

# Second-Party Opinion

## Tritax Big Box REIT plc

### Green Finance Framework



## Evaluation Summary

Sustainalytics is of the opinion that the Tritax Big Box REIT plc Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2020. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, and Energy Efficiency – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that investments in these categories will increase the environmental performance of Tritax’s portfolio and advance the UN Sustainable Development Goals, specifically SDGs 7 and 9.



**PROJECT EVALUATION / SELECTION** The Group's Green Finance Committee will act on behalf of the Company to verify assets or projects complying with the eligibility criteria of the Framework. The Green Finance Committee is composed of the Sustainability Lead, the CFO, and a member of the Asset Management team of Manager. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** The Group will manage net proceeds on a portfolio basis. The Group will ensure there is an excess of Eligible Green Projects over the amount drawn from any Green Finance Transaction. Any unallocated proceeds will be managed in compliance with the Group's Finance Policy and may be temporarily invested in cash and/or cash equivalents and/or liquid marketable liquidity instruments and/or via the temporary repayment of debt. This is in line with market practice.



**REPORTING** The Group intends to report allocation proceeds and associated impact metrics within its Annual Green Finance Report until the full allocation of net proceeds. Allocation reporting will include (i) amount raised and outstanding for each green finance instrument and amounts allocated to date; (ii) the percentage of net proceeds used for financing versus refinancing; (iii) the total amount in the Green Portfolio, along with a breakdown by project category; (iv) the remaining balance of unallocated proceeds; and (v) project and asset descriptions per each project category. In addition, the Group is committed to reporting on relevant impact metrics. Sustainalytics views the Group's allocation and impact reporting as aligned with market practice.

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## Introduction

Tritax Big Box REIT plc (“Group”, or the “Company”) is a large-scale logistics real estate investment fund. The Group invests, manages and develops distribution centres and logistics hubs in the UK. The Company itself has no employees, and it has appointed Tritax Management LLP (the “Manager”) as an external manager with oversight by the Board of Tritax Big Box REIT plc (the “Board”).<sup>1</sup> The Group was founded in 2013 and is headquartered in London, UK.

The Group has developed the Green Finance Framework (the “Framework”) under which it intends to issue multiple green bonds and loans and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that advance sustainable logistics solutions and reduce the overall energy intensity and carbon footprint of its operations. The Framework defines eligibility criteria in three areas:

1. Green Buildings
2. Renewable Energy
3. Energy Efficiency

The Group engaged Sustainalytics to review the Green Finance Framework, dated November 2020, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)<sup>2</sup> and the Green Loan Principles 2020 (GLP).<sup>3</sup> This Framework has been published in a separate document.<sup>4</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>5</sup> 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, APLMA and LSTA<sup>6</sup>;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.6, 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 the Group’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. The Group representatives have confirmed (1) they understand it is the sole responsibility of the Group 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.

<sup>1</sup> The relationship between the Manager and the Group is governed by an Investment Management Agreement which details the various investment, property management and administration services performed by the Manager on behalf of the Company.

<sup>2</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>3</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>.

<sup>4</sup> The Green Finance Framework is available on the Group’s website at: <https://www.tritaxbigbox.co.uk/investors/shareholder-information/>.

<sup>5</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

<sup>6</sup> In addition to the Loan Markets Association, the GLP is also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association

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

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

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

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

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Green Finance Framework

Sustainalytics is of the opinion that the 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 Group's Green Finance Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Renewable Energy, and Energy Efficiency – are aligned with those recognized by the GBP and GLP.
  - For the "Green Buildings" category, the Group intends to utilize bond and loans proceeds for the development or acquisition of properties that meet at least one of the following: certified "Very Good" or higher by BREEAM; constructed in line with the UK Green Building Council's ("UKGBC") Net Zero Carbon Building Framework;<sup>7</sup> having an EPC rating of "B" or higher; having an embodied carbon intensity of 300kg CO<sub>2</sub>e/m<sup>2</sup> or lower; or having an internationally and/or nationally recognized certifications that fall within the top 15% of existing national stock. With regards to these criteria, Sustainalytics notes the following:
    - Sustainalytics recognizes the BREEAM scheme as credible, and the levels selected to be aligned with market expectation.<sup>8</sup> See Appendix 1 for a further description of this building scheme.
    - New developments built in line with the UKGBC Net Zero Carbon Building Framework need to meet requirements for net zero operational carbon by ensuring that carbon emissions associated with the building's operational energy are zero or negative on an annual basis. A building seeking to achieve net zero whole life carbon would also need to meet additional requirements for reducing and offsetting embodied carbon impacts.<sup>9</sup> To verify a building is net zero carbon there is a minimum level of public reporting required that is subject to a third-party auditing. Based on these defined carbon thresholds and the expectation of external review, Sustainalytics views this approach to be an indicator of strong environmental performance.
    - Sustainalytics considers the use of EPC ratings a credible mechanism to evaluate energy efficiency. Sustainalytics highlights that according to data from the UK government, non-residential buildings obtaining an Energy Performance Certificate

