

Second-Party Opinion

NEPI Rockcastle Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the NEPI Rockcastle Green Finance Framework aligns with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2020. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds, Green Buildings and Energy Efficiency, are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically Goals 7 and 11, Affordable and Clean Energy and Sustainable Cities and Communities, respectively.



PROJECT EVALUATION / SELECTION NEPI Rockcastle's internal process for evaluating and selecting projects is managed by its Green Finance Committee (the "Committee"). The Committee is comprised of representatives from the Group's Treasury, Finance, Investments and Acquisitions departments, as well as members from the Property Management team. Sustainalytics considers the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS NEPI Rockcastle will track the net proceeds using a portfolio approach and will strive to ensure that the amount allocated to the Eligible Green Project Portfolio is larger than the balance of net proceeds from its outstanding green finance instruments. Unallocated proceeds may be held or invested in its liquidity portfolio, in short term and liquid instruments or used to pay back a portion of outstanding indebtedness. Sustainalytics considers this approach to be in line with market practice.



REPORTING NEPI Rockcastle intends to provide publicly available allocation and impact reporting on an annual basis until full allocation. Allocation reporting will include information on eligible green projects, the remaining balance of unallocated proceeds and the share of financing vs. refinancing, while impact reporting will draw on various quantitative and qualitative impact metrics. Sustainalytics views NEPI Rockcastle's allocation and impact reporting as aligned with market practice.

Evaluation date June 23, 2020

Issuer Location Amsterdam, Netherlands

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Introduction

NEPI Rockcastle (“NEPI-R”, or the “Group”) is a commercial property firm headquartered in Douglas, Isle of Man. With an investment portfolio of EUR 6.3 billion as of December 31st 2019, the Group owns and operates 53 retail properties in nine countries across Central and Eastern Europe (excluding joint ventures).

NEPI-R has developed the NEPI Rockcastle Green Finance Framework (the “Framework”) under which it intends to issue green bonds, green loans and other green debt or hybrid financing instruments (“green finance instruments”) and use the proceeds to finance and/or refinance existing and/or future projects that aim to reduce the carbon footprint and energy consumption associated with NEPI Rockcastle properties. The Framework defines eligibility criteria in two areas:

1. Green Buildings
2. Energy Efficiency

NEPI-R engaged Sustainalytics to review the NEPI Rockcastle Green Finance Framework, dated June 2020, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)¹ and the Green Loan Principles 2020 (GLP).² This Framework will be published in a separate document.³

Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible 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 2018, as administered by ICMA, and the Green Loan Principles 2020, as administered by LMA;
- The credibility and anticipated positive impacts of the use of proceeds;
- 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 1.4.1, 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 NEPI-R’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. NEPI-R representatives have confirmed (1) they understand it is the sole responsibility of NEPI-R to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that 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.

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

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 proceeds but does not measure the actual impact. The

¹ 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/>.

² The Green Loan Principles are administered by the Loan Market Association and are available at https://www.lma.eu.com/application/files/1815/8866/8537/Green_Loan_Principles_V03.pdf

³ The NEPI Rockcastle Green Finance Framework is available on NEPI Rockcastle ’s website at: www.nepirockcastle.com (sections dedicated to Sustainability and Financing Activities).

⁴ 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.

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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 intended allocation of proceeds but does not guarantee the realized allocation of the bond 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 favor or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that NEPI-R has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the NEPI Rockcastle Green Finance Framework

Sustainalytics is of the opinion that the NEPI Rockcastle Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of NEPI Rockcastle's Green Bond Framework:

