December 2021

# SECOND PARTY OPINION

on the sustainability of Colonial Group Green Financing Framework

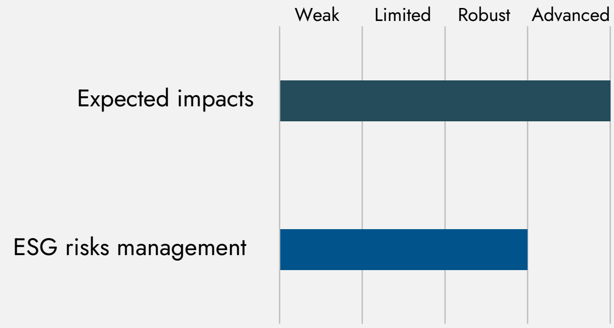
V.E considers that Colonial Group Green Financing Framework is aligned with the four core components of the ICMA's Green Bond Principles 2021 ("GBP")

## Framework

Contribution to Sustainability:


Advanced | Limited

Robust | Weak




SDG Mapping

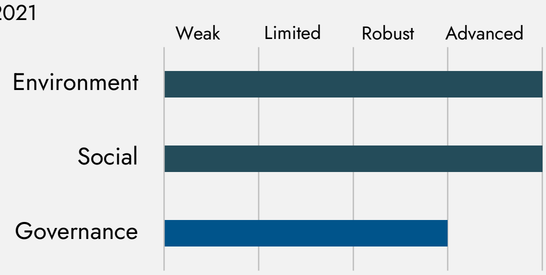
| Characteristics of the Framework | |
|---|---|
| Green Project Category | Green Buildings |
| Project locations | Spain (Madrid and Barcelona) and France (Paris) |
| Existence of framework | Yes |
| Share of refinancing | To be communicated prior to each bond issuance |
| Look back period | > 36 months |

## Issuer

ESG Performance as of November 2021


Advanced | Limited

Robust | Weak




| ESG Controversies | |
|---|---|
| Number of controversies | One |
| Frequency | Isolated |
| Severity | Significant |
| Responsiveness | Reactive |

Controversial Activities

The Issuer appears to not be involved in any of the 17 controversial activities screened under our methodology:

- ☐ Alcohol
- ☐ Civilian firearms
- ☐ Genetic engineering
- ☐ Nuclear power
- ☐ Tobacco
- ☐ Animal welfare
- ☐ Fossil Fuels industry
- ☐ High interest rate lending
- ☐ Pornography
- ☐ Cannabis
- ☐ Coal
- ☐ Human Embryonic Stem Cells
- ☐ Reproductive medicine
- ☐ Chemicals of concern
- ☐ Gambling
- ☐ Military
- ☐ Unconventional oil and gas

## Coherence

Coherent

Partially coherent

Not coherent

V.E considers that the contemplate Framework is coherent with Colonial's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

## Key findings

V.E considers that Colonial Group Green Financing Framework is aligned with the four core components of the GBP.

### Use of Proceeds - aligned with GBP

- Eligible Assets are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Assets.
- The Environmental Objective is clearly defined, this is relevant for all the Eligible Assets and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental Benefit is clear and precise, this is considered relevant, measurable, and will be quantified for all the Eligible Assets in the reporting.
- The Issuer has committed to transparently communicate the estimated share of refinancing for each future bond prior issuance at least to investors/bondholders. As for the requalification of existing bond debt into green bond debt, the Issuer has transparently communicated that the share of refinancing will be equal to 100%. The look-back period for refinanced Eligible Assets may be greater than 3 years.

### Evaluation and Selection - aligned with GBP and best practices identified by VE

- The process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer, it is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation, monitoring of eligible assets). The roles and responsibilities are clear and include relevant internal expertise. The process will be publicly disclosed in the Framework and the herewith SPO.
- Eligibility criteria (selection) for asset selection have been clearly defined and detailed by the Issuer for all the Eligible Assets.
- The process applied to identify and manage potentially material E&S risks associated with the assets is publicly disclosed in the herewith SPO. The process is considered robust: it combines monitoring, identification, and corrective measures for all assets (see detailed analysis on pages 14 - 17).

### Management of Proceeds - aligned with GBP and best practices identified by VE

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed and is publicly available in the Framework and the hereby SPO.
- The allocation period will be 24 months or less.
- Net proceeds of the Bond will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that, as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Assets made during that period.
- The Issuer has provided information on the procedure that will be applied in case of asset divestment or postponement and it has committed to reallocate divested proceeds to assets that are compliant with the framework within 24 months.

### Reporting - aligned with GBP and best practices identified by VE

- The Issuer has committed to report on the Use of Proceeds annually, until full allocation and on a timely basis in case of material developments. The report will be publicly available until full allocation.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the assets. The Issuer has also committed to report on material developments (including ESG controversies) related to the assets.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible assets will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Assets until full allocation. An external auditor will verify the indicators used to report on environmental benefits of the Eligible Assets until full allocation and in case of material changes.

