

## Second-Party Opinion

# Blackstone Property Partners Europe Holdings Green Financing Framework



## Evaluation Summary

Sustainalytics is of the opinion that the Blackstone Property Partners Europe Holdings Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and the Green Loan Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, and Tenant Relationships – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2021. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 9 and 11.



**PROJECT EVALUATION / SELECTION** Blackstone Property Partners Europe Holdings' eligible projects will be evaluated and selected by a Green Finance Committee made up of senior management representatives and professionals of the Company across business units and disciplines. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** The Company, under the supervision of the Green Finance Committee will be responsible for allocating the net proceeds to eligible projects and actual spend will be monitored using its internal systems. Pending allocation, all or a portion of the net proceeds may be used for the payment of outstanding indebtedness or other capital management activities. Sustainalytics considers the management of proceeds process to be in line with market practice.



**REPORTING** Blackstone Property Partners Europe Holdings intends to report on allocation of proceeds on its website on an annual basis until full allocation or while financing instruments remain outstanding. In addition, to the extent practicable, the Company intends to report on relevant impact metrics such as green building certification level, renewable energy installed capacity and annual energy savings. Sustainalytics views the allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	March 12, 2021
<b>Issuer Location</b>	Luxembourg, Grand Duchy of Luxembourg

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## Introduction

Blackstone Property Partners Europe Holdings S.à r.l. (“BPPEH” or the “Company”) invests in, owns and manages high-quality, substantially stabilised real estate across Europe with a focus on logistics, residential and office properties. The Company is a wholly-owned subsidiary of Blackstone Property Partners Europe, a European Core+ real estate fund managed by The Blackstone Group. BPPEH is headquartered in Luxembourg and has a gross asset value of EUR 7.8 billion across 701 assets in 13 countries as of December 31, 2020.

BPPEH has developed the Blackstone Property Partners Europe Holdings Green Financing Framework (the “Framework”) under which it intends to issue green bonds or other green financing instruments (together referred to as “Green Financing Instruments”) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that have environmental benefits. The Framework defines eligibility criteria in five areas:

1. Green Buildings
2. Renewable Energy
3. Energy Efficiency
4. Clean Transportation
5. Tenant Relationships

BPPEH engaged Sustainalytics to review the Framework, dated March 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)<sup>1</sup> and the Green Loan Principles 2021 (GLP).<sup>2</sup> This Framework will be published in a separate document.<sup>3</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA<sup>5</sup>;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.7.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of BPPEH’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. BPPEH representatives have confirmed (1) they understand it is the sole responsibility of BPPEH to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

<sup>2</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>3</sup> The Blackstone Property Partners Europe Holdings Green Financing Framework is available on Blackstone Property Partners Europe Holdings S.à r.l.’s website at: [bppeh.blackstone.com/documents](http://bppeh.blackstone.com/documents).

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

<sup>5</sup> In addition to the Loan Markets Association, the GLP are also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

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

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

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

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

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Blackstone Property Partners Europe Holdings Green Financing Framework

Sustainalytics is of the opinion that the Blackstone Property Partners Europe Holdings Green Financing Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation, and Tenant Relationships – are aligned with those recognized by the GBP and GLP.
  - The Framework defines a three-year look-back period for its refinancing of expenditures; Green Buildings may be considered eligible beyond this time period, which Sustainalytics considers to be in line with market practice.
  - Within the Green Buildings category, BPPEH contemplates expenditures related to building acquisition, financing, refinancing and/or refurbishment.
    - BPPEH intends to use reputable third-party certification schemes that are robust and credible to determine green building eligibility including LEED, BREEAM, HQE and DGNB. Sustainalytics considers the specified certifications to be credible, and their use aligned with market practice. See Appendix 1 for further description of the referenced building standards.
    - While noting that BPPEH has disclosed that the levels cited in the Framework are intended to be minimums and that the Company is targeting higher levels where possible,<sup>6</sup> Sustainalytics is of the opinion that the certification benchmark levels specified by BPPEH – BREEAM Good, LEED Silver, HQE Good and DGNB Silver – are below market standards. Sustainalytics additionally recognizes that for certain classes of developments, such as logistics properties, lower levels of certification may be aligned with market expectations, and that approximately 60% of the Company's building portfolio is in this sector. Sustainalytics therefore considers the certification

<sup>6</sup> BPPEH has provided to Sustainalytics a list of properties representative of a certain segment of its portfolio, most of which exceed the minimum requirements in the Framework.

