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Second Party Opinion

# VGP Sustainable Finance Framework

**March 21, 2025**

**Location:** Europe **Sector:** Real Estate and Logistics

## Alignment Summary

Aligned = ✓ Conceptually aligned = o Not aligned = ×

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

See Alignment Assessment for more detail.

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**Light green**

Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

## Strengths

**VGP's framework includes several investments with the potential to have knock-on sustainability benefits.** Investments in renewable energy and energy efficiency could, for example, reduce its tenants' scope 3 emissions. Additionally, financing water management and certain waste management projects could enhance the issuer's environmental performance beyond just its greenhouse gas footprint.

**The issuer has a solid reporting track record.** VGP's previous green bond reporting has been robust, demonstrating transparency and accountability. The current framework maintains this approach by including commitments that align with previous standards.

## Weaknesses

**No weaknesses to report.**

## Areas to watch

**New construction projects eligible for financing under this framework will generate embodied emissions from construction materials.** VGP aims to reduce these emissions in its construction portfolio by 20% by 2030, having already achieved a 15% reduction in 2024. However, the methodologies and knowledge required to further reduce these emissions are still evolving, and significant reductions are necessary given that building development activities accounted for 75% of the group's carbon footprint in 2023.

**Gas-fired heated assets could be financed.** The framework allows for the potential financing of gas-powered new buildings in certain jurisdictions, such as Serbia, which might introduce climate mitigation risks by extending the reliance on fossil fuels.

## Shades of Green Projects Assessment Summary

Over the three years following issuance of the financing, VGP expects to allocate the majority of the proceeds to the Sustainable Buildings project category, and the remaining to the other project categories.

The issuer expects the majority of proceeds to be allocated to refinancing, while a smaller proportion of proceeds will finance new projects.

Based on the project categories' Shades of Green detailed below, the expected allocation of proceeds, and consideration of environmental ambitions reflected in VGP Sustainable Finance Framework, we assess the framework as Light green.

| **Renewable Energy** | **Dark green** |
|---|---|
| Renewable energy production and related infrastructure investments. | |
| Renewable energy storage and related infrastructure investments. | |

| **Energy Efficiency** | **Dark green** |
|---|---|
| Investments in energy efficiency technologies, including LED lighting upgrades, best available technologies (BAT) and electric heat pumps installation in buildings. | |

| **Sustainable Water and Waste management** | **Dark green** |
|---|---|
| Investments in development and maintenance of facilities for clean water and wastewater treatment. | |
| Investments in projects to reduce water losses using smart meters and leak detection systems. | |

| **Sustainable Buildings** | **Light green** |
|---|---|
| Construction of new buildings with a primary energy demand (PED) 10% below nearly zero energy building (NZEB) requirements, with DGNB (German Sustainable Building Council) or equivalent verification of EU Taxonomy compliance. | |
| Acquisition or ownership of buildings with EPC A or within the top 15% of national or regional building stock as operational PED with DGNB or equivalent verification of EU Taxonomy compliance. | |

| **Clean Transportation** | **Medium green** |
|---|---|
| Investments in clean transportation technologies, including charging infrastructure. | |

See Analysis Of Eligible Projects for more detail.

# Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

## Company Description

VGP is a pan-European group focused on the acquisition, development, and management of logistics real estate. It is headquartered in Belgium and has operations in 18 countries across Europe, with the majority of the development portfolio concentrated in Germany (52% in 2024). The group operates under a fully integrated business model, covering land acquisitions, project conceptualization, design, construction, and property management; it performs these activities on its own or in joint ventures (JVs) with other developers. VGP also offers renewable energy solutions and green leasing practices to its tenants and stakeholders. Its portfolio included 48 completed buildings in 2024, with over 1,373,000 m² of lettable area valued at €879 million, 33 buildings under construction with 736,000 m² of lettable area valued at €579 million, and development land valued at €645 million. In the same year, JVs were valued at €5,734 million and included 194 completed buildings with a total lettable area of over 4,602,000 m². VGP has been listed on the Euronext Brussels Stock Exchange since 2007.

