

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

7R Group

16 April 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated

- Green Finance Instruments

Relevant standards

- Green Bond Principles (GBP), as administered by the International Capital Market Association's (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Green Loan Principles (GLP), as administered by the Loan Market Association (LMA) (as of February 2023)

Scope of verification

- 7R Green Finance Framework (as of April 15, 2024)
- 7R Eligibility Criteria (as of April 15, 2024)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

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SCOPE OF WORK

7R Group (“the Issuer”, “the Company”, or “7R”) commissioned ISS Corporate Solutions (ISS-Corporate) to assist with its Green Finance Instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. 7R’s Green Finance Framework (as of April 15, 2024) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and the Loan Market Association (LMA) Green Loan Principles (GLP).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Consistency of the Green Finance Instruments with 7R’s Sustainability Strategy – drawing on the key sustainability objectives and priorities defined by the Issuer.

7R OVERVIEW

7R Group engages in designing and building warehouses and industrial facilities. It operates through the following business segments: Construction and Engineering and Asset and Property Management. The company was founded in 2009 and is headquartered in Kraków, Poland.

ESG risks associated with the Issuer's Industry

7R is classified in the Real Estate industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies¹ in this industry are: Green building considerations, Climate protection, energy efficiency and renewables, Environmental and social aspects in site selection, Health and well-being of occupants, Occupational health and safety.

This report focuses on the sustainability credentials of the issuance. Part III. of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

¹ Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
<p>Part I:</p> <p>Alignment with GBP/GLP</p>	<p>The Issuer has defined a formal concept for its Green Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP and GLP.</p>	<p>Aligned</p>
<p>Part II:</p> <p>Sustainability quality of the Eligibility Criteria</p>	<p>The Green Finance Instruments will (re)finance the eligible asset categories under Green Buildings.</p> <p>The Green Building categories contribute to one or more of the following SDGs:</p> <div style="display: flex; justify-content: center; gap: 10px;">    </div> <p>The environmental and social risks associated with the Green Building categories are managed.</p>	<p>Positive</p>
<p>Part III:</p> <p>Consistency of Green Finance Instruments with 7R's Sustainability Strategy</p>	<p>The key sustainability objectives and the rationale for issuing Green Finance Instruments are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	<p>Consistent with Issuer's sustainability strategy</p>

² The evaluation is based on the 7R's Green Finance Framework (April 2024 version), on the analysed Eligibility Criteria as received on April 15, 2024.

SPO ASSESSMENT

PART I: ALIGNMENT WITH GBP AND GLP

This section evaluates the alignment of the 7R's Green Finance Framework (as of April 15, 2024) with the GBP and GLP.

GBP AND GLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by 7R's Green Finance Framework is aligned with the GBP and GLP.</p> <p>The Issuer's green categories align with the project categories as proposed by the GBP and GLP. Criteria are defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described.</p> <p>The Issuer defines exclusion criteria for harmful projects categories.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by 7R's Green Finance Framework is aligned with the GBP and GLP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer involves various stakeholders in this process in line with best market practice.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds provided 7R's Green Finance Framework is aligned with the GBP and GLP.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are credited to a sub account. and the net proceeds are managed on an aggregated basis for multiple Green Bonds</p>

		<p>and Green Loans (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p> <p>The Issuer has defined an expected allocation period of 36 months, in line with best market practice.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting provided by 7R's Green Finance Framework is aligned with the GBP and GLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer's website. 7R explains that the level of expected reporting will be at portfolio level and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer maintains transparency regarding the level of impact reporting. The impact report contains information and defines the reporting frequency and duration. Additionally, the Issuer commits to having the allocation report audited by an external party in line with best market practice.</p>

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE GREEN FINANCE INSTRUMENTS TO THE UN SDGs³


Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green Finance Instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