## Contact

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# SCOPE

V.E was commissioned to provide an independent Second Party Opinion ("SPO") on the sustainability credentials and management of the Green Bonds[1] (the "Bonds") to be issued by Colonial Group (the "Issuer" or "Colonial") in compliance with the Green Financing Framework (the "Framework") created to govern their issuances.

Our opinion is established according to V.E's Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the latest version of the voluntary guidelines of ICMA's Green Bond Principles ("GBP") - edited in June 2021.

Our opinion is built on the review of the following components:

- Framework: we assessed the Framework, including the coherence between the Framework and the Issuer's environmental commitments, the Bonds' potential contribution to sustainability and its alignment with the four core components of the GBP 2021.
- Issuer[2]: we assessed the Issuer's ESG performance, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities[3].

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E's exclusive ESG rating database, and (iii) information provided from the Issuer through documents.

We carried out our due diligence assessment from October 13th to December 22nd, 2021. We consider that we were provided access to all documents we solicited. For this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

## Type of External Reviews supporting this Framework

| | | | |
|---|---|---|---|
| ☒ | Pre-issuance Second Party Opinion | ☒ | Independent verification of impact reporting |
| ☒ | Independent verification of funds allocation | ☐ | Climate Bond Initiative Certification |

[1] The "Green Bond" is to be considered as the bond already issued or to be potentially issued, subject to the discretion of the Issuer. The name "Green Bond" has been decided by the Issuer: it does not imply any opinion from V.E.

[2] Colonial is part of V.E rating universe - the last ESG rating was performed in October 2021.

[3] The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

# COHERENCE

| |
|---|
| **Coherent** |
| Partially coherent |
| Not coherent |

V.E considers that the contemplated Framework is coherent with Colonial's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

According to the European Commission[4], buildings account for approximately 40% of energy consumption and for 36% of energy related GHG emissions in the EU, representing the largest share across sectors in Europe. At present, about 35% of buildings in the EU are over 50 years old, and nearly 75% of the building stock is energy inefficient. However, 85-95% of today´s buildings will still be in use in 2050[5]. Therefore, the adoption of a sound Environmental strategy is a key issue for the real estate sector. Companies are expected to integrate environmental considerations in their investment and management decisions. Since existing buildings will be standing for the next decades, the improvement of energy efficiency is a priority in the fight to climate change. In addition, the complexity and specificities of impacts related to their activities call for specific measures to ensure the appropriate management of social and environmental related risks, namely biodiversity protection, environmental management systems, health and safety and the promotion of responsible relations with the communities where they operate. Real estate actors should also rely on building energy codes and/or national/international certifications (such as LEED, BREEAM, GRESB, etc.) to improve the overall environmental performance of the buildings that they own and/or manage[6].

Colonial operates as a real estate company that owns, manages, develops, and renovates office buildings for rent in Spain and France. The Issuer appears to acknowledge its role in proving solutions to promote and facilitate the transition to a low carbon and sustainable world.

The Issuer has developed a Business Plan for Sustainability 2015-2030[7] to monitor declines in energy consumption and reductions in carbon footprint, with the aim of achieving carbon neutrality. This proposition goes along with the Issuer´s commitment to making its entire office portfolio carbon neutral by 2050 and, thereby, being fully compliant with the Paris Climate Agreement. Objectives for the 2015-2030 period include inter alia reductions in Scopes 1 and 2 by more than 75% and reductions in energy intensity by more than 10% from 2015; energy certificates for 100% of the office´s portfolio; "Life cycle analysis" for new acquisitions; supply of more than 70% of green energy in the portfolio, etc.

To undermine its commitments to decarbonization measures, Colonial has adhered to the Science Based Target Initiative (SBTi) to set new science-based emissions reduction goals and to limit the rise in global average temperatures to below 2°C. As another achievement, Colonial reports in 2020 that 93% of the office portfolio has either BREEAM or LEED energy certifications, thereby contributing to the minimization of its impact on climate change and society. Furthermore, Société Foncière Lyonnaise, Colonial's French entity, has committed to the Science-Based Target Initiative to reduce Scope 1 and Scope 2 GHG emissions 50% by 2030 from a 2028 baseline, and to measure and reduce its Scope 3 emissions. And according to the Issuer, the SBTi has considered that the targets covering greenhouse gas emissions from company operations (scopes 1 and 2) are consistent with reductions required to keep warming to 1.5°C.

[4] Energy performance of buildings directive | Energy (europa.eu)
[5] Renovation wave | Energy, strategy (europa.eu)
[6] Introduction | Energy (europa.eu)
[7] https://www.inmocolonial.com/sites/default/files/69792_colonial_2020_web_eng.pdf

# FRAMEWORK

Colonial has described the main characteristics of the Bonds within a formalized Green Financing Framework that covers the four core components of the GBP 2021 (the last updated version was provided to V.E on December 3rd, 2021). The Issuer has committed to make this document publicly accessible on Colonial's website[8], in line with good market practices.