<sup>7</sup> UK GBC, "Net Zero Carbon Buildings: A Framework Definition", (2019) at: <https://www.ukgbc.org/wp-content/uploads/2019/04/Net-Zero-Carbon-Buildings-A-framework-definition.pdf>.

<sup>8</sup> Sustainalytics recognizes that for certain classes of developments, BREEAM Excellent may be viewed as best practice. Sustainalytics considers the use of BREEAM Very Good to be aligned with market expectations for logistics and warehousing real estate, and in any case encourages the selection of BREEAM buildings that achieve a minimum score of 70% in the Energy category.

<sup>9</sup> UK GBC, "Net Zero Carbon Buildings: A Framework Definition", (2019) at: <https://www.ukgbc.org/wp-content/uploads/2019/04/Net-Zero-Carbon-Buildings-A-framework-definition.pdf>.

(“EPC”) grade of B or higher represent the top 9.6% of labelled non-domestic buildings in the UK,<sup>10</sup> which is aligned with market practice.

- Sustainalytics recognizes the importance of embodied carbon when assessing the lifecycle impact of buildings, noting that embodied carbon emissions accounted for 22% of total annual built environmental emissions in 2014,<sup>11</sup> and views favorably the Group’s ambition to account for this factor. Embodied carbon continues to be an emerging area of inquiry within the sustainable finance space, and at this time Sustainalytics does not consider there to be a recognized baseline or accepted level of best practice.<sup>12</sup> Nevertheless, Sustainalytics notes that the threshold of 300kg CO<sub>2</sub>e/m<sup>2</sup> specified within the Framework (i) is in line with international proposals,<sup>13</sup> and (ii) has been disclosed by the Company to represent a significant improvement<sup>14</sup> on current standard construction practices. In this context, the Framework’s commitments regarding embodied carbon are viewed positively, and Sustainalytics highlights that the Company has disclosed that it will use accepted methodologies in measuring embodied carbon.<sup>15</sup> Sustainalytics also notes that the issuer intends to continue to pursue green building certification where relevant, which will account for emissions over the building’s operational phase.
- Sustainalytics views the selection of buildings within the top 15% of their local market in terms of energy efficiency to be in line with market practice, and highlights that the Group will rely on accepted national or international certifications to support this assessment.
  - Within the “Renewable Energy” category, the Company intends to finance investments and/or expenditures for the acquisition, development, construction and/or installation of renewable energy projects both on- and off-site. Eligible projects include solar, wind, biogas, and geothermal projects with a life-cycle emissions lower than 100gCO<sub>2</sub>/kWh. Sustainalytics considers this threshold to be in line with market practice, and further notes that biogas feedstock will be sourced from agricultural waste and/or residue, which it considers to be indicative of sustainable feedstock sourcing.
  - The “Energy Efficiency” category includes investments in refurbishment and/or renovations that result in a minimum 30% improvement in energy efficiency or a two letter grade improvement in EPC; as well as investments in specific equipment, such as energy storage technology and ground source heat pumps. Sustainalytics considers that investments that deliver the aforementioned levels of improvement, as well as the individual measures specified, to be in line with market practice.
- Project Evaluation and Selection:
  - The Manager has set up a Green Finance Committee (“GFC”), as a sub-committee of its Corporate Social Responsibility (“CSR”) Committee, to be in charge of project evaluation and selection and ensure compliance with the eligibility criteria of the Framework. The GFC is comprised of the Sustainability Lead, the CFO, and a member of the Asset Management team of the Manager and will regularly monitor the Green Portfolio of the Company to make certain Eligible Green Projects (“EGPs”) remain compliant. The Manager is ultimately responsible for the final decision on approving investments.
  - Based on the establishment of the GFC and its commitment to ongoing review of project compliance, Sustainalytics considers this evaluation and selection process to be in line with market practice.
- Management of Proceeds:

<sup>10</sup> Ministry of Housing, Communities & Local Government, “Live tables on Energy Performance of Buildings Certificates”, <https://www.gov.uk/government/statistical-data-sets/live-tables-on-energy-performance-of-buildings-certificates>.

