

# Second-Party Opinion

## Allied Properties REIT Green Financing Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Allied Properties REIT 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 2020. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Resource Efficiency & Management, Clean Transportation, and Renewable Energy – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 11 and 12.



**PROJECT EVALUATION / SELECTION** Allied Properties REIT is committed to appointing a Green Financing Working Committee (the “Committee”) to oversee the implementation of its Framework with membership consisting of employees from across the organization. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** Allied Properties REIT intends to deposit the net proceeds from each Green Financing Instrument issuance into its general account, where it will be earmarked for allocation to projects that meet the Framework’s eligibility criteria and will be allocated within 24 months of the offering. This process is in line with market practice.



**REPORTING** Allied Properties REIT intends to report on allocation of proceeds on its website on an annual basis until full allocation. In addition, Allied Properties REIT is committed to reporting on relevant quantitative and qualitative impact metrics, where feasible. Sustainalytics views Allied Properties REIT’s allocation and impact reporting as aligned with market practice.

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<b>Evaluation date</b>	February 2, 2020
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<b>Issuer Location</b>	Toronto, Canada
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## Introduction

Allied Properties REIT (“Allied”, or the “Company”) is an owner, manager and developer of urban workspaces and urban data centres based in Toronto, Ontario, with properties across major Canadian cities. The Company manages over 12 million SQ. ft. of office space, over 1 million SQ. ft. of retail space, and over 500 thousand SQ. ft. of data centres, and a gross asset value of \$9.4 billion.

Allied Properties has developed the Allied Properties REIT Green Financing Framework (the “Framework”) under which it intends to issue green bonds, green loans, and or other financial instruments (collectively referred to as the “Green Financing Instruments”) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that have the potential to reduce the carbon footprint and energy consumption of the Company’s activities. The Framework defines eligibility criteria in four areas:

1. Green Buildings
2. Resource Efficiency & Management
3. Clean Transportation
4. Renewable Energy

Allied Properties engaged Sustainalytics to review the Allied Properties REIT Green Financing Framework, dated February 2020, 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 2020 (GLP).<sup>2</sup> This Framework has been 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 2020, 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 1.6, 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 Allied Properties’ 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. Allied Properties representatives have confirmed (1) they understand it is the sole responsibility of Allied Properties 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.

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

<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 Allied Properties REIT Green Financing Framework is available on Allied Properties REIT’s website at: <https://www.alliedreit.com/company/esg/>.

<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

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

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 with bond and loan proceeds 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 the bond and loan 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 Allied Properties has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Allied Properties REIT Green Financing Framework

Sustainalytics is of the opinion that the Allied Properties REIT 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 Allied Properties' Green Bond Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Resource Efficiency & Management, Clean Transportation, and Renewable Energy – are aligned with those recognized by the GBP and GLP.
  - Within the Green Buildings category, Allied intends to allocate green finance proceeds to the purchase, development and/or re-development of green buildings and data center properties according to the following eligibility criteria.
    - Green buildings (other than data centers) that have received or are expected to receive the following, or equivalent, green building certification will be eligible: LEED (Gold and above) or BOMA BEST (Gold and above). Sustainalytics views these certification schemes and the selected levels to be credible and in line with market practice (see Appendix 1 for additional details on the certification schemes).
    - Data centers that have received or are expected to receive LEED (Silver and above). Allied has confirmed that it targets data centers with an annualized Power Usage Effectiveness (PUE) of 1.5 or less. Sustainalytics considers the selected certification level, in conjunction with the stated PUE threshold, to be in line with market practice in the context of data centers.
  - The Resource Efficiency & Management category includes projects, systems, equipment and/or technologies that aim to improve resource efficiency. Sustainalytics recognizes the positive ambitions of this category, and notes the following:
    - The Framework allows for investments in energy storage and improved utilization of thermal energy, which may include district heating/cooling. Allied has disclosed that, with regards to district energy, its intent is to enable interconnection to third-party networks, and it does not intend to construct or operate such systems. As such, Sustainalytics considers such projects to be aligned with market expectation.<sup>6</sup>

<sup>6</sup> Sustainalytics recognizes the efficiency benefits of district energy. However, some district energy networks are powered by fossil fuels, and therefore pose a risk of increased GHG emissions at a systems level. Sustainalytics considers it good practice to invest only in district energy systems powered by renewable or waste energy. As described above, as Allied does not intend to invest directly in either the energy generation or the transmission network, and instead aims to interconnect its facilities to existing systems, this consideration is not directly applicable to the intended application of the Framework.