## Alignment with the Green Bond Principles

### Use of Proceeds

| Not Aligned | Partially Aligned | **Aligned** | Best Practices |
| --- | --- | --- | --- |

The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, assets falling under one Green Asset Category ("Eligible Assets"), as indicated in Table 1.

- Eligible Assets are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Assets.
- The Environmental Objective is clearly defined, this is relevant for all the Eligible Assets and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental Benefit is clear and precise, this is considered relevant, measurable, and will be quantified for all the Eligible Assets in the reporting.
- The Issuer has committed to transparently communicate the estimated share of refinancing for each future bond prior issuance at least to investors/bondholders. As for the requalification of existing bond debt into green bond debt, the Issuer has transparently communicated that the share of refinancing will be equal to 100%. The look-back period for refinanced Eligible Assets may be greater than 3 years.

An area for improvement would be to limit the look back period to a maximum of 36 months to be in line with market practices.

#### BEST PRACTICES

⇒ The definition and eligibility criteria are clear and in line with international standards for all Eligible Assets.

⇒ Relevant environmental social benefits are identified and measurable for all Eligible Assets.

⇒ The Issuer has committed to transparently communicate the estimated share of refinancing for each bond issuance at least to investors/bondholders.

[8] https://www.inmocolonial.com/

Table 1. V.E' analysis of Eligible Category, Sustainability Objective and Expected Benefit as presented in the Issuer's Framework.

- Nature of expenditures: Acquisition, ownership of buildings and construction and renovation of buildings. The Green Bonds may finance either assets or alternatively the Equity Value of subsidiaries owning eligible assets.
- Location of Eligible Assets: Spain (Madrid and Barcelona) and France (Paris).

| ELIGIBLE CATEGORY | DESCRIPTION | SUSTAINABILITY OBJECTIVES AND BENEFITS | V.E'S ANALYSIS |
|---|---|---|---|
| Green Buildings | Commercial Buildings which have received at least one (or more) of the following certifications:<br>• LEED "Gold" or above<br>• BREEAM in Use "Very Good" or above<br>• HQE "Excellent" or above<br>or<br>Commercial Buildings which do not exceed the following emissions thresholds:<br>• 2020-2023 < or = 20Kg $CO_2$/m2 per year<br>• 2024-2025 < or = 15 Kg $CO_2$/m2 per year<br>• 2025 onwards < or = 10 Kg $CO_2$/m2 per year | Climate Change Mitigation<br>Avoidance of GHG emissions | The Eligible Category is clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Assets.<br>The Environmental Objective is clearly defined, it is relevant for the Eligible Category and set in coherence with sustainability objectives defined in international standards.<br>The Expected Environmental Benefit is clear and precise, this is considered relevant, measurable, and will be quantified for the eligible category in the reporting. |

## SDG Contribution

The Eligible Category is likely to contribute to two of the United Nations' Sustainable Development Goals ("SDGs"), namely:

| ELIGIBLE CATEGORY | SDG | SDG TARGETS |
|---|---|---|
| Green Buildings |   | 7.3 By 2030, double the global rate of improvement in energy efficiency. |
| |   | The Eligible Category is likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects. |

## Evaluation and Selection of Eligible Assets

| Not Aligned | Partially Aligned | Aligned | Best Practices |
|---|---|---|---|

- The process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer, it is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation, monitoring of eligible assets). The roles and responsibilities are clear and include relevant internal expertise. The process will be publicly disclosed in the Framework and the herewith SPO.
- Eligibility criteria (selection) for asset selection have been clearly defined and detailed by the Issuer for all the Eligible Assets.
- The process applied to identify and manage potentially material E&S risks associated with the assets is publicly disclosed in the herewith SPO. The process is considered robust: it combines monitoring, identification, and corrective measures for all assets (see detailed analysis on pages 14 - 17).

### Process for Project Evaluation and Selection

- For the purpose of the Bonds, an ESG Committee ("the Committee") has been created. This Committee is composed of seven members of the Management Committee at Colonial, namely:
    - Chief Executive Officer
    - Corporate Managing Director
    - Chief Operating Officer
    - Chief Corporate Development Officer
    - Chief of Human Resources and General Services
    - Chief Legal Officer and Deputy Secretary of the Board
    - Chief Financial Officer.
- The Committee is responsible for:
    - Selecting the Eligible Assets to be included in the Green Bonds from the selected pool of Eligible Assets that was previously verified in accordance with the selection criteria established in this Framework.
    - Approving allocations of net proceeds on an annual basis.
    - Monitoring the Eligible Green Portfolio of each Issuing Entity during the life of the transactions.
    - Managing any identified potential ESG risks associated with Eligible Assets.
    - Upgrading the Green Financing Framework. Such updates will only apply to Green Bonds that are issued after the release of a new SPO.