Following the merger of Alsgard SA with Little Rock S.à.r.l. (formerly Little Rock SA) on Dec. 31, 2023, Jan Van Geet Group owns 31.96% of the shares in the VGP, VM Invest NV owns 19%, and the remaining 49.04% are held by the public.

## Material Sustainability Factors

### Climate transition risk

Increased energy use in buildings has been a major contributor to climate change, representing around one third of global greenhouse gas emissions on a final-energy-use basis according to the International Energy Agency. Building occupiers and operators may face higher energy bills as power prices rise, and higher capital expenditure as upgrades are required to accommodate the energy transition and meet more stringent efficiency standards. In addition, low-carbon properties may achieve higher cost efficiencies or attract premium rents in the longer term, therefore enhancing their value. Embodied emissions from building materials are a major source of emissions when looking at the carbon footprint of a building over its life cycle. In Europe, there is a push to reduce greenhouse gas emissions in the real estate sector by aiming for zero-emissions new builds and transforming existing buildings to be more energy efficient. For example, the EU target is to achieve zero emissions from new buildings by 2030 and to transform existing EU building stock to become zero emitters by the same date.

### Physical climate risk

Being geographically fixed, real estate assets are exposed to physical climate risks, which can damage assets and disrupt stakeholders and operations. Acute risks such as wildfires, floods, and storms are becoming more frequent and severe, and chronic risks such as sustained higher temperatures and rising sea levels are increasing. Acute and chronic risks could damage properties or put tenants' health and safety at risk, as well as require investments to manage potential effects or, in severe cases, the relocation of tenants. Although the aggregate impact may be moderate--because the type, number, and magnitude of these risks varies by region--highly exposed regions could be vulnerable to material physical climate risks. The significance of physical climate risks, both acute and chronic, depends on the geographies where companies operate. This is primarily due to variations in climate conditions across Europe. According to the World Bank, the key physical climate risks where VGP mostly operates, such as in Germany, Czech Republic, Spain, Netherlands, are floods, droughts, heatwaves, and storms.

### Biodiversity and resource use

Construction faces significant resource-use issues. Key challenges are biodiversity risks, energy consumption, and the overuse of materials. As new buildings require land, there are also climate risks relating to site selection. Preserving natural carbon stocks is key to meeting climate goals as many habitats, like bogs and organic soils, store large amounts of carbon. Disturbing these can lead to significant emissions. Nature also absorbs carbon dioxide, so conserving 30%-50% of land, sea, and fresh water (as the Intergovernmental Panel on Climate Change recommends), is central to reducing greenhouse gases and adapting to climate change. Some ecosystems, like bogs and topsoil, take a long time to recover, and certain changes are irreversible. Resource-intensive materials and practices pose risks to finite resources. Addressing these problems through resource-efficient design, alternative materials, and resource management will help reduce the industry's impact on local habitats and global footprints

### Workforce health and safety

Construction sites can expose workers to heightened safety risks from heavy machinery, falls, hazardous chemicals, and other potentially dangerous situations, translating into higher fatality and injury rates than in other sectors. In 2022, more than one-fifth (22.9%) of all fatal work accidents in the EU took place within the construction sector, according to Eurostat. The reliance on temporary employees and subcontractors also poses risks, because safety protocols can be lax compared with larger companies that typically have more satisfactory training, policies, and standards, particularly in developed markets.

# Issuer And Context Analysis

**The framework's eligible projects address climate transition risk, which we consider to be the most material sustainability factor for VGP.** Investments in renewable energy solutions, energy efficiency, sustainable buildings, and clean transportation are important steps toward mitigating climate transition risk. That said, the framework introduces risks to biodiversity, as well as physical climate and health and safety risks that will arise during the construction and development phases of the projects.