- levels cited to be a limitation of the Framework only as they relate to commercial or residential properties.<sup>7</sup>
- The Framework may also rely on Energy Performance Certificates (EPCs) for investments in green buildings with a minimum EPC rating of “B”.<sup>8</sup> Sustainalytics notes that the EPC “B” label is aligned with market expectations for green buildings in most of the jurisdictions<sup>9</sup> in which projects will be financed.
  - Renewable Energy expenditures may include the acquisition, refurbishment, development and construction of new and existing renewable energy assets related to geothermal and wind energy.<sup>10</sup> BPPEH is also considering solar panel installation as eligible projects in this category.
    - In addition to investing directly in projects, the Company intends to procure electricity via power purchase agreements (PPAs) and green power tariffs for grid-level utilities. BPPEH confirms that it will focus on longer-term PPAs, which Sustainalytics views as providing greater assurance of positive impacts and is aligned with market practice.
  - BPPEH’s investments in the Energy Efficiency category are targeted at a range of upgrade and retrofitting activities in real estate including LED lighting, building heating and cooling systems, as well as thermal building fabric performance. The Company is also contemplating smart grid systems that improve grid resilience, energy storage systems and district heating. For district heating, the Company intends to focus on systems powered by renewable energy. BPPEH has confirmed that expenditures towards fossil-powered equipment are not eligible under the Framework. Sustainalytics views the projects contemplated in this category as aligned with market practice.
  - Under the Clean Transportation category, BPPEH intends to finance the installation and maintenance of infrastructure assets and programmes that promote the switch towards energy efficient transport alternatives.
    - Infrastructure may include electric vehicle (“EV”) charging stations, cycling facilities and cycle storage. Sustainalytics considers these investments to be aligned with market practice.
    - Sustainalytics considers investments in electric transportation and supporting infrastructure to be aligned with market practice, and encourages the Company to report on non-infrastructure programmes to promote clean transportation in order to provide further transparency on these activities.
  - For expenditures related to Tenant Relationships, BPPEH contemplates expenditures that measure energy usage and support energy efficiency initiatives of its residential and commercial tenants. This may include the engagement of ESG consultants to monitor energy data for tenants across its portfolio and recommend opportunities for optimization. Additionally, the Company is considering expenditures related to commercial green lease clauses that incorporate metering systems.
    - Sustainalytics views positively expenditures which are related to directly and indirectly improving energy efficiency, including carrying out studies, working with tenants to promote energy savings, and installing enhanced utility monitoring.
    - Sustainalytics recognizes that expenditures related to tenant satisfaction and broader ESG are anticipated to be a small part of the Framework. While noting the lack of direct linkage between these initiatives and energy efficiency gains, BPPEH has disclosed that it intends to leverage higher levels of tenant satisfaction to support the execution of ESG strategies across its portfolio. Sustainalytics encourages the Company to report on how the activities financed in this category are supporting quantitative environmental benefits.

<sup>7</sup> Sustainalytics in any case encourages the selection buildings that perform highly in terms of energy performance, for example, for BREEAM buildings to achieve a minimum score of 70% in the Energy category.

<sup>8</sup> EPCs play a central role in the context of the Article 20 (2) EPBD, which asks (EU) Member States to provide information on the energy performance certificates and the inspection reports, on their purpose and objectives, on the cost-effective ways and, where appropriate, on the available financial instruments to improve the energy performance of the building to the owners or tenants of the buildings. Further details available at: European Commission, EPC distribution per energy label, at: <https://ec.europa.eu/energy/en/content/epc-distribution-energy-label>

<sup>9</sup> Sustainalytics views market practice for France to be EPC A, and encourages BPPEH to strive for this level for investments in that jurisdiction.

<sup>10</sup> BPPEH has confirmed that it views as best practice for geothermal projects to have direct emissions of less than 100 gCO<sub>2</sub>/kWh.