- Allied has confirmed that energy efficiency measures for fossil fueled projects are not eligible under the Framework, which Sustainalytics views as providing additional assurance of net-positive impacts.
  - Allied has confirmed that waste management investments are focused on specific interventions to reduce waste, including recycling, and are therefore anticipated to deliver environmental benefits.
  - The projects implemented under this category are diverse, and therefore have a range of expected benefits. Sustainalytics encourages Allied to prioritize investments that will deliver the most significant environmental impacts.
- The Clean Transportation category includes infrastructure to accommodate electric vehicles, connectivity to public transport and other clean or active transportation options.
  - Sustainalytics views infrastructure to support zero-emissions vehicles, such as charging stations, as aligned with market practice.
- The Renewable Energy category includes investments in wind, solar or geothermal energy. The Framework defines a threshold of <100 grams of CO<sub>2</sub>/kWh in direct emissions for geothermal projects; Sustainalytics views this to be in line with market practice.
- Project Evaluation and Selection:
  - Allied is committed to appointing a Green Financing Working Committee (the "Committee") to oversee the implementation of its Framework. The Committee will be comprised of members across the Company's various departments, including, Sustainability, Finance, Development, Asset Management and Legal. While the Committee will be responsible for identifying projects that meet the eligibility criteria, Allied's senior management team will ultimately be responsible for providing final approval.
  - Based on the clear process for selecting and approving projects, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - Allied intends to deposit the net proceeds from each Green Finance Instrument issuance into its general account, where it will be earmarked for allocation to projects that meet the Framework's eligibility criteria. Net proceeds may be allocated to projects originated up to 36 months prior to issuance. The Company intends to fully allocate within 24 months of an offering. Allied's Finance and Accounting Department will be responsible for managing the Green Financing Register which contains relevant information regarding the issuance of each Green Financing Instruments.
  - Pending full allocation, net proceeds may be temporarily used, in part or in full, for repayment of Allied's debt, held in cash or cash equivalents, or for general trust purposes.
  - Based on the use of formal internal systems as well as the disclosure of temporary investments, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Allied will provide allocation and impact reporting on an annual basis, until full allocation. Reporting will be made publicly available on the Company's corporate website.
  - Allocation reporting will include information on eligible green projects, amount allocated to eligible green projects as well as the balance of unallocated net proceeds.
  - Impact reporting will include information on the level of green building certifications achieved, as well as quantitative environmental impact metrics where feasible, including but not limited to, annual energy savings or renewable energy generation, annual water savings or percentage reduction and annual greenhouse gas emissions reduced/avoided.
  - Based on Allied's commitment to allocation and impact reporting on an annual basis, Sustainalytics considers this process to be in line with market practice.

#### **Alignment with Green Bond Principles 2018 and Green Loan Principles 2020**

Sustainalytics has determined that the Allied Properties REIT 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 Performance of Allied Properties/ Sustainability Strategy of Allied Properties

### Contribution of framework to Allied Properties REIT's ESG Framework

Sustainalytics is of the opinion that Allied demonstrates a commitment to sustainability with a focus on four key environmental areas: (I) energy and emissions, (II) waste, (III) indoor air quality, and (IV) water.<sup>7</sup> These four environmental areas are part of Allied's ESG Framework and were first laid out in their inaugural ESG report published in December 2020.

Allied's focus on energy and emissions is tracked through the Energy Star Portfolio Manager.<sup>8</sup> As part of this process, emissions from Allied properties are measured, managed, and reported in accordance with the Global ESG Benchmark for Real Estate Assets data management software, Measurabl.<sup>9</sup> To date, the Company has reported on metrics including energy consumption, energy intensity, GHG emissions, and intends to use the data collected to set energy performance targets.<sup>10</sup> Initiatives include company-wide and tenant education campaigns to help support energy reductions. In 2018, Allied partnered with Enwave in Toronto as part of the extension of the Deep Lake Water Cooling and hot water distribution networks that supply sustainable cooling and heating to Toronto's downtown core, an initiative that will help conserve energy and reduce carbon emissions.<sup>11</sup>

Between 2017-2019, Allied conducted 58 waste management audits.<sup>12</sup> Allied intends to use data collected from these audits to help guide its waste management strategy, including designing infrastructure and waste-diversion strategies. Allied outlines recycling, organics, e-waste, batteries and the re-use of goods as key areas the Company will focus on. The key metric in this environmental area is total waste diverted; Allied intends to use educational campaigns to assist with increasing waste diversion performance.<sup>13</sup> For the indoor air quality and water categories, Allied intends to continue collecting data, including water intensity and consumption, and to help further develop strategies and targets in these areas. The Company views these environmental areas as interconnected and contributing to the overall environmental performance of the buildings in their portfolio.