**VGP's most significant climate impact arises from emissions associated with development activities, particularly embodied emissions from materials and construction.** The group's scope 3 emissions account for about 99% of total emissions and it aims to reduce these by 25% by 2030, using a 2020 baseline. Specifically, building development activities contributed to 75% of the group's carbon footprint in 2023. To mitigate these emissions, the issuer has set a target to reduce embodied carbon in its construction activities by 20% by 2030, compared to 2020. Since 2020, it has reduced scope 3 embodied carbon emissions by 15%, which we view positively. Key initiatives include the selection of greenhouse-gas-efficient materials (green steel and low-carbon materials), a carbon pricing mechanism for buildings, and lean processes during construction. VGP emphasizes the reduction of tenants' emissions, which accounted for 25% of the group's carbon footprint in 2023, aiming to reduce them by 55% by 2030, versus 2020. Key actions include the provision of green leases, encompassing the supply of electricity from renewable sources and environment-related clauses. Although the group's operational emissions constitute a minor portion of total emissions, the issuer commits to reducing scope 1 and 2 emissions by 50% by 2030 and by 90% by 2050, using a 2020 baseline. Both targets are validated by the Science-Based Targets initiative. To reduce operational emissions, the group has implemented energy efficiency action plans and commits to utilizing 100% renewable electricity for its assets.

**VGP assesses physical risk across its assets and development projects.** VGP conducted a climate change risk assessment in 2023, covering all its fixed assets and development projects, and relying on acknowledged industry tools, which we view positively. The study assessed exposure to physical risks, including flooding (fluvial and pluvial), rising sea levels, drought, heat stress, and wildfires. Furthermore, in line with the Taskforce on Climate-Related Financial Disclosures' recommendations, VGP has conducted scenario analysis using Representative Concentration Pathway (RCP) 4.5 and RCP 8.5 scenarios for a 2050 horizon. We view positively that VGP has adopted adaptation measures, including green spaces, sustainable drainage

systems, and rainwater harvesting, to mitigate physical climate risks like heat stress and flooding, based on the climate assessments that it has conducted as a part of its sustainability objectives. Furthermore, the group has a target to include long-term climate risk assessments and planning for all its development projects.

**VGP integrates biodiversity considerations across its development projects and existing parks, recognizing their significant ecological impacts.** Relying on the EU Taxonomy's Do No Significant Harm (DNSH) criteria, VGP has developed a group-wide biodiversity policy, which is based on the Conservation Hierarchy principles (Refrain, Reduce, Restore, and Redeem) and defines the ecology planning process. This policy mandates that no business parks be developed on protected forests or greenfield land with high biodiversity value, particularly those serving as habitats for endangered species listed on the European and IUCN Red Lists. All development projects are required to implement a biodiversity action plan, informed by preliminary ecological assessments. VGP's strategy includes restoring biodiversity in parks, engaging stakeholders, and supporting external conservation efforts through the VGP Foundation. These measures aim to mitigate regulatory and reputational risks while enhancing its assets' ecological and social value.

**Workforce health and safety is a key social consideration for VGP's business operations, particularly in construction and development.** The group employs dedicated health and safety management frameworks for development projects, ensuring that each work site is regularly monitored by a health and safety coordinator. Since 2020, the group has recorded zero employee fatalities. However, there was one contractor fatality in the fiscal year 2022 and one in 2023. To further enhance safety measures, the issuer undertakes third-party health and safety audits and routine site tours to identify any hazardous conditions and take corrective action. Additionally, the group has enhanced the contractual and technical safety requirements in its tendering process to ensure contractor safety. All contractors' safety-related issues are monitored by the construction contractors' teams, which we view positively.

# Alignment Assessment

This section provides an analysis of the framework's alignment with the Green Bond/Loan principles.

## Alignment Summary

Aligned = ✓ Conceptually aligned = o Not aligned = ×

- ✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

### ✓ Use of proceeds

We assess all the framework's green project categories as having a green shade, and the issuer commits to allocating the net proceeds issued under the framework exclusively to eligible green projects. Please refer to the Analysis Of Eligible Projects section for more information on our analysis of the environmental benefits of the expected use of proceeds.