- Project Evaluation and Selection:
  - BPPEH's eligible projects are evaluated and selected by a cross-functional Green Finance Committee (the "Committee"). The Committee is made up of senior management representatives and professionals of the Company across business units and disciplines.
  - Sustainalytics considers that the collaboration between relevant business units strengthens the implementation of the Framework and is in line with market practice.
- Management of Proceeds:
  - The Green Finance Committee will be responsible for allocating the net proceeds to eligible projects and actual spend will be monitored using the Company's internal systems. Pending allocation, BPPEH is considering using proceeds from the Green Financing Instruments towards payment of outstanding indebtedness or other capital management activities. Sustainalytics considers the Company's allocation and tracking systems to be aligned with market practice.
  - Sustainalytics considers market expectation to be allocation within 36 months and notes that while BPPEH does not commit to an allocation period, the Company has confirmed it generally expects to allocate proceeds within this period of time.
- Reporting:
  - BPPEH commits to reporting on allocation of proceeds from Green Financing Instruments annually until full allocation or until the applicable issuances are no longer outstanding. This will include total amount of proceeds allocated, the remaining balance of unallocated net proceeds as well as the list of projects financed.
  - To the extent practicable, the Company intends to report annually on the estimated environmental and/or social impacts of the projects to which it has allocated proceeds. Some of the potential impact metrics include green building assets by certification level, total installed renewable energy capacity, estimated annual GHG emissions avoided, annual energy savings and number of EV charging.
  - Sustainalytics considers BPPEH's allocation and impact reporting process to be aligned with market practice.

#### **Alignment with Green Bond Principles 2018 and Green Loan Principles 2021**

Sustainalytics has determined that the Blackstone Property Partners Europe Holdings Green Financing Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of BPPEH**

### **Contribution of framework to The Blackstone Group's sustainability performance and strategy**

BPPEH's sustainability commitments and activities are considered from the lens of the global parent company, The Blackstone Group ("Blackstone" or the "Group"). Sustainalytics is of the opinion that Blackstone demonstrates its commitment to sustainability through the integration of ESG considerations into its investment portfolio, risk management process and its own operations.<sup>11</sup> The Group specifies its intentions to reduce its environmental impact through active management of energy, water consumption and waste.<sup>12</sup> Some highlights of Blackstone's overall strategy are provided below:<sup>13,14</sup>

- In line with the commitment to transitioning its investments to a more renewable energy-based portfolio, the Group has invested about \$7 billion in renewable energy since 2011. Furthermore, Blackstone has reduced its holdings of coal, which constitute about 0.1% of Blackstone's total portfolio and the Group continues to invest in clean energy companies that support the transition to a lower carbon economy. Recently, Blackstone also expanded on its sustainability efforts by setting a target of 15% carbon emissions reduction in the first three years following acquisition across all new investments where the Group controls the energy usage. Furthermore, through the

<sup>11</sup> Blackstone, "Responsible Investing Policy", available at: [https://www.blackstone.com/docs/default-source/black-papers/bx-responsible-investing-policy.pdf?sfvrsn=cef0a3ad\\_2](https://www.blackstone.com/docs/default-source/black-papers/bx-responsible-investing-policy.pdf?sfvrsn=cef0a3ad_2)

<sup>12</sup> Blackstone, "Approach to ESG", available at: [https://www.blackstone.com/wp-content/uploads/sites/2/2020/09/BX\\_ESG-Brochure-1.pdf?v=1612536659](https://www.blackstone.com/wp-content/uploads/sites/2/2020/09/BX_ESG-Brochure-1.pdf?v=1612536659)

<sup>13</sup> Ibid.

<sup>14</sup> Blackstone, "ESG Factsheet", available at: [https://s23.q4cdn.com/714267708/files/doc\\_downloads/gov\\_docs/ESG-Factsheet.pdf](https://s23.q4cdn.com/714267708/files/doc_downloads/gov_docs/ESG-Factsheet.pdf)

implementation of its group-wide sustainability program, Blackstone has delivered, through its portfolio companies, a 15% energy cost savings.

- Increasing the Company's portion of certified green buildings and renewable energy investments:<sup>15</sup>
  - BPPEH has obtained green certifications for more than 70% of its office portfolio by area and is implementing energy-saving renovation upgrades to its Dutch residential portfolio targeted at achieving A or B EPC label certificate levels.
  - On-site assessments have been conducted across more than 20% of the Company's logistics portfolio, which provide the basis for future portfolio-wide initiatives including solar panels where feasible.
- As a part of its commitment to reducing the environmental impact from its own operations, Blackstone's London office is 100% powered by renewable energy. Furthermore, energy-efficient lighting and low-flow water systems have been installed in all new office buildouts and retrofits.

Sustainalytics is of the opinion that the Blackstone Property Partners Europe Holdings Green Financing Framework is aligned with the Group's overall sustainability strategy and initiatives and will further BPPEH's action on its key environmental priorities.