Allied's ESG Framework has a governance structure that incorporates sustainability throughout the Company. The Company's Vice President of Corporate Planning & Sustainability leads ESG efforts, and sets the sustainability goals and reporting, and is supported by employees throughout the organization.<sup>14</sup> Allied sets out goals for social and governance reporting, including on transit and active transportation, with the aim of improving connectivity of Allied properties to sustainable commuting opportunities. Sustainalytics notes that Allied is in the beginning stages of advancing its ESG strategy, with its inaugural report having been published in December 2020, and encourages the company to set short-term and long-term, time-bound quantitative targets as it continues to advance its strategy in this area.

Sustainalytics is of the opinion that the Allied Properties REIT Green Financing Framework is aligned with the Company's ongoing sustainability strategy and efforts.

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

While Sustainalytics recognizes that the net proceeds from the Green Finance Instruments issued under the Framework will be directed towards eligible projects that are anticipated to have positive environmental impact, it is acknowledged that such eligible projects may still pose some negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include occupational health and safety, management of effluents and waste generated in construction and operations of commercial properties.

<sup>7</sup> Allied Properties REIT, "2019 Environmental, Social and Governance Report – Allied's Inaugural ESG Report", (2020), at: <https://www.alliedreit.com/wp-content/uploads/2021/01/Allieds-Inaugural-ESG-Report.pdf>

<sup>8</sup> Ibid

<sup>9</sup> Ibid

<sup>10</sup> Ibid

<sup>11</sup> RioCan REIT, "Allied, Enwave and Riocan to accelerate expansion of thermal energy system in Toronto", (2018), at: <https://www.newswire.ca/news-releases/allied-enwave-and-riocan-to-accelerate-expansion-of-thermal-energy-system-in-toronto-673351033.html>

<sup>12</sup> Allied Properties REIT, "2019 Environmental, Social and Governance Report – Allied's Inaugural ESG Report", (2020), at: <https://www.alliedreit.com/wp-content/uploads/2021/01/Allieds-Inaugural-ESG-Report.pdf>

<sup>13</sup> Ibid

<sup>14</sup> Allied Properties REIT, "2019 Environmental, Social and Governance Report – Allied's Inaugural ESG Report", (2020), at: <https://www.alliedreit.com/wp-content/uploads/2021/01/Allieds-Inaugural-ESG-Report.pdf>

Sustainalytics is of the opinion that Allied Properties is able to manage and/or mitigate potential risks through implementation of the following:

Allied is committed to conducting energy audits on a regular basis, allowing for the measurement of water use over time.<sup>15</sup> In addition to its reporting commitments, and as part of its approach to risk mitigation, Allied aims to achieve LEED Gold Core & Shell requirements or better for all new developments or intensification projects, and LEED Existing Building certifications for refurbishments.<sup>16</sup>

Allied has expressed a commitment to occupational health and safety of employees, contractors, tenants, and visitors to their properties, based around the following measures: The governance structure of the Company includes two committees that focus on conducting risk assessments and crisis planning, and ensuring health and safety is managed appropriately. Allied's Occupational Health and Safety Policy, governed by the Company's Health and Safety Policy, includes mandatory health and safety training for high-risk roles and includes Lockout Tagout training, Workplace Hazardous Materials Information System 2015 training, first aid training and Arc Flash training. Allied has created regional committees to ensure the implementation of these considerations as well as provide ongoing review ensuring compliance and best practice. The Company also has emergency management plans and vendor management protocols in place. In addition, the Allied Code of Business Conduct includes a commitment to keeping the workplace hazard free.<sup>17</sup> Sustainalytics also notes that the projects financed under the Framework will take place in jurisdictions recognized as Designated Countries under the Equator Principles, indicating that environmental and social governance legislation systems and institutional capacity in those countries is sufficient to ensure mitigation of the risks identified as material.<sup>18</sup>

Based on these policies, standards and assessments, as well as the regulatory context in which the Company operates, Sustainalytics is of the opinion that Allied has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

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

#### The impact of green buildings in achieving Canada's GHG emissions targets

In 2020, Environment and Climate Change Canada reported that 12% of Canada's GHG emissions could be attributed to the buildings sector, with the figure rising to 17% if emissions from generating the electricity used in buildings is included.<sup>19</sup> Natural Resources Canada developed the Green Buildings Strategy in 2017 to help with the reduction of GHG emissions, with current policies in place aimed at reducing emissions by nearly 20% below 2015 levels by 2030 and creating economic benefits to Canadians through savings and job creation.<sup>20</sup> The Canada Green Buildings Council recommends that in order to meet Canada's 2030 emissions targets, investments in building performance and net-zero buildings are critical.<sup>21</sup> The Intergovernmental Panel on Climate Change (IPCC) has stressed that without the implementation of ambitious policies to improve efficiency in the built environment on a global scale, the planet risks locking-in carbon intensive activities for several decades.<sup>22</sup> In this context, Allied's investments in green buildings can provide substantial environmental benefits for Canada's built environment.