- The traceability and verification of the selection and evaluation of the assets is ensured throughout the process:
    - Monitoring and control of the compliance of the selected assets with the Eligibility Criteria is performed during the life of transactions. If a project no longer complies with the Eligibility Criteria, the ESG Committee commits to substitute such assets once an appropriate Eligible Asset has been identified for substitution.
    - The ESG Committee will monitor potential ESG controversies during the life of the transaction. If a material controversy associated with one Eligible Asset was determined, the Committee will replace assets as soon as possible once a suitable Eligible Asset has been identified for substitution.
    - Selection decisions are internally documented by the Issuer through meeting minutes.

### Eligibility Criteria

The process relies on explicit eligibility criteria (selection), relevant to the environmental objective defined for the Eligible Category.

- The selection criteria are based on the definitions in the Eligible Category defined in Table 1 in the Use of Proceeds section.

#### BEST PRACTICES

⇒ Eligibility Criteria (selection) for asset selection are clearly defined and detailed for all the Eligible Assets.

⇒ The Issuer reports that it will monitor compliance of selected assets with Eligibility Criteria specified in the Framework throughout the life of the Bond and has provided details on content, frequency, duration and on procedure adopted in case of non-compliance.

⇒ The Issuer reports that it will monitor potential ESG controversies associated with the assets throughout the life of the Bond and has provided details on frequency, content, and procedures in case a controversy is found on an asset.

## Management of Proceeds

| Not Aligned | Partially Aligned | Aligned | Best Practices |
|---|---|---|---|

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed and is publicly available in the Framework and the hereby SPO.
- The allocation period will be 24 months or less.
- Net proceeds of the Bond will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that, as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Assets made during that period.
- The Issuer has provided information on the procedure that will be applied in case of asset divestment or postponement and it has committed to reallocate divested proceeds to assets that are compliant with the framework within 24 months.

### Management Process

- The net proceeds of the Bonds will be credited to the Colonial's General Treasury account.
- The ESG Committee will oversee the allocation of the proceeds of the Bonds under the Framework and verify the alignment of the pre-selected Eligible Green Portfolio with the total amount of funds raised via green bonds annually.
- In case the Eligible Assets portfolio is smaller than the Bonds' net proceeds outstanding, Colonial has committed to fill the gap and load the Eligible Asset Portfolio with new Asset production or existing unallocated Assets, as soon as possible.
- The unallocated funds would be held within Colonial's liquidity management in accordance with its investment guidelines. The Issuer has committed to not invest temporarily unallocated net proceeds in GHG intensive activities or controversial activities.
- In case of assets postponement, cancelation, divestment, or ineligibility, or in case an Eligible Asset has matured, the Issuer has committed to replace the no longer Eligible Asset by a new Eligible Asset within 24 months.

### BEST PRACTICES

⇒ The allocation period is 24 months or less.

⇒ The Issuer has committed not to invest temporarily unallocated net proceeds in GHG intensive activities or controversial activities.

⇒ The Issuer has provided information on the procedure that will be applied in case of asset divestment or postponement and it has committed to reallocate divested proceeds to assets that are compliant with the bond framework within 24 months.

## Monitoring & Reporting

| Not Aligned | Partially Aligned | Aligned | Best Practices |
|---|---|---|---|

- The Issuer has committed to report on the Use of Proceeds annually, until full allocation and on a timely basis in case of material developments. The report will be publicly available until full allocation.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the assets. The Issuer has also committed to report on material developments (including ESG controversies) related to the assets.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible assets will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Assets until full allocation. An external auditor will verify the indicators used to report on environmental benefits of the Eligible Assets until full allocation and in case of material changes.

### Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are relevant.

| REPORTING INDICATORS |
|---|
| - The total amount of green bonds outstanding per Issuing Entity.<br>- The amount of each Eligible Green Portfolio, broken down geographically.<br>- The share of financing and refinancing (in %) of each Eligible Green Portfolio.<br>- Any remaining portion to be allocated, with the percentage of unallocated funds. |

- Environmental benefits: The indicators selected by the Issuer to report on the environmental benefits are clear and relevant and exhaustive.

| ELIGIBLE CATEGORIES | ENVIRONMENTAL BENEFITS INDICATORS |
|---|---|
| | OUTPUTS, OUTCOMES AND IMPACT INDICATORS |
| Green Buildings | - External certification breakdown and/or<br>- breakdown per carbon metric (kg CO2e/sq. m) assessment and/or<br>- annual GHG emissions reduced/avoided in tons of CO2 equivalent |

| BEST PRACTICES |
|---|

- ⇒ The Issuer report will be publicly available.
- ⇒ The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected environmental benefits of the assets. The Issuer has also committed to report on material development related to the assets, including ESG controversies.
- ⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Categories.
- ⇒ The reporting methodology and assumptions used to report on environmental benefits of the Eligible Assets will be disclosed publicly.
- ⇒ Environmental benefits and impacts will be externally verified, until full allocation and in case of material changes.