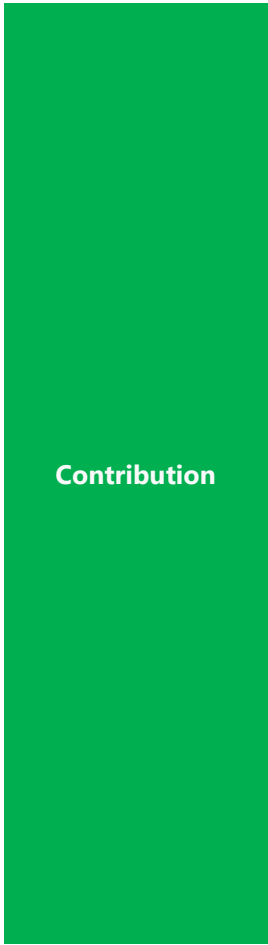
USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Green Buildings⁴</p> <p><i>Acquisition and development of new commercial buildings ("buildings") that have achieved or are in the process of achieving or will achieve an environmental certification such as:</i></p> <p><i>BREEAM Excellent or above</i></p>	<p>Contribution</p>	

³ The impact of the UoP categories on UN Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

⁴ The review is limited to the examples of certificates spelled out in the Framework.

Green Buildings

- *Primary Energy Demand (PED based on the energy performance certificate⁵) is or will be at least 10 % lower than the local Nearly Zero Energy Buildings (NZEB)⁶*
- *For buildings larger than 5,000m² upon completion, the building resulting from the construction undergoes testing for airtightness and thermal integrity⁷, and any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients. As an alternative, where robust and traceable quality control processes are in place during the construction process this is acceptable as an alternative to thermal integrity testing*
- *For buildings larger than 5,000m²⁸, the life-cycle Global Warming Potential (GWP)⁹ of the building resulting from the construction has been calculated for each stage in the life cycle and is disclosed to investors and clients on demand.*



Contribution



⁵ The calculated amount of energy needed to meet the energy demand associated with the typical uses of a building expressed by a numeric indicator of total primary energy use in kWh/m² per year and based on the relevant national calculation methodology and as displayed on the Energy Performance Certificate (EPC).

⁶ As defined by the Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (OJ L 153, 18.6.2010, p. 13).

⁷ The testing is carried out in accordance with EN13187 (Thermal Performance of Buildings - Qualitative Detection of Thermal Irregularities in Building Envelopes - Infrared Method) and EN 13829 (Thermal performance of buildings. Determination of air permeability of buildings. Fan pressurization method) or equivalent standards accepted by the respective building control body where the building is located.

⁸ For residential buildings, the calculation and disclosure are made for a representative set of dwelling/apartment types.

⁹ The GWP is communicated as a numeric indicator for each life cycle stage expressed as kgCO₂e/m² (of useful internal floor area) averaged for one year of a reference study period of 50 years. The data selection, scenario definition and calculations are carried out in accordance with EN 15978 (BS EN 15978:2011. Sustainability of construction works. Assessment of environmental performance of buildings. Calculation method). The scope of building elements and technical equipment is as defined in the Level(s) common EU framework for indicator 1.2. Where a national calculation tool exists or is required for making disclosures or for obtaining building permits, the respective tool may be used to provide the required disclosure. Other calculation tools may be used if they fulfil the minimum criteria laid down by the Level(s) common EU framework (version of [adoption date]: <https://susproc.jrc.ec.europa.eu/product-bureau/product-groups/412/documents>), see indicator 1.2 user manual.

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ELIGIBILITY CRITERIA

Green Buildings

The table below evaluates the Eligibility Criteria against issuance-specific KPIs. All of the assets are/will be located in Poland.

ASSESSMENT AGAINST KPIs

Labor, Health, and Safety



The Issuer confirms that all of the assets are/will be located in Poland, where high labour, health, and safety standards are in place (e.g. ILO core conventions).