- Use of Proceeds:
 - The eligible categories, Green Buildings and Energy Efficiency, are aligned with those recognized by the GBP and GLP.
 - Under this Framework, NEPI-R may issue green finance instruments and use the proceeds to finance or refinance activities related to improving the energy and resource efficiency performance of its portfolio of commercial properties and office buildings. Sustainalytics views positively that investments undertaken by NEPI-R seek to reduce the Group's impact on natural resources and biodiversity both during construction and in the operational stages.
 - Within the Green Buildings category, NEPI-R intends to allocate funds to the acquisition, construction or refurbishment of buildings that are certified under BREEAM (Very Good and above), LEED (Gold and above) and EDGE. Sustainalytics considers these rating schemes and the selected levels to be credible and aligned with market practice. See Appendix 1 for an overview of each scheme.
 - Under the Energy Efficiency category, proceeds will be used to finance and/or refinance a) renovations or refurbishment of existing buildings that do not fall under the Green Building category and/or b) individual energy efficiency building measures that reduce energy use and/or carbon emissions, such as the installation of solar photovoltaic systems. Sustainalytics notes the following criteria:
 - Existing buildings must either deliver a minimum 30% reduction in carbon emissions intensity or represent a two-letter grade improvement according to local Energy Performance Certificates (EPCs). Sustainalytics views a 30% carbon emissions intensity reduction threshold as a robust and transparent criterion. With regards to local EPCs, Sustainalytics views a two-letter grade improvement to be significant, while acknowledging that the scale of impact may vary across NEPI-R's markets, as different countries determine and measure energy performance levels differently with varying levels of transparency. Sustainalytics encourages NEPI-R to ensure at least a 20% improvement in energy performance and to report on quantitative improvements.
 - Sustainalytics notes that the Group has also committed to not finance or refinance any projects related to buildings intended for the extraction, storage, transportation or manufacture of fossil fuels. Sustainalytics is of the opinion that these exclusions strengthen the Framework.
- Project Evaluation and Selection:
 - NEPI-R's Green Finance Committee (the "Committee") will oversee the project selection and evaluation process based on eligibility criteria set forth by the Framework. The Committee includes representatives from the Group's Treasury, Finance, Investments and Acquisitions departments, as well as members from the Property Management team. The process will be chaired by NEPI-R's CFO, who is also a member of the Group's Social and Ethics Committee. The

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- Committee convenes at least annually to monitor the overall selection process and to ensure continuous alignment with the eligibility criteria.
 - Based on the defined internal procedures, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - NEPI-R will track the net proceeds of the green finance instruments using a portfolio approach. The Group intends to maintain a level of allocation for the Eligible Green Project Portfolio, which matches or exceeds the balance of net proceeds from its outstanding green finance instruments. Additional Eligible Green Projects will be added to the Eligible Green Project Portfolio to ensure that the net proceeds from outstanding Green Finance Instruments will be allocated to Eligible Green Projects.
 - In the event that NEPI-R should issue a green finance instrument where the proceeds are not fully allocated at time of issuance, the Group will aim to fully allocate proceeds from green finance instruments within the first 12 months. Pending allocation, net proceeds will be held or invested in the Group’s treasury liquidity portfolio, in cash or other short term and liquid instruments or to pay back a portion of its outstanding indebtedness.
 - Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - NEPI-R has committed to providing allocation and impact reporting updates on an annual basis until full allocation. These reports will be made available publicly via the Group’s website.⁵ Allocation reporting will include details regarding the allocation of net proceeds, information on eligible green projects, the remaining balance of unallocated proceeds and the share of financing vs. refinance.
 - The impact report will report on, where feasible and on a best effort basis, impact metrics including (i) level of certification by property (ii) annual GHG emissions reduced/avoided, (iii) annual energy savings, and (iv) % of annual energy efficiency gain relative to established baseline. NEPI-R has confirmed that its annual green finance reporting will be subject to an external review which will be made available publicly.
 - Based on the outlined reporting commitments, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2018 and Green Loan Principles 2020

Sustainalytics has determined that the NEPI Rockcastle Green Finance Framework aligns to the four core components of the GBP 2018 and GLP 2020. For detailed information please refer to Appendix 2: Green Bond Programme External Review Form.

Section 2: Sustainability Performance of NEPI Rockcastle

Contribution of framework to NEPI Rockcastle’s sustainability strategy

With an enterprise-wide focus on ESG-integration, NEPI-R has embedded sustainability practices into its core business model. The Group’s stated overarching mission is to “drive a sustainable business and be a responsible corporate citizen.”⁶ In line with this mission, the Group’s sustainability strategy is based on four key pillars: 1) Sustainable resource management; 2) Sustainability through green buildings; 3) Community engagement and 4) People and business integrity.⁷ In 2018, NEPI-R set specific medium- and long-term goals for each of these focus areas and has reported on its progress to date in its 2019 Annual Report.⁸ The proceeds of the green finance instruments issued under this Framework will be used to contribute to the Group’s overarching sustainability strategy, with the eligible categories specifically aligning with the objectives of the first two focus areas.

