

# Prologis



With 99.9% of Prologis' GHG footprint coming from Scope 3 emissions, it is crucial to not only align Scope 1 and 2 emissions to the Paris Agreement but also Scope 3 emissions

Jorrit Arissen, Co-Head Real Assets

## Engagement rationale

Prologis screens extremely good on reported Scope 1 & 2 carbon intensity. However, as an owner and developer of logistics facilities, 99.9% of Prologis GHG footprint is Scope 3 emissions. We want to see the targets for reducing all emissions and particularly Scope 3 emissions set more ambitious compared to the current in place targets. Due to the large demand for logistics space, bargaining power currently clearly sits with the landlords. Prologis is now in a position where they can set the terms of new rental contracts. We believe this creates an opportunity to discuss carbon emission with tenants and get them on board in achieving the Paris agreement by, for example, signing green leases.

## Background

In our model, Prologis stands out as having one of the lowest Scope 1 & 2 emission intensities. Emissions are standardized based on level of CO2 emissions per Euro million revenue. Given Prologis manages 4,703 buildings for an aggregate of \$148 billion covering close to 1 billion sqft (all as of 31 December 2020), they clearly benefit from this size effect when standardizing. The current 2025 reduction targets are to reduce scope 1 & 2 by 21% and scope 3 by 15%. The current 2040 reduction targets are to reduce scope 1 & 2 by 54% and scope 3 by 40% (all with 2016 baseline).

## Development

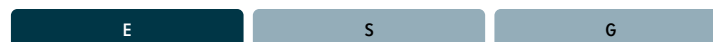
Positive

## Milestone



## Theme for engagement

- Environment - implementing a climate policy in-line with the Paris Agreement.



## Engagement objectives

- Align scope 1 & 2 & 3 emission targets with Paris Agreement and seek external verification

## Engagement results

- In March of 2022 we have reached out to the company and discussed our environmental pathway model.
- Management agrees that it has great control over reducing Scope 1 & 2 emissions but given that 99.9% are Scope 3 emissions the true opportunity is in reducing those.
- Prologis is very much aware of the challenges in achieving net zero for Scopes 3 emissions. Full cooperation from tenants is needed.
- Prologis has hired a consultant to do a net zero top-down approach to estimate what the cost would be to implement. For various countries Prologis operates in they use the same consultant to perform a bottom-up analysis.
- On 22 June 2022, Prologis publicly stated its commitment to be carbon neutral for Scope 1, Scope 2 and Scope 3 emissions by 2040. Prologis also announced mid-term targets of 1 GW of solar generation capacity by 2025; carbon neutral construction by 2025 and net zero for operations by 2030.
- Prologis has submitted a letter of commitment regarding its net zero goal to the Science Based Targets initiative (SBTi) for validation.

## Next steps

- Engagement closed.

## Company

Prologis

## Country

Country of domicile is USA

## Sector

Real Estate

## Market cap

Large Cap

## Kempen Fund

Kempen (Lux) Global Property Fund

## Materiality

Greenhouse Gas (GHG) emissions reduction in line with the Paris Agreement is of utmost importance to reaching combined environmental targets.

## ESG Research

MSCI ESG Rating: A  
Sustainalytics: 8.4 (negligible risk)

## Engagement initiated

Q1 2022

## Latest update

Q3 2022