7R has measures in place ensuring that assets financed under this framework meet high labor and health safety standards. The Issuer implements a site management policy requiring implementation of Labour, Health, and Safety (LHS) specification during construction including: bilingual signage (where non-polish speakers are present on-site), accessibility features for wheelchairs (ramps, toilets, barrier free access to site office), separate sheltered smoking site and non-smoking policy for rest of the site, Health and Safety ((HS) equipment for guests, National health and safety regulations and best practice implementation (or equivalent ex. OHAS 18001), and there is a site evacuation plan and min 1 site wide-drill per construction. The site management checklist covers the following criteria: (i) Construction site and Surroundings, (ii) Good relations with neighbors, (iii) Environmental awareness, and (iv) Health and life of employees. The issuer states that implementation will also be verified during construction by an independent professional.

Site selection



The Issuer confirms that the assets financed under this framework will either be located within 1km of public transportation, or, alternatively, have a shuttle service to and from the nearest public transportation stop or have plans for the construction of a new public transportation stop directly at the asset site.

User safety



The Issuer confirms that all assets are/will be located in Poland, where high labor, health, and safety standards are in place (e.g. ILO core conventions).

The Issuer confirms that all assets are/will be covered under scope of fire protection requirements, including: Appropriate width of evacuation routes, signage for evacuation and marking of evacuation routes and emergency lighting¹⁰.

¹⁰ The Issuer states safety features for future projects can include, but are not limited to, separate evacuation instructions for people with disabilities, provision of personal protection equipment for guests, provision of IDs enabling identification of employees including photographs, and environmental kits for leaks or spillages.

Water use minimization in buildings

The Issuer confirms that all assets provide for measures to reduce water consumption, including: water leak detection systems on the mains, automatic shut-off valves paired with motion detection on toilet blocks, low flow fixtures and fittings (taps 3L/min, showers 6L/min, toilets 4.5L/min, urinals 1L/min). These criteria will be quality assured in the BRE under BREEAM.

Environmental Aspects of Construction and Operation

The Issuer has a sustainable procurement plan in place as well as additional sustainability requirements for operations along the supply chain. The purchase of materials has to align with a minimum of 10 with Environmental Product Declarations, and a minimum of 10% of materials (excluding mechanical, electrical, and plumbing components) to meet purchasing criteria of ISO 14001 certified manufacturing and extraction or a minimum of 50% from recycled content. Additionally, the purchase of timber is exclusive to FSC certified timber only. These criteria will be quality assured in the BRE under BREEAM.

Conservation and Biodiversity Management

The Issuer contracted independent ecologists to conduct biodiversity assessments on 100% of the assets. The biodiversity assessments concluded that asset locations were deemed to be of low ecological value, yet biodiversity improvement plans were created where implementation of at least 95% of recommendations is mandatory. Additionally, there will be a Biodiversity Champion on site to monitor implementation of the Biodiversity Plan during construction. Biodiversity assessments will be quality assured in the BRE under BREEAM.

PART III: CONSISTENCY OF GREEN FINANCE INSTRUMENTS WITH 7R’S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Topic	ISSUER APPROACH
Strategic ESG topics	<p>The Issuer focuses on responding to environmental and social challenges impacting companies and communities worldwide, with their mission being to provide customers with production and warehouse facilities using the latest technologies that have a holistic and positive impact on the planet and counteract climate change. These sustainability pillars have been defined through the following focus areas: (i) Environment - Carbon Footprint, (ii) Environment – Waste Management, (iii) Environment – Biodiversity, (iv) Society – Social Involvement, (v) Society – Employee Development, (vi) Society – Local Community.</p>
ESG goals/targets	<p>To achieve its strategic ESG topics, the Issuer has designed short/medium/long term targets and presented them in a defined timeline. Such targets include but are not limited to, monitoring embedded carbon footprints in all their buildings and perform Life Cycle Assessment analyses from 2023, measuring carbon footprint in scope 3 and striving for climate neutrality in this scope as of 2024, and reducing scope 1 and 2 emissions by 42.5% by 2030. The goals are public.</p> <p>The Issuer has an approved SBTi climate goal in place.</p>
Action Plan	<p>To further solidify their efforts in sustainability, 7R publicly discloses their targets and has set SBTi’s. Additionally, they have an established action plan regarding energy, CO₂ emissions, waste, and biodiversity to achieve their goals. This plan is complemented by software tools performing LCA analyses and ongoing support from experts, allowing for parallel changes in technical specifications and with changing market requirements and emergence of new low-emission materials.</p>
Climate Transition Strategy	<p>7R’s short- and long-term goals are demonstrated in their climate strategy. By 2030, 7R aims to reduce Scope 1 and 2 emissions by 42.5%. In 2023, they will deliver to the market a project with at least 50% lower operational carbon footprint compared to the technical conditions of primary energy demand and will develop biodiversity plans for every project that begins after the third quarter of 2023. Additionally, all buildings built after the third quarter of 2023 will have a BREEAM Excellent certification,</p>