VGP will allocate the net proceeds from instruments issued under the framework to finance or refinance eligible green projects, which include those relating to renewable energy, energy efficiency, sustainable water and waste management, sustainable buildings, and clean transportation. VGP may allocate some proceeds to acquire majority stakes in pure-play companies that generate a minimum of 90% of their revenue, or in balance sheet assets that align with the framework's green eligibility criteria. Additionally, JVs in which VGP holds a 50% stake are eligible for financing under the framework, provided they comply fully with the eligible project categories and EU Taxonomy requirements. VGP will disclose the share of financing versus refinancing in its allocation reporting and the maximum look-back period is three years, in line with market practice.

### ✓ Process for project evaluation and selection

The framework outlines the process to select and approve eligible projects and assets. The Sustainable Finance Committee (SFC), comprising representatives from the group's Finance, Sustainability, Planning & Control, and Investor Relations departments, is responsible for selecting, validating, and monitoring the eligible projects. The SFC is chaired by the CEO and will meet at least annually to screen and approve potential projects. Perceived environmental and social risks associated with the projects are identified and managed through its corporate sustainability and risk management framework along with other internal policies. VGP will exclude any project, asset, expenditure, or investment related to fossil-fuel energy, nuclear energy, and the development of new gas distribution pipelines/networks. Projects that do not adhere to internationally recognized sustainable best practices, such as those outlined by the Global Compact or the International Labor Organization, will also be excluded.

### ✓ Management of proceeds

An amount equal to the net proceeds from the issued green finance instruments will be earmarked for financing and refinancing green projects. VGP commits to ensure that a project's value always exceeds the value of the outstanding green finance instruments. If a funded green project is sold, or loses its eligibility under the framework criteria or is subject to ESG controversies, VGP will replace it with another qualifying green project within two years based on feasibility. Pending allocation, the proceeds will be held in cash and/or cash equivalents and/or other liquid marketable instruments excluding greenhouse-gas-intensive activities, in accordance with its financial policy.

### ✓ Reporting

Annually, VGP commits to reporting on the allocation of proceeds on its websites and the impact of its green financing instruments within its sustainability report until full allocation of the proceeds or in case of any material developments. Allocation reporting will include, among others, project descriptions, the balance of the unallocated proceeds, material developments or controversies related to the financed projects, and the percentage of EU Taxonomy eligible and aligned green

projects financed. For impact reporting VGP will measure qualitative and quantitative environmental impacts of the projects, subject to availability of the data. Furthermore, the calculation methodology and the assumptions behind the indicator will be disclosed in its annual sustainability report. VGP commits to receiving external assurance on the allocation of the net proceeds on an annual basis and until full allocation.

# Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "Analytical Approach: Shades Of Green Assessments".

## Overall Shades of Green assessment

Based on the project category shades of green detailed below, the expected allocation of proceeds, and considering the environmental ambitions reflected in VGP's Sustainable Finance Framework, we assess the framework as Light green.


Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term low-carbon climate resilient solutions.

Our Shades of Green Analytical Approach >

## Green project categories

### Renewable energy

| Assessment | Description |
|---|---|
| Dark green | Increasing production and storage of renewable energy, through acquisitions, construction, or maintenance, including:<br>• PV plants / Wind plants (roof-fitted)<br>• Energy storage system (Battery) |

**Analytical considerations**

- Renewable energy projects, such as solar photovoltaic (PV) and wind, are key elements in limiting global warming to well-below 2°C, provided their negative impacts on the local environment, and their physical risks, are sufficiently mitigated.
- The company's investments in solar and wind support the Paris Agreement modelled pathways. These imply that almost all electricity is supplied from zero- or low-carbon sources by 2050. The issuer has clarified that most eligible projects will be small-scale solar and wind energy systems for self-supply in semi-industrial buildings on-site, making biodiversity-related risks less significant. VGP has also performed a physical risk assessment covering its fixed assets and development projects, as presented in the Issuer Sustainability Context (ISC) section of this report, and includes circular economy considerations. As a result, we assess these projects as Dark green.
- The framework also includes projects related to energy storage, such as batteries, although the anticipated allocation of proceeds will be minimal. These systems help balance energy supply and demand by storing excess energy and releasing it when necessary. The issuer also states that chemical energy storage (hydrogen for example) will not be financed. While most batteries will be installed alongside solar PV and wind facilities, thereby storing entirely renewable energy, a small portion will be directly connected to the grid. For this latter category, despite recognizing their role in stabilizing and managing the local energy grid, we highlight higher climate mitigation risks due to the carbon intensity of the European grid, which was measured at 292 gCO2e/kWh in 2023.
- Carbon emissions considerations arise at various stages of the life cycle of renewable energy assets, including material sourcing, manufacturing, transportation, and end-of-life management of equipment. This is particularly pertinent for batteries used as ancillary storage. Across all projects, especially in solar and wind power, as well as storage technologies, the company aims to advance toward a circular economy primarily by procuring high-quality components (considered tier 1)