<sup>11</sup> UK Green Building Council, “Climate Change: UKGBC’s vision for a sustainable built environment is one that mitigates and adapts to climate change”, at: <https://www.ukgbc.org/climate-change/>.

<sup>12</sup> Neither the EU Technical Expert Group on Sustainable Finance nor the Climate Bonds Initiative have included embodied carbon within their approach to evaluating green buildings.

<sup>13</sup> For example, that of the Sweden Green Building Council’s NollCO<sub>2</sub> standard. NollCO<sub>2</sub> requires construction materials to have a maximum embedded carbon of 240kg/m<sup>2</sup> floor areas and construction processes to contribute no more than 60 kg/m<sup>2</sup>.

<sup>14</sup> Tritax has commissioned a study to evaluate the anticipated carbon savings that it can anticipate, this third-party report estimates that feasible improvements to the design and construction could result in a 9% savings in lifecycle building carbon emissions and a 12.5% savings in the construction phase. The report also identified future options for consideration which would result in even greater impacts.

<sup>15</sup> Namely the European Carbon Assessment Standard - EN 15978: 2011, which is aligned with ISO Standard 14044 and recognized by BREEAM as a credible methodology.

- The Group will manage net proceeds of any Green Finance Transaction (“GFT”) on a portfolio basis, and it will ensure EGPs value exceed the amount of any GFT. The Treasury function of the Manager will be in charge of managing net proceeds, and a list of EGPs will be maintained by the Finance team.
- The Green Portfolio may include investments in projects or assets up until 36 months preceding the relevant GFT. Pending allocation, net proceeds will be managed by the Group’s Finance function and where unallocated will be temporarily invested in cash and/or cash equivalents and/or liquid marketable liquidity instruments, in compliance with the Group’s Finance policy, and/or used for the temporary repayment of debt.
- In case the group disposes of buildings financed by the GFT, or any EGPs are no longer eligible, the Group will substitute such projects or assets as soon as is practicable.
- Based on the establishment of a portfolio and the handling of unallocated net proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - The Group intends to publish an Annual Green Finance Report, detailing the allocation of net proceeds of the GFTs and the associated impact metrics until the full allocation of net proceeds.
  - Allocation reporting will include the (i) amount raised and outstanding from each GFT and amounts allocated to date for each instrument; (ii) the percentage split of net proceeds used for financing versus refinancing; (iii) the total amount in the Green Portfolio, along with a breakdown by project category; (iv) the remaining balance of unallocated proceeds: and (v) project and asset descriptions per each project category.
  - The impact reporting will include impact metrics such as, but not limited to, building certification (scheme and rating); energy consumption (kWh); on-site renewable electricity generated (kWh); energy consumption (kWh).
  - Based on the Group’s allocation and impact 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 Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information, please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of the Group**

### **Contribution of Framework to the Group’s sustainability strategy**

Sustainalytics is of the opinion that the Group demonstrates its commitment to sustainability with a focus on creating value for its business, customers, and stakeholders through (i) investing in and acquiring sustainable assets; (ii) managing assets to drive sustainable performance; (iii) facilitating and working with its customers to achieve sustainable operations; (iv) developing and constructing sustainable assets; and (v) adding value by supporting local communities.<sup>16</sup>

To achieve these key priorities, the Group has developed its 2030 Sustainability Strategy<sup>17</sup> with defined goals and a series of medium-term targets for 2023, which include:

- Demonstrate healthy and sustainable buildings – to ensure and demonstrate the sustainability of its assets by guaranteeing new acquisitions and investments align with its ESG investment principles; achieve a Global Real Estate Sustainability Benchmark (“GRESB”) score of three Green Stars; and sign ‘green’ leases with tenants.
- Net-zero carbon – to achieve net-zero carbon across its direct operations by identifying products and processes that remove carbon from construction; improve EPCs to an A-C Grade; installing renewable energy generation projects to generate 13,900 kWp.
- Improve nature and well-being – to enhance biodiversity and well-being on its property and for its stakeholders by implementing a pilot of 15% Biodiversity Net Gain (BNG) on new developments; and applying at least one biodiversity, climate, and well-being measure at each asset.