The buildings sector in Canada has an important role to play in GHG emissions reductions arising from the potential to reduce over 20 Mt of CO<sub>2</sub>-equivalent per year.<sup>19</sup> Canada's commitments to improving the performance of its built environment under the Pan-Canadian Framework on Clean Growth and Climate Change (Pan-Canadian Framework)<sup>23</sup> include strengthening codes to ensure new buildings are more energy

<sup>15</sup> Ibid

<sup>16</sup> Ibid

<sup>17</sup> Allied Properties REIT, "Business Code of Conduct", (2020), at: <https://www.alliedreit.com/wp-content/uploads/2021/01/Code-of-Business-Conduct.pdf>

<sup>18</sup> Equator Principles, "Designated Countries", (2020), at: <https://equator-principles.com/designated-countries/>

<sup>19</sup> Environment and Climate Change Canada, "Greenhouse Gas Emissions – Canadian Environmental Sustainability Indicators", (2020), at: <https://www.canada.ca/content/dam/ecccc/documents/pdf/cesindicators/ghg-emissions/2020/greenhouse-gas-emissions-en.pdf>

<sup>20</sup> Natural Resources Canada, "Build Smart – Canada's Buildings Strategy", (2017), at: [https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/emmc/pdf/Building\\_Smart\\_en.pdf](https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/emmc/pdf/Building_Smart_en.pdf)

<sup>21</sup> Canada Green Building Council, "Building Solutions to Climate Change – How Green Buildings Can Help Meet Canada's 2030 Emissions Targets", (2021), at: [https://www.cagbc.org/CAGBC/Advocacy/Building\\_Solutions\\_to\\_Climate\\_Change.aspx](https://www.cagbc.org/CAGBC/Advocacy/Building_Solutions_to_Climate_Change.aspx)

<sup>22</sup> IPCC, "Mitigation of Climate Change", (2018) at: [https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc\\_wg3\\_ar5\\_chapter9.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter9.pdf)

<sup>23</sup> Government of Canada, "Pan-Canadian Framework on Clean Growth and Climate Change": <https://www.canada.ca/en/services/environment/weather/climatechange/pan-canadian-framework.html>



efficient; incentivizing the retrofitting of existing buildings, encouraging fuel switching; improving the efficiency of appliances and equipment; and supporting mandatory energy labelling and disclosure.<sup>24</sup>

In addition to policy and regulatory measures, companies and organizations are also reducing their buildings' energy-use and overall GHG emissions through voluntary green building certification programs. Allied's Framework allows for investments in green buildings (not including data centres) that are certified LEED Gold and above, or BOMA BEST (Gold or Platinum). Due to minimum energy performance requirements, these certification schemes have the potential to reduce emissions from the built environment. For example, according to the U.S. Green Building Council, it is estimated that on average, LEED-certified green buildings use 25% less electricity than non-certified buildings.<sup>25</sup> Sustainalytics is of the opinion that the eligible projects in the Allied REIT Green Financing Framework will support greenhouse gas reduction in Canada and are in line with the Pan-Canadian Framework on Clean Growth and Climate Change.

#### 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 bond(s) and loan(s) issued under the Allied Properties REIT Green Financing Framework advances the following SDGs and targets: 6, 7, 9, 11 and 12.

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
Resource Efficiency & Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
	12. Responsible Consumption	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
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
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

<sup>24</sup> Natural Resources Canada, "Build Smart – Canada's Buildings Strategy", (2017), at: [https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/emmc/pdf/Building\\_Smart\\_en.pdf](https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/emmc/pdf/Building_Smart_en.pdf)

<sup>25</sup> U.S. Green Building Council, "The Business Case for Green Building", at: <https://www.usgbc.org/articles/business-case-green-building>

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## Conclusion

Allied Properties has developed the Allied Properties REIT Green Financing Framework under which it may issue Green Financing Instruments and the use of proceeds to finance the construction, renovation and upgrading of properties that meet green building standards, improve energy and water efficiency, create access to public transit and include greater use of renewable energy in commercial properties. Sustainalytics expects that the projects funded by the Green Financing Instruments will provide positive environmental impact including reducing GHG emissions, and waste and construction effluents.