to ensure durability and recyclability. Suppliers must comply with the group's Supplier Code of Conduct, which includes ethical sourcing and durability considerations. Furthermore, VGP is working to integrate end-of-life and recyclability requirements into its procurement processes, which we view positively.

- Although the issuer does not currently anticipate financing any biogas production activities, the framework does allow for small-scale anaerobic digestion plants. We understand that only waste-based feedstock will be eligible, with waste generated on-site by tenants.
- Given that the renewable energy and energy storage technologies will be mostly located near the buildings in the portfolio, the same physical risk assessment described in the ISC section applies for this project category.

### Energy Efficiency

| Assessment | Description |
|---|---|
| Dark green | Reducing energy consumption or mitigate greenhouse gas emissions, including:<br>• Services to improve energy efficiency of lighting from traditional lighting to LEDs technology considering only the assets aligned to EU Taxonomy.<br>• Ensure maximum efficiency throughout best available technologies (the NZEB framework for buildings) for the group assets (new and refurbished buildings) considering only the assets aligned with EU Taxonomy (installation of electric heat pumps). |

**Analytical considerations**

- Energy efficiency measures are necessary to transition to a low-carbon economy, but their climate benefits and risks vary. These help reduce energy consumption and, consequently, result in decreased emissions. We view positively efforts to improve energy efficiency that are backed by rigorous quantitative performance metrics, and that aim to reduce additional environmental impacts.
- The activities outlined in the framework correspond with the necessary steps to decarbonize buildings, specifically the implementation of heat pumps, LED lighting, and energy-efficient best available technologies. We classify such investments as Dark green as these measures can lower energy consumption and, consequently, emissions.
- Additionally, we view the replacement of outdated technologies (such as gas-powered heating) with aerothermal systems, heating, ventilation, and air conditioning systems, and thermostats, as resulting in improved energy management. The absence of specific thresholds, due to the project-specific nature of these investments, poses a potential risk because of the lack of quantified energy savings. Nevertheless, our assessment also indicates that energy efficiency eligible projects will be financed alongside investments in renewable energy, as outlined in the first project category of this SPO report.
- Given that the energy efficiency technologies will be dedicated to the buildings in the issuer's portfolio, as well as new developments, the same physical risk assessment described in the ISC section applies to this project category.

### Sustainable Water and Waste Management

| Assessment | Description |
|---|---|
| Dark green | Construction, development, operation, and maintenance of facilities, systems, or equipment used for sustainable infrastructure for clean and/or drinking water, wastewater treatment, and sustainable urban drainage systems, including:<br>• Wastewater treatment and purification plants, networks and appliances. |

- Reduction-of-water-loss projects (automatic systems to find leakages, new pipelines, water smart meters)