<sup>16</sup> Tritax Big Box, “Annual Report 2019”, at: <https://www.tritaxbigbox.co.uk/wp-content/uploads/2020/04/TritaxBigBox-Annual-Report-2019-Web.pdf>.

<sup>17</sup> Tritax Big Box, “Responsible Business”, at: <https://www.tritaxbigbox.co.uk/about-us/#responsible-business>.

- Drive social value through its investment – to create a positive socio-economic impact through its investments by measuring social value to demonstrate the impact of its investments; supporting apprenticeships and employability in construction; and supporting its charitable partner Schoolreaders with funding until 2023.

As part of this strategy the Company now has 87% of its investment portfolio by floor area with EPC grades ranging from A to C. Since 2018, the Group has been procuring 100% renewable energy for its own operations and is currently pursuing initiatives such as reducing water use through rainwater harvesting and low-flow fixtures and utilizing waste management and recycling facilities. The Group has commissioned a survey of its customers to determine their sustainability priorities and to determine what environmental and social initiatives to keep pursuing.

In addition, in 2019, the Group created a CSR Committee to develop its ESG strategy and Environmental Policy.<sup>18</sup> The CSR Committee has four sub-committees focused on property, governance, charitable partnerships, and social activities and is currently assessing a roadmap to becoming a net-zero carbon company.<sup>19</sup> Furthermore, the Company made its first submission to GRESB, which assesses and benchmarks the ESG performance of real estate asset portfolios<sup>20</sup> and the Company plans to utilize this assessment to introduce measures to address gaps and improve its ESG performance. To bring its carbon impact down to zero, the Group has adopted the UK Green Building Council (UK GBC) methodology to analyze its development activities and is currently seeking alternative construction methods, materials and products to achieve this.

Sustainalytics is of the opinion that the Group possesses a strong sustainability strategy and that the Green Finance Framework is aligned with the company's overall sustainability strategy and initiatives and will further the Group's action on its key environmental priorities.

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

While Sustainalytics recognizes that the net proceeds from the bonds and/or loans issued under the Framework will be directed towards eligible projects that are recognized by the GBP and GLP to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, land use-change, biodiversity loss, and impacts on local communities.

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

- The Group has incorporated ESG considerations as an integral component of its Investment Policy. To this end, the Group performs an ESG assessment on acquisitions, and it is aiming for all new developments to be carbon neutral.<sup>21</sup>
- The Group performs Sustainability Risk Assessments ("SRA") on the acquisition of assets by reviewing green certifications, building surveys, flood risk assessments, regulatory compliance, environmental hazards or incidents, social risks, and social welfare. This information further supports the elaboration of Sustainability Action Plans ("SAPs"), which are set to improve the sustainability performance of each asset and address identified risks. Along with site inspections, SAPs are updated every year to reassess or identify new risks.
- As part of its commitment to maintaining a high ethical behavior, the Manager continually monitors risks associated with modern slavery and assesses the Group's suppliers and their efforts to address it along their supply chains.<sup>22</sup>
- Since the start of 2020, the Group has required that all of its contractors be members of the Considerate Contractors Scheme,<sup>23</sup> a not-for-profit organization which ensures environmental, social, and safety standards for developments beyond statutory requirements.
- The Group seeks to actively engage with communities throughout the development of new projects by holding regular meetings to share development plans and address any concerns.
- The Manager is accredited to the ISO 14001 certification standard for environmental management systems. Through the Governance Committee, the Group monitors legislation to ensure compliance

<sup>18</sup> Tritax Big Box, "Environmental Policy", at: <https://www.tritaxbigbox.co.uk/wp-content/uploads/2019/09/Environmental-Policy-2019.pdf>.