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

While Sustainalytics anticipates that the net proceeds from Green Financing Instruments issued under the Framework will be directed towards projects that are expected to have positive environmental impact, Sustainalytics recognizes that such investments could also lead to negative environmental and social outcomes if not well-implemented. Some key environmental and social risks associated with the eligible projects include occupational health and safety, tenant engagement as well as waste generation associated with installation and upgrade activities.

Sustainalytics is of the opinion that BPPEH, through the implementation of the policies and strategies of Blackstone, is able to manage and/or mitigate potential risks through implementation of the following:

- Blackstone's Code of Business Conduct and Ethics which guides its global operations, subsidiaries and affiliates specifies the Group's policies as it relates to business ethics, regulatory compliance and overall corporate responsibility.<sup>16</sup>
- Blackstone's Rental Housing Approach, in which the Group commits to making a positive impact on the communities where it invests and deliver high-quality homes to tenants, treating them fairly, consistently and respectfully.<sup>17</sup>
- Robust due diligence undertaken by the Group prior to the acquisition of portfolio assets and approval by a dedicated Investment Committee after consultation with external ESG experts. As part of ongoing assessment of its portfolio impact, Blackstone conducts post-investment monitoring at least annually to ensure that overall portfolio ESG risk is adequately managed. Some elements of this monitoring includes environmental risk assessment, health and safety law compliance as well as adherence to workplace policies and procedures.<sup>18</sup>
- Blackstone has assigned ESG responsibility to each business unit with oversight by an ESG Steering Committee that coordinates the Group's ESG efforts. In addition, a separate team led by Blackstone's Chief Sustainability Officer has been put in place to promote sustainability initiatives across the portfolio companies.<sup>19</sup>

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

<sup>15</sup> BPPEH, "Annual Report 2020", available at: [bppeh.blackstone.com/documents](http://bppeh.blackstone.com/documents)

<sup>16</sup> Blackstone, "Code of Business Conduct and Ethics", available at: [https://s23.q4cdn.com/714267708/files/doc\\_downloads/gov\\_docs/Code-of-Ethics-Website-Version-FINAL-1.14.2020.pdf](https://s23.q4cdn.com/714267708/files/doc_downloads/gov_docs/Code-of-Ethics-Website-Version-FINAL-1.14.2020.pdf)

<sup>17</sup> Blackstone, "Blackstone's Approach to Rental Housing", available at: <https://www.blackstone.com/wp-content/uploads/sites/2/2019/09/approach-to-rental-housing.pdf>

<sup>18</sup> Blackstone, "ESG Factsheet", available at: [https://s23.q4cdn.com/714267708/files/doc\\_downloads/gov\\_docs/ESG-Factsheet.pdf](https://s23.q4cdn.com/714267708/files/doc_downloads/gov_docs/ESG-Factsheet.pdf)

<sup>19</sup> Ibid.



### Section 3: Impact of Use of Proceeds

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

#### Importance of Green Building and Energy Efficiency in Europe

According to the European Parliament, the building sector is the largest consumer of energy in the EU representing about 40% overall and contributing to 36% of greenhouse gas (GHG) emissions.<sup>20</sup> In 2018, GHG emissions decreased by 23% compared to a 1990 baseline level, surpassing the EU's target of a 20% reduction by 2020.<sup>21</sup> Despite the current trend, additional measures are required to meet the EU's 2030 target of at least 40% GHG reduction.<sup>22</sup> As the direct emissions from the building sector have increased by 5% from 2010 to 2019, it is important to recognize that additional investments in the sector towards green buildings and energy efficiency will be required to meet climate targets.<sup>23</sup>

To reach the EU's 2050 target of carbon neutrality, the European Commission proposed the European Green Deal to tackle climate change and environmental degradation and highlights the importance of energy efficiency in buildings.<sup>24</sup> Currently, the renovation rate for energy efficiency projects in both residential and non-residential building sectors across the EU countries is close to 1%, indicating current renovation trends are insufficient in meeting the Paris Agreement targets.<sup>25,26</sup>

Based on the above context, Sustainalytics is of the opinion that financing projects in green buildings and energy efficiency is expected to have a positive environmental impact and contribute to the EU's efforts towards meeting short-term and long-term climate targets.