# Contribution to sustainability

## Expected Impacts

The potential positive Impact of the Eligible Assets on environmental objectives is considered to be advanced.

| ELIGIBLE CATEGORY | EXPECTED IMPACT | ANALYSIS |
|---|---|---|
| Green Buildings | ADVANCED | The building and construction industry accounts for 36% of final energy use and 39% of energy and process-related CO2 emissions in 20189, when adding building construction industry emissions. Reduction of the energy and carbon footprint of buildings are therefore a key environmental issue for the construction and real estate sectors. Energy efficiency has a positive impact both locally, through reduced energy consumption, and globally, through reduced GHG emissions. The category includes new construction which has an absolute effect on energy consumption and on land use and therefore has a less positive impact compared with renovation. The Eligibility Criteria set for the Eligible Assets are based on internationally recognised certifications and/or are, for the majority, aligned with the emission thresholds (i.e. emission intensity) defined by the most stringent standards in the market. Indeed, the assets located in Madrid and Barcelona are aligned with the emission thresholds required by the Climate Bond Initiative (CBI) Commercial Property criteria. Assets located in Paris are not aligned with the local emission thresholds defined by this CBI criteria, nevertheless, these emission thresholds are aligned with SBTi emissions intensity trajectory[10] for residential and service buildings until 2040 demonstrating the environmental credibility of these eligibility criteria. However, it should be noted that the carbon intensity targets as defined in the framework are not fully aligned with the 0 kgCO2/sq.m/yr at end 2050 goal. |

## ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the Eligible Assets are considered robust[11].

| | GREEN BUILDINGS |
|---|---|
| Environmental Management Systems | X |
| Eco-design and Life Cycle Analysis | X |
| Protection of Biodiversity | X |
| End-of-life, Decommissioning and Waste Management | X |
| Energy Efficiency and $CO_2$ emissions | X |

[9] EIA website 2020 Global Status Report for Buildings and Construction | Globalabc
[10] Financial-Sector-Science-Based-Targets-Guidance-Pilot-Version.pdf (sciencebasedtargets.org)
[11] The "X" indicates the E&S risks that have been activated for each Eligible Category.

| | |
|---|---|
| Health and Safety and Human Right Standards | X |
| Social and Environmental factors in the procurement for the assets | X |
| Business Ethics | X |
| OVERALL ASSESSMENT | ROBUST |

Since all assets will be located in Designated Countries of the Equator Principles (Spain and France), deemed to have robust environmental and social governance, as well as legislation systems and institutional capacity designed to protect their people and the natural environment, the Issuer relies on national legislation for specific risks and on other relevant documentation (e.g. construction and exploitation permits, technical and legal reviews) to demonstrate the respect of this legislation.

## ENVIRONMENTAL RISKS

### Environmental Management Systems

Colonial Group reports that its objective is to produce a portfolio of high-efficiency buildings that consume fewer resources, reducing emissions of $CO_2$, as well as bringing down consumption of materials, the amount of waste produced, and the quantity of water used. The Issuer discloses a general Environmental Policy[12] which would contribute the resources required to achieve those objectives and goals. The Issuer follows the European Public Real Estate Association (EPRA)[13] Sustainability Best Practices Recommendations Guidelines for its portfolio of assets. Colonial discloses energetic efficiency certifications for its portfolios of assets such as ISO 14001, ISO 50001, BREEAM (Excellent, Very Good, Good), LEED (Platinum, Gold, Silver and Bronze) and HQE (Exceptional). According to its Annual Statement, in France all its buildings are energy certified and in Spain, all properties must have a compliant energy rating with Royal Decree 235/2013. In this sense, 100% of the Group's portfolio of offices in operation Colonial has an energy efficiency certificate. Currently, 93% of the portfolio of offices in Colonial Group's operation has energy certification LEED or BREAM.

### Eco-design and Life Cycle Analysis

Colonial reports that it applies a Life Cycle Analysis (LCA) for all its refurbishment assets and in the development of new assets. Regarding the acquisitions of buildings and developments, and large refurbishments, the Colonial Group completes an analysis of each phase of the asset's life cycle (acquisition, work and refurbishment, renovation and remodelling, building management and repositioning or sale of the property), also to its current status. The departments involved in the LCA analysis are the design teams, suppliers, contractors, maintenance providers and technical managers in the building's life cycle strategies. Colonial's main phases of the LCA are as follows:

- Phase 1: land and building acquisitions
- Phase 2.1: comprehensive works and refurbishments
- Phase 2.2: renovations/remodelling
- Phase 3: management of buildings in operation

### Protection of Biodiversity

[12] https://www.inmocolonial.com/sites/default/files/politica_ambiental_colonial_2017.pdf
[13] www.epra.com

Colonial Group reports its commitments regarding biodiversity in its Environmental Policy, the Sustainability Master Plan[14], CSR Policy[15] and its Biodiversity Policy[16], all disclosed in its website. Its policy discloses main actions such as Biodiversity Management Plans (BMP) that identify the measures for the improvement of biodiversity issues and related risks linked to the Issuer's portfolio, environmental studies in each location and an analysis of living ecosystems. Moreover, the Issuer discloses consideration regarding relevant habitats, flora, and fauna in its policy.