<sup>19</sup> The Group has adopted the UK GBC's definition of net zero carbon in construction which is "when the amount of carbon emissions associated with a building's product and construction stages up to practical completion is zero or negative, through the use of offsets or the net export of on-site renewable energy." At: <https://www.ukgbc.org/wp-content/uploads/2019/04/Net-Zero-Carbon-Buildings-A-framework-definition.pdf>.

<sup>20</sup> GRESB, "What we do", at: <https://gresb.com/about/#do>.

<sup>21</sup> Tritax Big Box, "Annual Report 2019", at: <https://www.tritaxbigbox.co.uk/wp-content/uploads/2020/04/TritaxBigBox-Annual-Report-2019-Web.pdf>.

<sup>22</sup> Tritax Big Box, "Modern Slavery Act 2015: Slavery and human trafficking statement", at: [https://www.tritaxbigbox.co.uk/wp-content/uploads/2019/03/TBBR\\_Modern-slavery-statement-2019.pdf](https://www.tritaxbigbox.co.uk/wp-content/uploads/2019/03/TBBR_Modern-slavery-statement-2019.pdf).

<sup>23</sup> Considerate Constructors Scheme, "About us", at: <https://www.ccscheme.org.uk/ccs-ltd/what-is-the-ccs2/>.

with all relevant environmental and social policies; regularly identifies the significant environmental impacts; monitors and measures environmental, social, and governance issues and impacts, including lifecycle assessments for its developments; and conducts annual assessments of the physical climate change risk on existing assets.<sup>24</sup>

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

### Section 3: Impact of Use of Proceeds

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

#### The Importance of Green Buildings, Energy Efficiency, and Renewable Energy to Achieve Net Zero GHG Emissions

In June 2019, the UK set a legally binding target to achieve net-zero GHG emissions by 2050.<sup>25</sup> More recently, the UK government has announced its intention to “build back greener” in its recovery efforts from the coronavirus pandemic<sup>26</sup> and has announced a series of priorities, including a GBP 3 billion package to improve buildings’ energy efficiency.<sup>27</sup> The measures are seen as a key component to meet its 2050 target. So far, the UK achieved its GHG emissions reduction target of 40% reduction between 1990 and 2016. According to the UK National Energy and Climate Plan, GHG emissions are projected to be 49% below 1990 levels in 2020 and 53% below 1990 levels in 2030. However, to meet its 2050 climate change target, emissions from buildings will need to be near zero.

##### *Energy Efficiency and Green Buildings*

In 2014, the building sector contributed 42% of the UK’s total carbon footprint.<sup>28</sup> The UK has therefore adopted policies to reduce the sector’s carbon emissions such as the integration of the EU Energy Performance of Buildings Directive (“EPBD”)<sup>29</sup> and the EU Energy Efficiency Directive (“EED”),<sup>30</sup> as well as the Buildings Mission, which aims to reduce the energy use of new buildings by 50% by 2030, reducing the cost of retrofitting efficiency measures in existing stock and promoting clean energy sources.<sup>31</sup> Nevertheless, in its annual report to the British Parliament,<sup>32</sup> the Climate Change Council (“CCC”) identified the building sector as having little to no progress on limiting the increase of emissions, and the government has set out to reduce at least half the energy use in new buildings.<sup>33</sup> Emissions from the building sector increased by 3% to 88 MtCO<sub>2</sub> in 2018.<sup>34</sup> As such, Sustainalytics views the Group’s investments in green buildings and energy efficiency measures to contribute to lowering GHG emissions from the building sector.

##### *Renewable Energy*

In 2016, 67% of the total electricity supply in the UK was consumed in buildings, and 53% of the energy used in buildings was for electricity,<sup>35</sup> stressing the need to decarbonize the UK’s electricity system. The UK has

<sup>24</sup> Tritax Big Box, “Responsible Business”, at: <https://www.tritaxbigbox.co.uk/about-us/#responsible-business>.

<sup>25</sup> Government of the UK, “UK becomes first major economy to pass net zero emissions law”, (2019), at: <https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law>.

<sup>26</sup> Government of the UK, “New plans to make UK world leader in green energy”, (2020) at: <https://www.gov.uk/government/news/new-plans-to-make-uk-world-leader-in-green-energy>.