#### Importance of Clean Transportation in Europe

Transportation is the primary source of air pollution in European cities, and accounts for almost a quarter of Europe's total GHG emissions.<sup>27</sup> Road transport, in particular, represents about 72% of the total transport-related GHG emissions.<sup>28</sup> The European Green Deal outlines an action plan which highlights the importance of promoting cleaner forms of private and public transport and the decarbonization of the energy sector.<sup>29</sup> With over 60% of the population living in urban areas, Europe's urban mobility activities account for 40% of the GHG emissions in road transport. In response, the European Commission initiated an Urban Mobility Package to advance the development of supporting infrastructure and increase access to clean transportation options.<sup>30</sup>

Sustainalytics is of the opinion that BPPEH's clean transportation investments will contribute towards the EU's target of reducing the transport sector's energy consumption and GHG emissions.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The financing instruments issued under the Blackstone Property Partners Europe Holdings Green Financing Framework advance the following SDGs and targets:

<sup>20</sup> European Parliament, "Report on Maximising the energy efficiency of the EU building stock", 2020, at: [https://www.europarl.europa.eu/doceo/document/A-9-2020-0134\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-9-2020-0134_EN.html)

<sup>21</sup> European Environment Agency, "Total greenhouse gas emission trends and projections in Europe", available at: <https://www.eea.europa.eu/data-and-maps/indicators/greenhouse-gas-emission-trends-7/assessment>

<sup>22</sup> Climate Action Tracker, "EU", available at: <https://climateactiontracker.org/countries/eu/>

<sup>23</sup> The International Energy Agency (IEA), "Tracking Buildings 2020", available at: <https://www.iea.org/reports/tracking-buildings-2020>

<sup>24</sup> The European Commission, "A European Green Deal", available at: [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

<sup>25</sup> The European Commission, "Comprehensive study of building energy renovation activities and the uptake of nearly zero-energy buildings in the EU", (2019), available at: [https://ec.europa.eu/energy/sites/ener/files/documents/1.final\\_report.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/1.final_report.pdf)

<sup>26</sup> The World Green Building Council, "Green Building Investments", available at: <https://www.worldgbc.org/news-media/green-building-investments>

<sup>27</sup> European Commission, "Transport Emissions", available at: [https://ec.europa.eu/clima/policies/transport\\_en](https://ec.europa.eu/clima/policies/transport_en)

<sup>28</sup> European Environment Agency, "Greenhouse gas emissions from transport in Europe", available at: <https://www.eea.europa.eu/data-and-maps/indicators/transport-emissions-of-greenhouse-gases-7/assessment>

<sup>29</sup> European Commission, "A European Green Deal", available at: [https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

<sup>30</sup> European Commission, "Clean Transport, Urban Transport", available at: [https://ec.europa.eu/transport/themes/urban/urban\\_mobility\\_en](https://ec.europa.eu/transport/themes/urban/urban_mobility_en)

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Tenant Relationships	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

## Conclusion

BPPEH has developed the Blackstone Property Partners Europe Holdings Green Financing Framework under which it will issue Green Financing Instruments to finance activities across green buildings, renewable energy, energy efficiency, clean transportation and tenant relationships. Sustainalytics considers that the projects to be funded under the Framework will lead to positive environmental benefits.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9 and 11. Additionally, Sustainalytics is of the opinion that BPPEH has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that BPPEH is well-positioned to issue green financing instruments and that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2021.



## Appendices

### Appendix 1: Overview of Green Building Certification Schemes

	LEED <sup>31</sup>	BREEAM <sup>32</sup>	HQE <sup>33</sup>	DGNB <sup>34</sup>
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	The Haute Qualité Environnementale or HQE (High Quality Environmental standard) is a standard for green building in France, based on the principles of sustainable development first set out at the 1992 Earth Summit. The standard was launched in 2005 and is controlled by HQE and certificate is issued by Cerway/ Certivea/ Cerqual.	The German Green Building Certification or DGNB was developed in 2007 by the non-profit German Sustainable Building Council in partnership with the German Federal Ministry of Transport, Building, and Urban Affairs in order to actively encourage sustainable building.
<b>Certification levels</b>	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	Pass Good Very good Excellent Exceptional	Bronze Silver Gold Platinum
<b>Areas of Assessment: Environmental Performance of the Building</b>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Environment (Site, Components, Worksite, Water, Waste, Maintenance)</li> <li>• Comfort (Hydrothermal, Acoustic, Visual, Olfactory)</li> <li>• Health (Spaces quality, Air Quality, Water Quality)</li> <li>• Principles of Equivalence</li> </ul>	<ul style="list-style-type: none"> <li>• Environment</li> <li>• Economic</li> <li>• Sociocultural and functional aspects</li> <li>• Technology</li> <li>• Processes</li> <li>• Site</li> </ul>
<b>Requirements</b>	Prerequisites (independent of level of certification) + Credits with associated points.  These points are then added together to obtain the LEED level of certification  There are several different rating systems within LEED. Each rating system	Prerequisites depending on the levels of certification + Credits with associated points  This number of points is then weighted by item <sup>35</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are	Prerequisites (independent of level of certification) + Points-based performance level: Performing and High Performing  The Prerequisite level is obtained when all the minimum requirements for a target are met, while the Performing and High Performing levels are	Percentage-based performance index  The total performance index (expressed as a percentage) is calculated by adding the six key areas of assessment. The environmental, economic, socio-cultural and functional aspects and technical quality each account for 22.5% of the