The goal of NEPI-R’s first strategic pillar – Sustainable resource management – is to improve the Group’s operational environmental footprint while enhancing overall energy efficiency. In order to fulfill this goal, NEPI-R has set a series of 2022 medium-term goals and 2030 long-term goals that focus on lowering the negative impact its operations have on natural resources and biodiversity, and reducing water, energy, gas consumption and emissions as well as sustainable waste management. These goals include, but are not limited to, increasing energy efficiency for its office portfolio by 5% and for its retail portfolio by 10% by 2022, and reducing the carbon footprint associated with all operations by 20% by 2030 and purchasing 50% of its

⁵ www.nepirockcastle.com

⁶ NEPI Rockcastle, 2019 Annual Report: https://nepirockcastle.com/wp-content/uploads/2020/03/NEPI_Rockcastle_Annual_Report_2019.pdf#page=72

⁷ *Ibid.*

⁸ *Ibid.*

electricity from renewable sources for all areas managed by the Group by the same target year. NEPI-R has outlined a series of KPIs it uses to measure its progress.⁹ In 2019, NEPI-R reported a decline of 8,170 tons in CO₂ emissions and a 1.9% decrease in energy use within its utilities' consumption; with a 2.2% decrease in its retail properties, a 0.9% decrease in its office buildings and a 2.6% decrease in its industrial buildings.¹⁰

NEPI-R's second strategic pillar – Sustainability through green buildings – focuses on increasing the number of certified green buildings within its portfolio of assets. The Group intends to obtain at least BREEAM Very Good for 100% of the buildings in its retail and office portfolios that will be undergoing recertification, by 2022. The Group also aims to obtain EDGE certifications but has not specified a quantitative target or for which portfolios it intends to obtain such certifications. The Group aims to have more than 75% of its assets certified under BREEAM Very Good by the end of 2020. As of December 2019, 51% of the Group's properties are certified BREEAM Very Good or Excellent and 43% are under certification. Sustainalytics views these quantitative time-bound targets and reporting commitments positively and encourages NEPI-R to set similar portfolio-centric targets and reporting commitments for EDGE and LEED-certified properties, where feasible.

Based on the above, Sustainalytics is of the opinion that the NEPI Rockcastle Green Finance Framework is aligned with the Group's overall sustainability strategy and initiatives.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics recognizes the importance of green buildings and energy efficiency projects and believes that such investments will lead to overall positive environmental benefits; however, it is acknowledged that as with any large-scale development projects, such activities may pose environmental and social risks. Some of the key environmental risks associated with the Framework's eligible projects include waste generation that may occur during the construction of new buildings or refurbishment of existing buildings and biodiversity loss issues. Potential social risks include worker occupational health and safety. Sustainalytics highlights the risk mitigation procedures NEPI-R currently has in place, as well as its ongoing plans to enhance its efforts:

- NEPI-R applies an enterprise-wide Corporate Governance Framework that stipulates consideration of the short-and long-term impact of the Group's operations on the economy, society and environment and guides the Group's approach to environmental management.¹¹
- In 2020, the Group implemented a Sustainable Procurement Policy and an Environmental Policy in order to ensure ongoing accountability for its environmental risk mitigation efforts.¹² These policies serve to provide a more structured approach to environmental risk management and to reduce the adverse environmental impact of purchased products and services.¹³
- In order to prevent biodiversity loss during the property development and construction phase, the Group conducts Environmental Impact Assessments prior to each new development project in accordance with applicable local laws, with a focus on minimizing its risk on protected areas with endangered species.¹⁴
- In 2020, the Group developed a Risk Management Policy and a Risk Appetite Policy that consider key risk areas at the Group level, as well as best practice frameworks for sustainable development. As of 2019, the Group's Risk Committee has worked towards redesigning and aligning the risk management process to COSO ERM framework and ISO 31000 principles.¹⁵
- NEPI-R manages occupational health and safety risks through a series of internal procedures and measures, including worker health and safety risk management protocols, mandatory permitting, regular inspections and ongoing training, and routine safety audits supervised by specialized independent companies.¹⁶
- To ensure responsible operational practices at all levels of the organization, the Group applies a Code of Ethical Conduct which is approved by the Board and is applicable to all employees, consultants and contractors across its operations.¹⁷
- In the majority of the countries where the Group operates there are regulations in place ensuring that interested communities opine on the future development to be made. To this end, NEPI-R is

⁹ *Ibid.*

¹⁰ *Ibid.*

¹¹ NEPI Rockcastle, Corporate Governance Framework: <https://nepirockcastle.com/group/corporate-governance/corporate-governance-framework/>

¹² NEPI Rockcastle, 2019 Annual Report: https://nepirockcastle.com/wp-content/uploads/2020/03/NEPI_Rockcastle_Annual_Report_2019.pdf#page=72

¹³ *Ibid.*

¹⁴ *Ibid.*

¹⁵ *Ibid.*

¹⁶ *Ibid.*

¹⁷ *Ibid.*

committed to addressing such opinions and initiatives within the development planning stages, where feasible.