<sup>27</sup> Financial Times, “Sunak to unveil £3bn green package as part of coronavirus stimulus”, (2020), at: <https://www.ft.com/content/31aac249-34a4-40fe-b92c-7e44f09c7c83>.

<sup>28</sup> UK Green Building Council, “Climate Change - UKGBC’s vision for a sustainable built environment is one that mitigates and adapts to climate change”, at: <https://www.ukgbc.org/climate-change/>.

<sup>29</sup> European Commission, “Energy Performance of Buildings Directive (2010/31/EU)”, at: <https://ec.europa.eu/energy/en/topics/energy-efficiency/energy-performance-of-buildings/energy-performance-buildings-directive>.

<sup>30</sup> European Commission, “Energy Efficiency Directive (2012/27/EU)”, at: <https://ec.europa.eu/energy/en/topics/energy-efficiency/targets-directive-and-rules/energy-efficiency-directive>.

<sup>31</sup> Department for Business, Energy & Industrial Strategy, “The UK’s Draft Integrated National Energy and Climate Plan (NECP)”, (2019), at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/774235/national\\_energy\\_and\\_climate\\_plan.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/774235/national_energy_and_climate_plan.pdf)

<sup>32</sup> Committee on Climate Change, “Reducing UK emissions – 2019 Progress Report to Parliament”, (2019), at: <https://www.theccc.org.uk/publication/reducing-uk-emissions-2019-progress-report-to-parliament/>

<sup>33</sup> IEA, “Energy Policies of IEA Countries: United Kingdom 2019 Review”, (2019), at: <https://www.iea.org/reports/energy-policies-of-iea-countries-united-kingdom-2019-review>.

<sup>34</sup> Committee on Climate Change, “Reducing UK emissions – 2019 Progress Report to Parliament”, (2019), at: <https://www.theccc.org.uk/publication/reducing-uk-emissions-2019-progress-report-to-parliament/>.

<sup>35</sup> UK Green Building Council, “Climate Change - UKGBC’s vision for a sustainable built environment is one that mitigates and adapts to climate change”, at: <https://www.ukgbc.org/climate-change/>.

made meaningful progress over the past year in decarbonizing its electrical mix. In the third quarter of 2019, for the first time since the Industrial Revolution, there was more electricity supplied from renewable sources than from fossil fuels.<sup>36</sup> Renewable electricity capacity has more than doubled since 2013,<sup>37</sup> with renewables accounting for 44% of electricity supplied in the second quarter of 2020.<sup>38</sup> Consequently, the power sector has seen its emissions reduced by 67% from 2008 to 2019.<sup>39</sup>

Growing renewable energy capacity will further require increasing system flexibility,<sup>40</sup> further supported by increasing energy storage capabilities. In this regard, the Group's investments in renewable energy and energy storage technologies are in line with the implementation of the UK's Smart Systems and Flexibility Plan to enable the energy system to transition away from fossil fuels.<sup>41</sup> As such, Sustainalytics is of the opinion that the Group's investments in renewable energy can help the UK meet its targets.

### 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 SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency

### Conclusion

The Group has developed the Green Finance Framework under which it will issue green bonds and loans, and utilize the net proceeds to finance projects that advance sustainable logistics solutions and reduce the overall energy intensity and carbon footprint of its operations. Sustainalytics considers that the projects funded by the green bond proceeds will provide positive environmental impact.

The 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 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 9. Additionally, Sustainalytics is of the opinion that the Company 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 Tritax Big Box REIT plc is well-positioned to issue green bonds and loans, and that the 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.

<sup>36</sup> MIT Technology Review, "The UK just got more power from renewables than fossil fuels for the first time", (2019), at: <https://www.technologyreview.com/2019/10/15/132624/the-uk-just-got-more-power-from-renewables-than-fossil-fuels-for-the-first-time/>.

<sup>37</sup> Department for Business, Energy & Industrial Strategy, "Digest of United Kingdom Energy Statistics 2018", (2018), at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/736148/DUKES\\_2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/736148/DUKES_2018.pdf).

<sup>38</sup> Government of the UK, "Section 5 – UK Electricity April to June 2020" (2020), at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/920610/Electricity\\_September\\_2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/920610/Electricity_September_2020.pdf).