<sup>31</sup> U.S. Green Building Council, "Green building leadership is LEED", at: <https://new.usgbc.org/leed>

<sup>32</sup> BREEAM, "What is BREEAM?", at: <https://www.breeam.com/>.

<sup>33</sup> Cerway, "HQE", at: <http://www.behqe.com/>

<sup>34</sup> DGNB GmbH, "DGNB", at: <http://www.dgnb-system.de/en/>

<sup>35</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

	<p>is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREAAM has two stages/audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>obtained based on a percentage of points given per target, allowing for flexibility.</p> <p>Based on the total number of stars obtained per area, an overall HQE level is then given.</p> <p>Environmental certificates are assigned at all stages of the building life cycle, and on-site audits are required.</p>	<p>total, process accounts for 10% and the site quality is given a separate grade.</p> <p>Depending on the total performance index, a DGNB award will be given to the project, starting from Silver (at least 50%), then Gold (at least 65%) and finally Platinum (at least 80%). Bronze is awarded for already existing buildings and is conferred as the lowest rank with a total performance index of at least 35%.</p>
<p><b>Performance display</b></p>	 <p>Platinum 80+ points earned</p>	 <p>Pass Outstanding</p>		

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

### Section 1. Basic Information

<b>Issuer name:</b>	Blackstone Property Partners Europe Holdings S.à r.l.
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</b>	Blackstone Property Partners Europe Holdings Green Financing Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	March 12, 2021
<b>Publication date of review publication:</b>	

### Section 2. Review overview

#### SCOPE OF REVIEW

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

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

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

#### ROLE(S) OF REVIEW PROVIDER

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

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

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

Please refer to Evaluation Summary above.

### Section 3. Detailed review

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

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Energy Efficiency, Clean Transportation and Tenant Relationships – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2021. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7, 9 and 11.

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

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

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

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

Overall comment on section (if applicable):

Blackstone Property Partners Europe Holdings' eligible projects will be evaluated and selected by a Green Finance Committee made up of senior management representatives and professionals of the Company across business units and disciplines. Sustainalytics considers the project selection process to be in line with market practice.

**Evaluation and selection**

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

**Information on Responsibilities and Accountability**

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

**3. MANAGEMENT OF PROCEEDS**

Overall comment on section *(if applicable)*:

The Company, under the supervision of the Green Finance Committee will be responsible for allocating the net proceeds to eligible projects and actual spend will be monitored using its internal systems. Pending allocation, all or a portion of the net proceeds may be used for the payment of outstanding indebtedness or other capital management activities. Sustainalytics considers the management of proceeds process to be in line with market practice.

**Tracking of proceeds:**

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

**Additional disclosure:**

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

**4. REPORTING**

Overall comment on section *(if applicable)*:

Blackstone Property Partners Europe Holdings intends to report on allocation of proceeds on its website on an annual basis until full allocation or while financing instruments remain outstanding. In addition, to the extent practicable, the Company intends to report on relevant impact metrics such as green building certification level, renewable energy installed capacity and annual energy savings. Sustainalytics views the allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

- Project-by-project       On a project portfolio basis

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

**Information reported:**

- Allocated amounts  Green Bond financed share of total investment
- Other (*please specify*):

**Frequency:**

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

**Impact reporting:**

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

**Information reported (expected or ex-post):**

- GHG Emissions / Savings  Energy Savings
- Decrease in water use  Other ESG indicators (*please specify*): renewable energy installed capacity, annual estimated GHG emissions avoided, number of EV charging stations

**Frequency**

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

**Means of Disclosure**

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

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

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

[bppeh.blackstone.com/documents/](http://bppeh.blackstone.com/documents/)



**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

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

**Review provider(s):****Date of publication:****ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

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

## Disclaimer

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## About Sustainalytics, a Morningstar Company

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



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