### End-of-life, Decommissioning and Waste Management

Colonial reports that following its Environmental Policy, it works in closely with construction companies and others involved to ensure end of life and decommissioning good practices. For this purpose, Colonial reports on monitoring dangerous and not dangerous materials generated, as well as their management, requesting involved documentation accrediting that justifies both the kg of each different type of waste collected by the authorized manager (delivery notes pick up and drop off at the centre treatment) and type treatment received in each case (recycling certificates, reuse or recovery) of the different treatment plants. Regarding waste generated in communal areas of the buildings and part of that produced by maintenance activities, a procedure is in place to ensure that non-hazardous waste is weighed correctly, with scales and recording tables available to ensure correct periodic reporting. In the buildings managed directly by the Group, the waste generated each day from its operations is separated and monitored, such as paper/cardboard, plastic, glass, organic waste, batteries, and fluorescent lightbulbs. Moreover, there is a Responsible Purchasing Guide, where is mandatory buying with recycled and recyclable materials. According to its Annual Report 2020, 99% of the non-hazardous and hazardous waste generated in Barcelona and Madrid has been recycled or recovered and 91% of non-hazardous and hazardous waste generated in Paris will be recycled or recovered.

### Energy Efficiency and $CO_2$ emissions

To reduce emissions across the Group, Colonial reports that it has a strong focus on improving the energy efficiency of the buildings in its portfolio and increasing the implementation and transformation of renewable energy. To this end, the Group is developing buildings with a near-zero energy balance (NZEB), characterized by high environmental performance and very low energy consumption, mainly from renewable energy sources. The Issuer committed to continuously invest in its property portfolio in order to reduce the dependence of its buildings on external energy sources while promoting the generation of renewable energy on site. Furthermore, Colonial reports to monitor the energy consumption of nearly all its facilities, except those that are still in the project phase. In addition to the installations of power meters, the Issuer introduced a PropTech Project that allows to anticipate and prevent energy inefficiencies, relying on artificial intelligence, matching learning, etc. Moreover, energy audits are used as the basis of the initial energy review, (under the terms of ISO 50001), establishing areas where there is significant energy use and identifying opportunities to improve energy efficiency. Another goal enshrined in Colonial's 2015-2030 Business Sustainability Plan is to achieve energy certification for 100% of the existing office portfolio and maximum energy certification (A rating) for all new assets.

## SOCIAL RISKS

### Health and Safety and Human Right Standards

In 2019 the Colonial Group approved a supplier survey with ESG criteria that includes social issues such as labour aspects with respect to employees, health and safety, diversity, work-life balance, Human Rights, subcontracting, etc. According to Colonial, risks affecting Human Rights in the supply chain are low or very low, as most suppliers are Spanish, French and also purchase top brand equipment and construction materials and installations from companies of renowned prestige, as evidenced in the questionnaires on supplier compliance with ESG criteria and environmental monitoring of works and maintenance. Moreover, regarding employment rights of their employees established by the

[14] https://www.inmocolonial.com/sites/default/files/equality_plan_inmobiliaria_colonial_2021.pdf
[15] https://www.inmocolonial.com/sites/default/files/docs/politica_de_rsc_grupo_colonial-en.pdf
[16] https://www.inmocolonial.com/sites/default/files/politica_biodiversidad_ing.pdf

International Labour Organization (ILO), no risks were detected through the surveys carried out or through any of Colonial's other communication channels.

### Social and Environmental factors in the procurement for the project

The Colonial Group reports to extend its commitments and basic principles of its Code of Ethics to suppliers and to ensure that they are applied at every stage of their operations. In this context, considerable attention has been paid to the conventions of the International Labour Organization (ILO). In addition, the Issuer states that it has developed an ESG Criteria Policy for Supplier Selection to ensure that ESG aspects are considered by suppliers in their value chains at each stage of activities related to Colonial. In the event of non-compliance with any of the requirements, the collaboration agreement may be unilaterally terminated by Colonial. Furthermore, the Issuer reports to use the SGS portal[17] to monitor that illegal employment relationships are avoided and that all documentation requirements are met.

According to the Issuer, new construction, reforms, operations, and maintenance consider responsible sourcing of materials and sustainable management of hazardous and non-hazardous waste to promote a circular economy. Colonial provides information on establishing sourcing requirements to ensure that materials and products have environmental certificates, such as Type III, DAP or ECV environmental labels, FSC and/or PEFC certified woods, local supply, high recycled and recyclable content and/or low level of emissions in Volatile Organic Compounds.

