S&P Global
Ratings

Second Party Opinion

Hudson Pacific Properties' Green Finance Framework

Aug. 31, 2022

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Hudson Pacific Properties (HPP) is a real estate investment trust (REIT) based in Los Angeles, Calif., founded in 2006. The company acquires, operates, builds, and redevelops creative office and studio properties specialized for technology and media innovation tenants, such as Google and Netflix, throughout the U.S., Canada, and the U.K. As the largest publicly traded owner of office space in Silicon Valley and an influential independent owner and operator of film production studios in the U.S. with a portfolio of 21 million square feet, HPP delivers innovative workplaces and creative spaces for its tenant companies and their employees.

In our view, HPP's Green Finance Framework, published on Aug. 31, 2022, is aligned with:

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

Issuer's Sustainability Objectives

As a REIT serving dynamic technology and media tenants in global epicenters, HPP's approach to managing ESG issues applies to its entire real estate business, including wholly owned and joint venture assets. In this capacity, HPP focuses on leveraging full-service, end-to-end acquisition, development, and transformation of land and properties into premier sustainable office and studio spaces. The company's ESG platform, "Better Blueprint", guides its overarching strategy to foster the growth of urban areas and businesses where its stakeholders can thrive and is centered on three pillars: sustainability, health, and equity.

Decarbonization of its properties is central to HPP's sustainability strategy: the company was one of the first large real estate companies globally to achieve scope 1 and 2 carbon (CO_2e) neutrality in 2020, largely due to the support of its market-based renewable energy credits and verified carbon credits. HPP's near-term 1.5°C science-based target is also unique among peers. It aims to reduce direct and own use absolute greenhouse gas (GHG) emissions 50% by 2030, from a 2018 baseline, in part through the measurement and reduction of its building materials' embodied carbon emissions.

HPP developed its Green Finance Framework to further strengthen its environmental commitments. Proceeds issued under this framework will be used to finance and/or refinance projects meeting both HPP's eligibility criteria and key components of the company's "Better Blueprint" ESG strategy.

Second Party Opinion Summary

Use of proceeds

Alignment	✓	HPP's Green Finance Framework is aligned with this component of the Green Bond Principles (GBP) and the Green Loan Principles (GLP).		
Score	Not aligned	**Aligned**	Strong	Advanced

HPP commits to allocating the net proceeds of financing instruments issued under the framework to finance or refinance, in whole or in part, eligible green projects. The company provides a clear description of eligible projects under the green buildings, renewable energy, energy efficiency, and clean transportation identified categories.

Process for project evaluation and selection

Alignment	✓	HPP's Green Finance Framework is aligned with this component of the GBP and the GLP.		
Score	Not aligned	Aligned	**Strong**	Advanced

The framework clearly outlines HPP's process to assess and select eligible green projects. All projects are evaluated by members of the company's cross-departmental Green Finance Committee, who jointly evaluate and approve eligible investments according to specific criteria, which include an assessment of environmental and social risks associated with projects.

Management of proceeds

Alignment	✓	HPP's Green Finance Framework is aligned with this component of the GBP and the GLP.

The issuer will use an internal project management system for the continued monitoring of project allocations until financing is fully allocated. Pending full allocation, proceeds will be temporarily managed under the company's cash investment policy, which includes investments in cash or liquid securities and repayment of short-term debt. HPP commits to allocating net proceeds within 36 months of each issuance.

Reporting

Alignment	✓	HPP's Green Finance Framework is aligned with this component of the GBP and the GLP.		
Score	Not aligned	**Aligned**	Strong	Advanced

HPP commits to reporting the allocation of proceeds across eligible projects within one year of each issuance date and annually thereafter until proceeds are fully allocated. The report will include a list of all eligible green projects financed, the total amount of proceeds administered to each project category, and the balance of unallocated net proceeds. Where feasible, it will also disclose projects' relevant expected and/or actual impact metrics.

Framework Assessment

Use of proceeds

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For use of proceeds, we consider the commitments and clarity on how the proceeds are used.

✓ HPP's Green Finance Framework is aligned with this component of the GBP and the GLP.

Commitments score	Not aligned	**Aligned**	Strong	Advanced

We consider HPP's overall use of proceeds commitments to be aligned.

HPP commits to allocating the net proceeds of financing instruments issued under the framework exclusively to finance or refinance projects that meet well-defined criteria spanning green buildings, renewable energy, energy efficiency, and clean transportation categories. The included (re)development projects collectively contribute to a reduction of HPP's operational greenhouse gas emissions; development of on-site or off-site renewable energy sources, through, for example, solar panel installation or long-term physical or virtual power purchase agreements, the latter of which were entered into before the related facilities began operating; energy-efficient systems in its buildings yielding a minimum 30% improvement; and electric vehicles with zero tailpipe emissions and associated infrastructure. For its clean transportation category, net proceeds will be used for the purchase of EV infrastructure for HPP's or its tenants' passenger vehicles, as well as to electrify its current fleet of pick-up and Class III, IV, and V television and film production trucks.

In our view, all identified project categories beneficially contribute to environmental objectives and are aligned with the green categories of the relevant Principles. A strength of the framework is that HPP has identified how eligible green projects will align with key environmental objectives relevant to its business as well as the United Nation's (U.N.) Sustainable Development Goals. It also commits to allocating the net proceeds of green debt instruments issued under the framework at a minimum of three years upon issuance and will observe a two-year look-back period for all refinanced projects, which we view as a strong practice in the industry. However, the framework provides no commitment for the disclosure of the proportion of new financing versus refinancing in HPP's published reports or official statements made available to investors.