	and in the following 2 years they aim to implement at least one project certified BREEAM Outstanding. From the first quarter of 2024, they will start to measure the carbon footprint from scope 3 emissions and will strive for climate neutrality in this scope. By 2028 they aim to design operationally net zero carbon buildings at an affordable price.
ESG Risk and Sustainability Strategy Management	With regards to ESG risks and strategy management, 7R identifies and manages ESG risks at a project level. In accordance with a framework provided by BREEAM, 7R verifies the physical risks in place for each project that they address. Furthermore, they have developed a “Green team”, including managers, engineers, project managers, development experts, and architects to meet their goal of achieving zero emissions. They also engage in ongoing dialogue with other stakeholders such as tenants, investors, advisors from the commercial real estate sector, business partners, public opinion, and the media.
Top three areas of breaches of international norms and ESG controversies in the industry ¹¹	Accounting/disclosure standards, strike action, and failure to respect the right to just and favorable conditions of work.
Breaches of international norms and ESG controversies by the Issuer	At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.
Sustainability Reporting	The Issuer commits to reporting annually and to follow partial disclosures according to ESRS reporting guidelines.
Industry associations, Collective commitments	-
Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework	-

¹¹ Based on a review of controversies identified by ISS ESG over a 2-year period, the top three issues that have been reported against companies within the Real Estate industry are displayed above. Please note that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

Rationale for issuance

The primary objective of green-labeled funding issued under the framework is to facilitate 7R's transition towards a more sustainable real estate business, in line with the Company's ESG strategy.

The issuance of finance instruments in green format provides debt investors with increased transparency on the use and impact of the funds.

By deploying this approach, 7R aims to make a positive contribution to environmental sustainability, while meeting its long-term business objectives.

Opinion: *The key sustainability objectives and the rationale for issuing Green Finance Instruments are clearly described by the Issuer. All the project categories financed are in line with the sustainability objectives of the Issuer.*

DISCLAIMER

1. Validity of the Second Party Opinion (“SPO”): Valid as long as the cited Framework remains unchanged.
2. ISS Corporate Solutions, Inc. (“ISS-Corporate”), a wholly-owned subsidiary of Institutional Shareholder Services Inc. (“ISS”), sells, prepares, and issues External Reviews, on the basis of ISS-Corporate’s proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology.

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

7R commissioned ISS-Corporate to compile a Green Financing SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the GBP and GLP and to assess the sustainability credentials of its Green Finance Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- Green Loan Principles as administered by the LMA (as of February 2023)
- Green Bond Principles as administered by the ICMA (as of June 2021 with June 2022 Appendix 1)

ISSUER'S RESPONSIBILITY

7R's responsibility was to provide information and documentation on:

- Framework
- Eligibility Criteria
- Documentation of ESG risks management at the Framework level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Finance Instruments to be issued by 7R has been conducted based on a proprietary methodology and in line with the ICMA GBP and LMA GLP.

The engagement with 7R took place from November 2023 to April 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

Companies turn to ISS Corporate Solutions (ISS-Corporate) for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

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