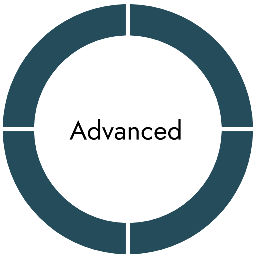
### Business Ethics

To demonstrate its commitment to and compliance with Business Ethics[18], Colonial reports to apply the Code of Ethics since 2011. Its principles emphasize business ethics as well as transparency and establish a series of basic values that all Colonial personnel, partners, and suppliers must always adhere to. The main action lines include respect for the law in force, professional integrity, and respect for the environment. Regarding relations with and between the Group´s professionals such topics as non-discrimination, equal opportunities, work-life balance, right to privacy etc. are covered. With regards to third parties and the market, the Issuer commits to free competition, integrity in management, customer relations, neutrality, restricted and confidential information etc. As part of the Code of Ethics, Colonial has developed policies to avoid any form of corruption, bribery and preventing money laundering in the development of its activities. As a monitoring and control measure, Colonial states that it has a model of segregation of duties and a procurement authorization system. Moreover, the Issuer reports to have a whistle-blower channel through the corporate intranet that enables employees to report irregularities and non-compliance identified in the organisation. It is presently in full and efficient operation for all employees, with all of them having been informed and trained in its use.

[17] https://www.sgs.es/es-es/our-company/about-sgs/sgs-in-brief

[18] Compliance | Colonial (inmocolonial.com)

# ISSUER




Inmobiliaria Colonial was founded in 1946 and is headquartered in Barcelona, Spain and operates in the real estate sector. The Company owns, manages, develops and renovates office buildings for rent in Spain and France. After acquiring the start-up dedicated to coworking Utopicus in 2017, the Company merged with Axiare Patrimonio Socimi, S.A in 2018.

## Level of ESG performance

Inmobiliaria Colonial's ESG performance was assessed through a complete process of rating and benchmark.

As of November 2021, Inmobiliaria Colonial displays an overall advanced ESG performance, ranking 4th in our Real State sector which covers 90 companies.

Inmobiliaria Colonial's performance is considered advanced in the environmental pillar and social pillars, and robust in the governance pillar

| DOMAIN | COMMENTS | OPINION |
|---|---|---|
| Environmental | <u>Inmobiliaria Colonial's performance in the Environment pillar is considered Advanced</u><br><br>Inmobiliaria Colonial shows an advanced performance by addressing all its responsibilities in the environmental pillar. Colonial's environmental strategy is comprehensive and covers all relevant issues within the real estate industry, such as biodiversity or buildings' energy efficiency. The Company engages with tenants in this regard by notably including green clauses in its contracts. Moreover, the Company has deployed significant means to address all the issues and discloses quantitative targets.<br><br>The Company has set up comprehensive systems to include environmental and social factors in supply chain management. However, although regular visits are carried out to control the respect of environmental requirement on sites under construction or refurbishment, on site audits to control social aspect are merely mentioned in contracts but do not seem to be regularly organised.<br><br>Results figures on energy use, carbon intensity and water consumption of the property portfolio show positive trends over last five years. | Advanced<br>Robust<br>Limited<br>Weak |
| Social | <u>Inmobiliaria Colonial's performance in the Social pillar is considered Advanced</u><br><br>Inmobiliaria Colonial discloses a formalised and comprehensive commitment to address fundamental labour rights, backed up with permanent measures. Moreover, on non-discrimination, Colonial discloses significant measures to support its comprehensive commitment, such as affirmative action programmes (targeted at disabled people).<br><br>Inmobiliaria Colonial has disclosed a commitment to promote career management and training addresses all of its responsibilities. Employees have regular performance assessment and career counselling interviews and training programmes are aimed at adapting employees' skills to the requirements of their current position and also enable them to develop additional skills. The Company has allocated extensive means to address | Advanced<br>Robust |

| | | |
|---|---|---|
| | stress at work, and accident rate and absenteeism are stable and relatively low. An area of improvement concerns the lack of commitment on responsible management of reorganisations. However, the Company has been able to avoid layoffs or dismissals during recent mergers and acquisitions. | Limited |
| | Significant means are devoted to promoting social and economic development, such as impact assessments for development/re-development projects and revitalization of marginalized urban areas, while the proportion of local purchases remain very high. In addition, Colonial has put in place significant measures to promote safe access for visitors and tenants and connectivity of its property portfolio. | Weak |
| Governance | <u>Inmobiliaria Colonial's performance in the Environment pillar is considered Robust</u><br><br>The roles of Chairman and CEO are separated, but the chairman is not considered independent. A minority of the Board's members are considered independent and their diversity appears to be partial – however, their evaluation and training are organised on a regular basis. There is an ESG Committee in place, but a few of the relevant sustainability issues seem to be discussed at Board level. | Advanced |
| | The Audit Committee has a comprehensive role, including a confidential reporting system, and most CSR risks are covered by internal controls. In terms of shareholders' rights, all major items are put to a shareholder vote, but minor voting rights restrictions have been identified. | Robust |
| | Regarding executive remuneration, all the elements are disclosed on an individual basis, and long-term incentives are linked to performance conditions. On the other hand, variable remuneration is said to be linked to CSR performance objectives, although these are not disclosed, and severance pay may exceed two years' base salary. | Limited |
| | Permanent measures are deployed to prevent corruption and money laundering, including internal controls, a confidential reporting system and due diligence in evaluating contracts. Inmobiliaria Colonial's performance in terms of transparency and integrity of influence strategies and practices is weak. | Weak |

## Management of ESG Controversies

As of December 2021, Colonial faces one stakeholder related ESG controversy, linked to one of the six domains we analyse:

- Corporate Governance, in the criteria of "Board of Directors", "Shareholders" and "Executive Remuneration".