Based on NEPI-R's existing procedures, Sustainalytics is of the opinion that NEPI-R has sufficient and adequate measures in place to manage and mitigate environmental and social risks commonly associated with the eligible categories, while noting that a number of the Group's environmental policies and processes have not yet been published publicly and as such have not been formally assessed.

Section 3: Impact of Use of Proceeds

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

The importance of green buildings and energy efficiency improvements in Central and Eastern Europe¹⁸

The real estate sector is a significant contributor to CO₂ emissions within the EU, with buildings accounting for approximately 40% of final energy consumption and 36% of CO₂ emissions.¹⁹ In seven of 11 Central and Eastern Europe (CEE) countries,²⁰ buildings account for a larger share of total energy consumption than the European average, reaching over 50% in some member states.²¹ According to the European Commission, high energy consumption levels are directly correlated with the age of buildings.²² For example, per 2019, Romania counts on over 8,300,000 buildings – most of which were built before 1990 – resulting in energy losses that are two to three times higher than modern buildings.²³ Research suggests that energy efficiency measures can reduce the energy consumption of a building by up to 40%,²⁴ and more specifically, that in Romania, up to 80% of the CO₂ emissions from its building stock could be reduced through a comprehensive renovation program.²⁵ Further, the European Commission considers that the renovation and retrofit of existing buildings can result in significant energy savings within the region, with the potential of reducing the EU's total energy consumption by 5-6% and lowering total CO₂ emissions by about 5%.²⁶

Given its large carbon footprint, energy efficiency interventions and renovations in the existing building stock in CEE countries can result in significant environmental benefits for the region as a whole. Within the CEE region, certification systems have also proven to strengthen energy efficiency for office buildings, with some countries, such as Romania, introducing policies to incentivize companies to acquire green certifications, such as LEED and BREEAM.²⁷ For example, four Romanian cities offer local tax deductions for offices with green certifications, which has resulted in a surge in the share of new green office buildings.²⁸ Considering that buildings account for the largest share of energy use in Romania,²⁹ an increase in green-certified office and commercial buildings has the potential to result in significant energy savings. In 2019, Romania released its 2019-2030 Energy Strategy, stating that the country would need an estimated EUR 20 billion in investments in the energy sector, namely in renewables, in order to replace outdated plants while continuing to meet rising energy demands.³⁰ In this context, Sustainalytics views NEPI-R's investment in energy efficiency measures such as solar photovoltaic systems to be aligned with Romania's national environmental strategy.

Considering the above, Sustainalytics is of the opinion that NEPI-R's renovations or refurbishments of existing buildings will provide meaningful contribution towards improving energy consumption within CEE, and more broadly for the EU and its decarbonization efforts. Sustainalytics also believes that NEPI-R's financing of green

¹⁸ Sustainalytics notes that a majority of NEPI-R's properties are situated in Romania, and as such has focused on the Romanian market for the purposes of this analysis. For more information on NEPI-R's geographical diversification, see: <https://nepirockcastle.com/portfolio/>

¹⁹ European Commission, "Energy performance of buildings directive": https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

²⁰ Poland, Estonia, Czech Republic, Hungary, Slovakia, Slovenia, Bulgaria, Romania, Croatia, Lithuania and Latvia.

²¹ Corporate Leaders Group, 'The energy transition in Central and Eastern Europe' (2018): <https://www.corporateleadersgroup.com/reports-evidence-and-insights/publications/publications-pdfs/cee-energy-transition-report.pdf>

²² European Commission, 'EU Buildings Factsheets': https://ec.europa.eu/energy/eu-buildings-factsheets_en

²³ Energy Industry News, 'Romania's Compliance with the Energy Performance of Buildings Directive' (2019): <https://energyindustryreview.com/construction/romaniyas-compliance-with-the-energy-performance-of-buildings-directive/>

²⁴ *Ibid.*

²⁵ iBRoad, Factsheet: Romania: http://ibroad-project.eu/wp-content/uploads/2018/01/iBROAD_CountryFactsheet_ROMANIA.pdf

²⁶ European Commission, 'Energy performance of buildings directive': https://ec.europa.eu/energy/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

²⁷ Corporate Leaders Group, 'The energy transition in Central and Eastern Europe' (2018); <https://www.corporateleadersgroup.com/reports-evidence-and-insights/publications/publications-pdfs/cee-energy-transition-report.pdf>

²⁸ *Ibid.*

²⁹ iBRoad, Factsheet: Romania: http://ibroad-project.eu/wp-content/uploads/2018/01/iBROAD_CountryFactsheet_ROMANIA.pdf

³⁰ Renewable Market Watch, Current State of the Solar Photovoltaic Energy Market in Romania: <http://renewablemarketwatch.com/news-analysis/296-current-state-of-the-solar-photovoltaic-energy-market-in-romania>

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buildings that have obtained recognized green certifications at the specified levels will yield positive environmental impact within the region.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
Energy Efficiency	7. Affordable and Clean Energy	7.2. By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency.

