporate offices and operations, including tenant use. According to WDP, the company has undertaken water use reduction measures including rainwater reuse systems and motion sensors. Some building certifications of WDP's portfolio, such as BREEAM, also consider building water use and pollution performance.

Pollution prevention and control

WDP mentions air, water, and soil pollution as considerations in its 2022 Climate Action Plan. Some of the company's building certifications, such as BREEAM, require certain levels of pollution mitigation performance.

Protection and restoration of biodiversity and ecosystems

WDP reports a goal of having a net positive impact on biodiversity around its sites and undertakes brownfield redevelopment where feasible to avoid converting natural areas.

Minimum Social Safeguards

To qualify as a sustainable activity under the EU regulation certain minimum social safeguards must be complied with. CICERO Green has not assessed WDP's alignment with the EU Taxonomy social safeguards but made a risk-based assessment of its policies related to human and labour rights. Overall, these policies

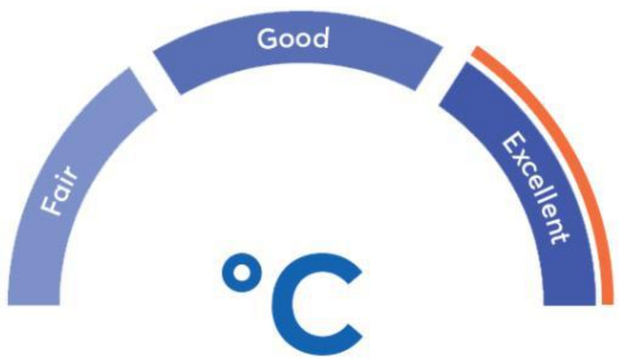
appear to partially contribute to reducing social risks, including in the supply chain. While WDP's policies, grievance mechanism, and health and safety measures are robust, there are currently limited formalized auditing and verification procedures to ensure compliance across social dimensions, particularly among supply chain partners.

WDP's Employer Code of Conduct, Supplier Code of Conduct, and Human Rights Policies require respect for human rights, including fair and safe working conditions, freedom from discrimination, freedom of association, no child labour or forced labour, and business ethics across the company's value chain, with regular reporting to the Audit Committee and Board of Directors. In terms of health and safety, WDP reports publicly on its performance and governance, and undertakes staff trainings, site audits, emergency planning, and third-party procedures. WDP reports it monitors and liaises closely with suppliers and customers to ensure their compliance with environmental and social standards. The company has published formal grievance management procedures for employees and third parties on its website. According to WDP, the company will formalize additional value chain due diligence measures by 2025.

Governance Assessment

Four aspects are studied when assessing the WDP's governance procedures: 1) the policies and goals of relevance to the green financing framework; 2) the selection process used to identify eligible projects under the framework; 3) the management of proceeds; and 4) the reporting on the projects to investors. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

WDP has ambitious climate goals to achieve net zero across its value chain by 2050. Current adaptation measures are unclear, but WDP has committed to increasing its risk assessment, disclosure, and mitigation measures in alignment with TCFD. WDP has improved energy monitoring to 73% of its sites and has set a goal of 100% coverage by 2025, and publicly reports each year on relevant climate and energy indicators.



The selection process for eligible projects is robust and includes environmental competence. Financed projects are screened for environmental and social risks as well as adherence to selection criteria.

Reporting on allocation and impacts is in line with best practices and includes third party auditing of both aspects, an update from previous WDP issuances. WDP will report publicly and be transparent on methodologies, baselines, and assumptions used in impact calculations.

The overall assessment of WDP's governance structure and processes gives it a rating of excellent.

Strengths

The company has ambitious, time-bound climate goals across its Scope 1, 2, and 3 emissions, with a target of achieving net zero by 2050. WDP has increased its energy performance monitoring coverage to 73% of its portfolio, with a goal of 100% coverage by 2025, and set a target of generating 250 MWp from on-site solar by 2025, over two and a half times its current levels. The company has also strengthened its environmental governance structures and processes. It is encouraging that the company sees the link between sustainability and risk management, business opportunities and long-term financial performance.