<sup>39</sup> Committee on Climate Change, "Reducing UK emissions – 2020 Progress Report to Parliament", (2020), at: <https://www.theccc.org.uk/publication/reducing-uk-emissions-2020-progress-report-to-parliament/>.


<sup>40</sup> IRENA, "Power system flexibility for the energy transition", (2018), at: <https://www.irena.org/publications/2018/Nov/Power-system-flexibility-for-the-energy-transition>.

<sup>41</sup> Government of the UK, "Upgrading our energy system: smart systems and flexibility plan", (2017), at: <https://www.gov.uk/government/publications/upgrading-our-energy-system-smart-systems-and-flexibility-plan>.



## Appendices

### Appendix 1: Summary of the Building Research Establishment Environmental Assessment Method Certification

	<b>BREEAM<sup>42</sup></b>
<b>Background</b>	<p>BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990.</p> <p>Based in the UK, BREEAM can be used for new, refurbished and extension of existing buildings.</p>
<b>Certification Levels</b>	<ul style="list-style-type: none"> <li>• Pass</li> <li>• Good</li> <li>• Very Good</li> <li>• Excellent</li> <li>• Outstanding</li> </ul>
<b>Areas of Assessment</b>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>
<b>Requirements</b>	<p>Prerequisites depending on the levels of certification. 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>
<b>Performance Display</b>	

<sup>42</sup> BREEAM, "How certification works" at: <https://www.breeam.com/discover/how-breeam-certification-works/>.

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

### Section 1. Basic Information

Issuer name: Tritax Big Box REIT plc

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: Green Finance Framework

Review provider's name: Sustainalytics

Completion date of this form: November 12, 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 GBP:

- |  |  |
|--|--|
| <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 <sup>nd</sup> 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, Renewable Energy, and Energy Efficiency – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that investments in these categories will increase the environmental performance of Tritax’s portfolio and advance the UN Sustainable Development Goals, specifically SDGs 7 and 9.

**Use of proceeds categories as per GBP:**

- |   |  |
|---|--|
| <input checked="" 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 GBP | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

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

**2. PROCESS FOR PROJECT EVALUATION AND SELECTION**

Overall comment on section (if applicable):

A Green Finance Committee, comprising members of the Group’s external manager, will act on behalf of the Company to verify assets or projects complying with the eligibility criteria of the Framework. The Green Finance Committee is composed of the Sustainability Lead, the CFO, and a member of the Asset Management team of Manager. Sustainalytics considers the project selection process 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 checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
  In-house assessment
- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The Group will manage net proceeds on a portfolio basis. The Group will ensure there is an excess of Eligible Green Projects over the amount drawn from any Green Finance Transaction. Any unallocated proceeds will be managed in compliance with the Group's Finance Policy and may be temporarily invested in cash and/or cash equivalents and/or liquid marketable liquidity instruments and/or via the temporary repayment of debt. This is 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:

- Allocations to future investments only
  Allocations to both existing and future investments
- Allocation to individual disbursements
  Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
  Other (please specify):

### 4. REPORTING

Overall comment on section (if applicable):

The Group intends to report allocation proceeds and associated impact metrics within its Annual Green Finance Report until the full allocation of net proceeds. Allocation reporting will include (i) amount raised and outstanding for each green finance instrument and amounts allocated to date; (ii) the percentage of net proceeds used for financing versus refinancing; (iii) the total amount in the Green Portfolio, along with a breakdown by project category; (iv) the remaining balance of unallocated proceeds; and (v) project and asset descriptions per each project category. In addition, the Group is committed to reporting on relevant impact metrics. Sustainalytics views the Group's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- Project-by-project
  On a project portfolio basis

- Linkage to individual bond(s)  Other (please specify):

**Information reported:**

- Allocated amounts  Green Bond financed share of total investment
- Other (please specify): The percentage split of net proceeds used for financing versus refinancing; the total amount included in the Green Portfolio at the time of reporting, along with a breakdown per project category as set out in the Framework; and a description of the projects for each category.

**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): Building certification (scheme and rating); energy consumption (kWh); on-site renewable electricity generated (kWh); energy consumption (kWh); annual GHG emissions.

**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): In the Annual Green Finance Report
- 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:**

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

**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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## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).



**Named**  
2015: Best SRI or Green Bond Research or Rating Firm  
2017, 2018, 2019: Most Impressive Second Opinion Provider