Conclusion

NEPI Rockcastle has developed the NEPI Rockcastle Green Finance Framework under which it will issue green finance instruments and use the proceeds to finance or refinance projects that fall within either of the following categories: Green Buildings and Energy Efficiency. Sustainalytics is of the opinion that the projects outlined in the Framework will reduce the Group's overall carbon footprint and will provide positive environmental impacts across the region.

The NEPI Rockcastle Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the NEPI Rockcastle Green Finance Framework is aligned with the overall sustainability strategy of the Group and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7 and 11. Sustainalytics is of the opinion that NEPI Rockcastle has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that NEPI Rockcastle is well-positioned to issue green finance instruments and that the NEPI Rockcastle Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2020.

Appendices

Appendix 1: Overview of Green Building Certification Schemes

	BREEAM ³¹	LEED ³²	EDGE ³³
Background	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	EDGE (or “Excellence in Design for Greater Efficiencies”) is a green building standard and certification system developed by the International Finance Corporation and applicable in 140 countries.
Certification levels	<ul style="list-style-type: none"> • Pass • Good • Very Good • Excellent • Outstanding • 	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	Certified/ non-certified
Areas of Assessment:	<ul style="list-style-type: none"> • Management • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<ul style="list-style-type: none"> • Energy and Atmosphere • Sustainable Sites • Location and Transportation • Materials and Resources • Water Efficiency • Indoor Environmental Quality • Innovation in Design • Regional Priority 	Management is part of the Core Framework of EDGE. ³⁴
Requirements	<p>Prerequisites depending on the levels of certification and credits with associated points</p> <p>This number of points is then weighted by item and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREAAAM has two stages/ audit reports: a ‘BREEAM Design Stage’</p>	<p>Prerequisites (independent of level of certification) and credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	To achieve the EDGE standard, a building must demonstrate a minimum 20% reduction in operational energy consumption, water use and embodied energy in materials as compared to typical local practices.




³¹ BREEAM: <https://www.breeam.com/>

³² USGBC, LEED: <https://www.usgbc.org/leed>

³³ EDGE: <https://www.edgebuildings.com/>

³⁴ EDGE, EDGE Methodology Report: <https://www.edgebuildings.com/wp-content/uploads/2018/10/181018-EDGE-Methodology-Version-2.pdf>

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	and a 'Post Construction Stage', with different assessment criteria.		
Performance display			
Qualitative Considerations	<p>Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. Minimum standards less strict than LEED.</p>	<p>Widely recognised internationally, and strong assurance of overall quality.</p>	<p>Strong assurance of overall quality due to the EDGE's development under the IFC umbrella.</p>

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	NEPI Rockcastle
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	NEPI Rockcastle Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	June 23, 2020
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds Green Buildings and Energy Efficiency are aligned with those recognized by the Green Bond Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically Goals 7 and 11.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

NEPI Rockcastle's internal process for evaluating and selecting projects is managed by its Green Finance Committee (the "Committee"). The Committee is comprised of representatives from the Group's Treasury, Finance, Investments and Acquisitions departments, as well as members from the Property Management team. The Treasury department will be responsible for final project approval. Sustainalytics considers the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
|--|--|

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- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

NEPI Rockcastle will track the net proceeds using a portfolio approach and will strive to ensure that the amount allocated to the Eligible Green Project Portfolio is larger than the balance of net proceeds from its outstanding green finance instruments. Unallocated proceeds may be held or invested in its liquidity portfolio, in short term and liquid instruments or used to pay back a portion of outstanding indebtedness. Sustainalytics considers this approach to be in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

NEPI Rockcastle intends to provide publicly available allocation and impact reporting on an annual basis until full allocation. Allocation reporting will include information on eligible green projects, the remaining balance of unallocated proceeds and the share of financing vs. refinancing, while impact reporting will draw on various quantitative and qualitative impact metrics. Sustainalytics views NEPI Rockcastle's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
|---|--|

- Other (*please specify*): The remaining balance of unallocated proceeds; the geographical distribution of Green Projects and the share of financing/refinancing.

Frequency:

- Annual Semi-annual
- Other (*please specify*):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (*please specify*):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (*please specify*): Level of certification by property; % of annual energy efficiency gain relative to an established baseline.

Frequency

- Annual Semi-annual
- Other (*please specify*):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (*please specify*):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion) Certification
- Verification / Audit Rating

Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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