**Analytical considerations**

- Water efficiency improvements help alleviate demands on natural capital and reduce the greenhouse gas emissions associated with water treatment and conveyance and, as a result, help achieve a low carbon climate resilient (LCCR) future. Wastewater systems reduce pollution, enable resource recovery, and enhance ecosystems and public health; as a result, they are key to an LCCR future. Primary benefits include improving water quality, with important cumulative effects on watersheds, relieving water stress, and--depending on the system--providing nutrients and energy recovery.
- VGP's projects aim to reduce reliance on municipal water supplies and mitigate the impacts of extreme weather events through the incorporation of green infrastructure such as green roofs and permeable pavements. These initiatives allow properties to retain water and use captured water for non-potable applications like irrigation, thereby promoting efficient water use and decreasing dependence on the local water grid. Given the reliance on green infrastructure, and the end-uses listed, we assess the project category as Dark green.
- The issuer intends to finance small-scale water efficiency projects on-site for its real estate portfolio, in line with previous issuances. Examples of previous initiatives include the construction of rainwater channels with rainwater retention basins, the utilization of rainwater for toilet facilities, and the development of green roofs for water retention. Given the project-specific features of the eligible projects, a quantitative threshold is not targeted by the issuer.
- Given that water management technologies will be mostly located near buildings in the issuer's portfolio, the same physical risk assessment described in the ISC section applies for this project category.

**Sustainable Buildings**

| Assessment | Description |
|---|---|
| Light green | Development or acquisition and ownership of logistics and semi-industrial buildings including:<br>• Construction of new buildings with a primary energy demand (PED) 10% below NZEB with DGNB (German Sustainable Building Council) or equivalent verification of EU Taxonomy compliance.<br>• Acquisition or ownership of buildings with an EPC A or within top 15% of national or regional building stock as operational PED with DGNB or equivalent verification of EU Taxonomy compliance.<br>See section 4.4 of the DGNB regarding third-party verification of EU Taxonomy Aligned Activities for more information. |

**Analytical considerations**

- The International Environment Agency emphasizes that reaching net-zero emissions in buildings demands major strides in energy efficiency and fossil fuel abandonment. All properties must achieve high energy performance. The issuer reviews emissions from building materials and construction, but does not include criteria to address this. Additionally, addressing physical climate risks is crucial for strengthening climate resilience across all buildings. VGP will allocate most of the proceeds toward financing the acquisition of existing buildings, followed by new construction. While the issuer does not currently foresee investments in building renovations, these investments are eligible for financing under the framework.
- We assign a Light green shade to this project category, reflecting our view that the framework criteria ensure that energy efficient buildings are financed, in line with the EU Taxonomy's substantial contribution criteria for the relevant categories. In addition, VGP performs a climate adaptation risk analysis of its portfolio properties. The issuer has a group-wide target to reduce embodied emissions, and it is already achieving positive results, as detailed below and in the ISC section. Nevertheless, though the initiatives show some promising results, better practices included project-specific targets that set a maximum level of embodied carbon in the building phase. Further, it remains unclear whether gas heating will be excluded from all new development projects, given their light-industrial nature, particularly in some jurisdictions (such as Serbia), leading us to cap the final shade at Light green.

- New and existing properties may be exposed to physical climate risks. For eligible projects, VGP incorporates a physical climate risk assessment into its standard due diligence processes for all land acquisitions and evaluations of its existing portfolio. This assessment also relies on industry tools. VGP's approach goes beyond local regulations and building codes, applying a consistent methodology across all assets for evaluating climate-related risks. Its most material physical risks include increased precipitation, flooding, and heatwaves, and it has detailed climate scenarios and projections for 2050 and in 100 years. Past mitigation actions have addressed significant risks such as drought and heat, particularly in regions like Iberia, where smart irrigation systems and drought-resistant flora have been introduced.
- Given the significant climate impacts associated with new construction, particularly from embodied emissions, VGP has implemented several initiatives to address and reduce these emissions, to achieve the targets it presents in the ISC section. VGP conducts lifecycle carbon assessments for each building, both locally and at the group level, adhering to regional regulatory requirements and using a consistent framework developed with external advisors. Additionally, VGP has introduced a carbon reference pricing mechanism for new projects, which calculates the embodied carbon emissions and assigns a monetary value to them. This approach aids decision-making by allowing technical teams to effectively evaluate carbon reduction initiatives, such as replacing concrete bearer beams with wooden alternatives, especially on the most relevant development projects. These efforts have reduced embodied carbon emissions by over 15% in since 2020, and the aim is a 20% reduction by 2030. However, we regard these initiatives as still in their early stages, and we do not believe they will significantly reduce embodied emissions for projects financed under the framework.
- When building on greenfield land, there are biodiversity risks as well as climate risks. The issuer has said that in 2024 around 24% of its projects under construction were on greenfield land, for which the alignment with EU Taxonomy DNSH requirements may be more complex. In all locations where VGP might build, there are legal requirements that mandate environmental impact assessments and building permits. The regulatory context of operating in European countries mitigates these risks to an extent. However, all deforestation negatively affects climate, and current practices might not sufficiently consider biodiversity and climate risks, even in stringent regulatory environments.