Process for project evaluation and selection

The Principles make optional recommendations for stronger structuring practices, which inform our alignment opinion as aligned, strong, or advanced. For our process for project selection and evaluation, we consider the commitments and clarity on the process used to evaluate and select eligible projects to fund with the proceeds of the sustainable finance instrument.

✓ HPP's Green Finance Framework is aligned with this component of the GBP and the GLP.

Commitments score	Not aligned	Aligned	**Strong**	Advanced

We consider HPP's overall process for project selection and evaluation commitments to be strong.

The framework outlines HPP's process and criteria to assess and select eligible green projects. The entity has assigned a Green Finance Committee, comprising members of the company's sustainability, legal, capital asset management, operations, and treasury departments who will jointly and cross-functionally evaluate and approve investments according to the projects' eligibility criteria. The committee will ensure projects pursuant to the framework are assessed for environmental and social risks according to the company's broader corporate responsibility platform and risk management policy. These outline how HPP assesses and aims to mitigate various risk scenarios, including its integration of custom ESG screens and due diligence assessments.

Moreover, the framework's eligibility criteria are well defined, with all of the project categories requiring certain standards or verification thresholds. For example, HPP's eligible energy efficiency expenditures must reduce energy by at least 30% over the baseline while green building projects are expected to achieve LEED Gold or Platinum certification. HPP also intends to incorporate Energy Star equipment and appliances with a rating of 85 or greater into its owned or managed buildings. The issuer's zero-emission projects issued under the framework will align with the Climate Bond Taxonomy while they and HPP's renewable energy category are also compatible with HPP's science-based target to reduce Scope 1 and 2 absolute GHG emissions by 50% by 2030, from a 2018 baseline. We believe aligning with internationally recognized eligibility criteria illustrates stronger project selection practices.

Management of proceeds

The Principles require disclosure of the issuer's management of proceeds from sustainable finance over the life of the funding. The alignment opinion focuses on how clear in the documentation is the issuer's commitment to ensure that the funds raised will remain dedicated to eligible sustainability projects throughout the life of the sustainable finance funding.

✔ HPP's Green Finance Framework is aligned with this component of the GBP and the GLP.

HPP commits to using an internal project management system, its Green Finance Register, for the continued monitoring of project allocations until financing is fully allocated, which we view as a common practice for sustainable debt. Furthermore, should original projects cease to meet the framework's eligibility criteria and require divestment, HPP will use all reasonable efforts to reallocate proceeds to new eligible projects as soon as is practicable.

Before full allocation and according to HPP's cash investment policy, proceeds will be temporarily used for investments in cash or other liquid securities or repayment of outstanding debt. In our view, the use of unallocated proceeds for debt repayment is common, but we do not view it as a best practice. However, the issuer clearly commits to allocating all net proceeds to eligible projects within three years of each green instrument's life.

Reporting

The Principles make optional recommendations for stronger disclosure practices, which inform our disclosure opinion as aligned, strong, or advanced. We consider plans for updates on the sustainability performance of the issuer for general purpose funding, or the sustainability performance of the financed projects over the lifetime of any dedicated funding, including any commitments to post-issuance reporting.

✔ HPP's Green Finance Framework is aligned with this component of the GBP and the GLP.

Disclosure score	Not aligned	**Aligned**	Strong	Advanced

We consider HPP's overall reporting practices to be aligned.

HPP commits to disclosing the allocation of net proceeds across eligible projects, publishing reports on its website annually until full allocation. The report will include a list of all eligible green projects, the total amount of proceeds administered to each project category, and the balance of unallocated net proceeds. HPP will have an external third party verify the information, which we view as a strong practice.

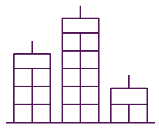
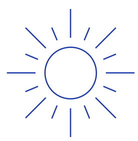
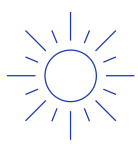
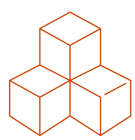
Where feasible, it will also disclose relevant expected and/or actual impact metrics of the eligible projects. For instance, if projects are not yet in operation, their expected impacts may be disclosed, and once they become operational, actual impacts may also be reported. This data could include greenhouse gas emissions avoided or reduced, amount of energy savings (megawatt hour), and level of green building certification achieved. While the framework does not commit to disclosing the key underlying assumptions and methodology used to calculate projects' performance, HPP's impact disclosures may be supplemented with specific qualitative case studies to illustrate project outcomes, which we view as a strong reporting practice.

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

The Sustainable Development Goals (SDGs), which the U.N. set up in 2015, form an agenda for achieving sustainable development by 2030.

We use the International Capital Market Association's (ICMA) SDG mapping for this part of the report. We acknowledge that ICMA's mapping does not provide an exhaustive list of SDGs and that ICMA recommends each project category be reviewed individually to map it to the relevant SDGs.

HPP's Green Finance Framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Green Buildings	 **11. Sustainable cities and communities***
Renewable Energy	 **7. Affordable and clean energy***  **11. Sustainable cities and communities***
Energy Efficiency	 **7. Affordable and clean energy***  **9. Industry, innovation and infrastructure***
Clean Transportation	 **11. Sustainable cities and communities***

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