Reporting on allocation and impacts is in line with best practices.

Weaknesses

We find no obvious weaknesses in WDP's Green Financing Framework.

Pitfalls

CICERO Green encourages WDP to clearly report on what share of its allocation of proceeds go to buildings demonstrating a 30% reduction in PED or with higher levels of certifications (e.g., BREEAM Excellent or Outstanding, EDGE Advanced). Green building certifications include many important environmental aspects. However, certifications such as BREEAM and LEED alone do not necessarily ensure improved energy performance beyond regulatory requirements or that resilience and public transport aspects are taken into consideration. The latter is similarly a concern for buildings with EDGE certificates, as well as the accuracy of its methodology's energy estimates. For low energy building projects, there is uncertainty for how ambitious the top 15% of the national or regional building stock expressed as operational Primary Energy Demand (PED) will be in terms of energy efficiency. These criteria could potentially allow for refinancing buildings that do not necessarily perform better than regulatory standards. Introducing minimum quantified energy efficiency thresholds for all buildings that demonstrate a clear improvement beyond regulatory requirements (or standard practice if regulations do not apply) is an opportunity to strengthen future frameworks.

For investment in buildings, it is also important to consider lock-in effects of fossil fuel consumption for heating/cooling. Projects under the green buildings category could include new infrastructure for natural gas, and renewable energy projects related to district heating and cooling may connect to local infrastructure involving natural gas. While more systemic action is needed to fully phase out local heating grid fossil fuels over time, WDP should continue its efforts to evaluate heating and cooling projects on a case-by-case basis and explore the technical and commercial readiness of non-fossil fuel-based technologies to reduce potential lock-in risks, particularly for on-site installations over which it has more influence. Efficiency improvements may also lead to rebound effects. WDP should continue to be aware of such effects and monitor energy performance closely.

At the same time, some aspects of the framework mitigate these potential pitfalls for the green buildings category. WDP's ambitious overarching climate targets across its Scopes 1, 2 and 3 emissions provide good context for implementing the framework in alignment with a low carbon transition. Some criteria for eligible projects, such as the 10% below NZEB threshold for buildings built from 2021 onwards, do ensure improved energy efficiency performance compared to regulations where NZEB regulations for industrial buildings exist.

Lock-in related to transportation emissions is another potential pitfall. WDP's climate emissions calculations and targets do not include their clients' transportation emissions, so factors such as shift to rail may not be considered in site selection. This is partially mitigated by WDP's plans to provide electric charging stations for cars and trucks at its sites.

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Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	WDP Green Financing Framework, dated February 2022	WDP's updated green financing framework dated February 2022
2	WDP Climate Action Plan, dated 28 January, 2022	WDP's press release and report on its climate strategy from January 2022
3	WDP FY 2021 Results, dated 28 January 2022	WDP's FY 2021 reporting from January 2022
4	WDP Press Release: Regulated Information, dated 28 January 2022	WDP's public report on 2021 results from January 2022
5	WDP 2020 Annual Report, dated March 2021	WDP's annual reporting on performance in 2020 from March 2021
6	WDP Corporate Citizenship at WDP brief	WDP's overview of its corporate citizenship practices
7	WDP Human Rights Policy, dated 8 July 2021	WDP's human rights policy from July 2021
8	WDP Supplier Code of Conduct, dated January 2021	WDP's supplier code of conduct from January 2021
9	WDP Employee Code of Conduct, dated 25 March 2020	WDP's employee code of conduct from March 2020

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Appendix 2:
About CICERO Shades of Green

CICERO Green is a subsidiary of the climate research institute CICERO. CICERO is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international cooperation. CICERO has garnered attention for its work on the effects of manmade emissions on the climate and has played an active role in the UN's IPCC since 1995. CICERO staff provide quality control and methodological development for CICERO Green.

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Green is independent of the entity issuing the bond, its directors, senior management and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

We work with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO). Led by CICERO Green, ENSO contributes expertise to the second opinions, and is comprised of a network of trusted, independent research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University, the International Institute for Sustainable Development (IISD) and the School for Environment and Sustainability (SEAS) at the University of Michigan.