<u>Frequency</u>: The controversy faced is considered "isolated"[19]; in line with the sector.

<u>Severity</u>: The severity of the case, based on the analysis of the impact on both the Issuer and its stakeholders, is considered "significant"[20]; in line with the sector.

<u>Responsiveness</u>: Colonial is considered overall "reactive"[21]; in line with the sector.

[19] VE scale of assessment: Isolated / Occasional / Frequent / Persistent.
[20] VE scale of assessment: Minor / Significant / High / Critical.
[21] VE scale of assessment: Non-communicative / Reactive / Remediative / Proactive.

## Involvement in Controversial Activities

The Issuer appears to be not involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

# METHODOLOGY

In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council.

## COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

## ISSUANCE

### Alignment with the Green Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

*The Framework has been evaluated by V.E according to the ICMA's Green Bond Principles - June 2021 ("GBP") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.*

#### Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

#### Process for evaluation and selection

The evaluation and selection process are assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

#### Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

#### Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

## Contribution to sustainability

### Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

### Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;[22]

ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;

iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);

iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

### ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

# ISSUER

## Issuer's ESG performance

### Scale of assessment of ESG performance: Weak, Limited, Robust, Advanced

*NB: The Issuer's level of ESG performance (i.e. commitments, processes, results of the Issuer related to ESG issues), has been assessed through a complete process of rating and benchmarking developed by V.E.*

The Issuers ESG performance has been assessed by V.E on the basis of its:

- Leadership: relevance of the commitments (content, visibility and ownership).
- Implementation: coherence of the implementation (process, means, control/reporting).
- Results: indicators, stakeholders' feedbacks and controversies.

The analysis of the issuer's sustainability performance is derived from V.E's Sovereign Sustainability Rating, a proprietary rating framework which provides scores, data and information about the Environmental, Social and Governance (ESG) performance of countries. The rating framework is anchored in globally recognised standards and country statistics, and is organised within three equally weighted pillars, 17 factors (sub-domains), 56 criteria and 172 indicators, which are divided between:

a) Engagement indicators that measure the level of commitment of a country towards sustainability norms and standards endorsed by globally recognised treaties and conventions (e.g. UN treaties, ILO conventions, OECD standards), and

b) Results indicators that measure the actions undertaken, or the results achieved, by a country across a wide range of ESG factors.

The 172 indicators have been chosen due to their universal applicability and relevance in reflecting the country's level of sustainability in the areas they measure. For each indicator, we source country data and information from authoritative sources available in the public domain, which offer comparable data and statistics for a wide coverage of countries and have regular data updates (e.g. United Nations

[22] The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

agencies, the World Bank, the OECD, the World Resources Institute, Coface, the Freedom House, Amnesty International and Transparency International).

The indicators included in our rating framework are also mapped against the Sustainable Development Goals (SDGs), the global blueprint set up in 2015 by the United Nations (UN) and agreed upon by the UN member states as part of the Agenda 2030 for a fairer, greener and more sustainable future. V.E's Sovereign Sustainability Rating provides the assessment of the ESG performance and sustainable development needs of countries, which goes beyond the scope of the Green bond.

## Management of stakeholder-related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable[23] sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Frequency: reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Severity: the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, V.E's controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

## Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

[23] 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

## V.E'S ASSESSMENT SCALES

| Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability | |
|---|---|
| Advanced | Advanced commitment: strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks. |
| Robust | Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management. |
| Limited | Commitment to the objective of sustainability has been initiated or partially achieved, fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management. |
| Weak | Commitment to social/environmental responsibility is non-tangible, no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management. |

| Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles | |
|---|---|
| Best Practices | The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices. |
| Aligned | The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles. |
| Partially Aligned | The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them. |
| Not Aligned | The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles. |

### Statement on V.E' s independence and conflict-of-interest policy

Transparency on the relation between V.E and the Issuer: V.E has not carried out any audit mission or consultancy activity for Colonial Group. No established relation (financial or commercial) exists between V.E and the Colonial Group. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. Restriction on distribution and use of this opinion: The deliverables remain the property of V.E. The draft version of the Second Party Opinion by V.E is for information purpose only and shall not be disclosed by the client. V.E grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal, or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bonds issuance. The Issuer acknowledges and agrees that V.E reserves the right to publish the final version of the Second Party Opinion on V.E' website and on V.E' internal and external communication supporting documents.

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