**Clean transportation**

| Assessment | Description |
|---|---|
| **Medium green** | Construction, development, operation, acquisition, and maintenance of infrastructure for sustainable mobility and cleaner vehicles with a lower environmental impact, for communities and for the group's fleet, including:<br>• Charging infrastructure for low-environmental-impact vehicles (electric charging hub). |

**Analytical considerations**

- We view charging stations as key to a low-carbon, climate-resilient future because they help promote the transition to low-carbon transport. The issuer is planning to invest in charging stations, which can offer lifecycle emissions savings compared to internal combustion engines, especially if the stations are powered by renewable energy. We assess such projects as Dark green. However, the Medium green shade reflects uncertainty related to investments in waste management projects that can be financed, as well as the potential financing of trucks for waste collection and transport, which may rely on fossil fuels.
- Charging infrastructure for electric vehicles (EVs) is key to transitioning to cleaner modes of transportation, where electrification is a central technology. Charging stations can also be used by hybrid vehicles, which use some fossil fuels.
- Although VGP does not currently expect to finance any waste-management projects, the framework allows for such investments. VGP says that potential eligible investments would include financing electric waste-management collection trucks, but also, potentially, fossil-fueled ones.
- The emissions reduction that vehicles can provide depends on the electricity source (that is, if the charging stations are connected to the local grid, the reductions depend on the local grid's profile), as well as on the type of EV using the asset.
- The construction of charging stations faces some upstream risks from the mining of essential minerals like copper or aluminum for cabling. The extraction processes for these materials can cause environmental harm, water pollution, labor exploitation, and community conflicts. Charging stations are subject to supply chain risks, particularly from the extraction of minerals such as lithium and cobalt.

## S&P Global Ratings' Shades of Green

| Assessments | Dark green | Medium green | Light green | Yellow | Orange | Red |
|---|---|---|---|---|---|---|
| **Description** | Activities that correspond to the long-term vision of an LCCR future. | Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions. | Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions. | Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures. | Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets. | Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets. |
| **Example projects** | Solar power plants | Energy efficient buildings | Hybrid road vehicles | Health care services | Conventional steel production | New oil exploration |

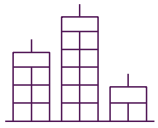
Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

# Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

| Use of proceeds | SDGs |
|---|---|
| Renewable Energy |  **7. Affordable and clean energy***  **13. Climate action** |
| Energy Efficiency |  **7. Affordable and clean energy***  **11. Sustainable cities and communities**  **13. Climate action** |
| Sustainable Water and Waste management |  **6. Clean water and sanitation***  **11. Sustainable cities and communities***  **12. Responsible consumption and production*** |
| Sustainable Buildings |  **11. Sustainable cities and communities***  **12. Responsible consumption and production**  **13. Climate action** |

| | | | |
|---|---|---|---|
| Clean Transportation |  |  |  |
| | **9. Industry, innovation and infrastructure** | **11. Sustainable cities and communities*** | **13. Climate action** |

*The eligible project categories link to these SDGs in the ICMA mapping.

# Related Research

- Analytical Approach: Second Party Opinions: Use Of Proceeds, July 27, 2023
- FAQ: Applying Our Integrated Analytical Approach for Use-Of-Proceeds Second Party Opinions, July 27, 2023
- Analytical Approach: Shades Of Green Assessments, July 27, 2023
- S&P Global Ratings ESG Materiality Maps, July 20, 2022

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