The Allied Properties REIT Green Financing 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 Allied Properties REIT Green Financing 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 6, 7, 9, 11 and 12. Additionally, Sustainalytics is of the opinion that Allied Properties 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 Allied Properties REIT is well-positioned to issue Green Financing Instruments and that the Allied Properties REIT Green Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2020.



## Appendices

### Appendix 1: Green Building Certification Schemes

	LEED <sup>19</sup>	BOMA BEST <sup>21</sup>
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a U.S.-based, globally-used certification system for the rating of green buildings across various building types. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and includes programs covering the design, construction, maintenance and operation of buildings.	BOMA BEST, administered by the Building Owners and Managers Association (BOMA) of Canada, is a certification program for existing buildings. The assessment considers performance and operation of buildings in a wide range of performance and operations categories.
<b>Certification levels</b>	Certified Silver Gold Platinum	Certified Bronze Silver Gold Platinum
<b>Areas of Assessment: Environmental Performance of the Building</b>	<ol style="list-style-type: none"> <li>1. Energy and atmosphere</li> <li>2. Sustainable Sites</li> <li>3. Location and Transportation</li> <li>4. Materials and resources</li> <li>5. Water efficiency</li> <li>6. Indoor environmental quality</li> <li>7. Innovation in Design</li> <li>8. Regional Priority</li> </ol>	<ol style="list-style-type: none"> <li>1. Energy</li> <li>2. Water</li> <li>3. Air</li> <li>4. Comfort</li> <li>5. Health and Wellbeing</li> <li>6. Custodial</li> <li>7. Purchasing</li> <li>8. Waste</li> <li>9. Site</li> <li>10. Stakeholder Engagement</li> </ol>
<b>Requirements</b>	Prerequisites (independent of level of certification) + Credits with associated points. These points are then added together to obtain the LEED certification level. There are several different rating systems within LEED. Each rating system 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).	To be eligible for BOMA BEST a series of questions must be answered about the building. Each question describes an environmental measure that impacts building management or performance, some being more important than others. Points are attributed to each question, except for BEST Practices which are minimum requirements. The number of points available per question is calculated as a factor of the impact and importance of the measure/initiative. The outcome is a points system that awards more points for taking action where it matters, actions that lead to better understanding of building systems and improved operational performance.
<b>Specific Requirements for Data Center Energy Performance</b>	In order to obtain LEED certification, data centers must meet the following prerequisites and apply an altered calculation methodology in the Energy & Atmosphere category. The data centers can obtain additional credits and earn points once the minimum prerequisites have been met: <ul style="list-style-type: none"> <li>• <u>Prerequisite - Fundamental commissioning and verification:</u> <ul style="list-style-type: none"> <li>- Completing the activities within the commissioning process in accordance with the ASHRAE Guidelines 0-2005 ("The Commissioning Process") and ASHRAE Guidelines 1.1-2007 for HVAC&amp;R Systems ("Technical Requirements for the Commissioning Process").</li> </ul> </li> <li>• <u>Credit - Enhanced Commissioning:</u> <ul style="list-style-type: none"> <li>- Implementing additional commissioning process activities, in addition to those required under Prerequisite Fundamental Commissioning and Verification and in</li> </ul> </li> </ul>	N/A

	<p>accordance with ASHRAE Guidelines 0-2005 and ASHRAE Guidelines 1.1-2007 for HVAC&amp;R Systems.</p> <ul style="list-style-type: none"> <li>• <u>Prerequisite - Minimum energy performance:</u> <ul style="list-style-type: none"> <li>- Determining the PUE value of the proposed design and demonstrate a 5% improvement in the proposed performance rating over the baseline performance rating.</li> <li>- Creating two models - one for building energy cost and the other for IT equipment energy cost, in order to determine total energy cost savings.</li> <li>- Using a simulation model for the whole building and data center modeling guidelines and calculating the baseline building performance according to ANSI/ASHRAE/IESNA Standard 90.1-2010. A minimum of 2% of the 5% of total energy savings must be derived from building power and cooling infrastructure. The proposed design must meet the following criteria: i) compliance with the mandatory provisions of ANSI/ASHRAE/IESNA Standard 90.1-2010, with errata; ii) inclusion of all energy consumption and costs regarding the building project; iii) comparison against a baseline building that is in compliance with ANSI/ASHRAE/IESNA Standard 90.1-2010 and data center modeling guidelines. It should include both the unregulated load and the IT equipment load in the process loads. It should also develop two sets of IT loads using two scenarios.<sup>26</sup></li> </ul> </li> <li>• <u>EA Credit – Optimize Energy Performance:</u> <ul style="list-style-type: none"> <li>- Analyzing efficiency measures specifically on IT load reduction and HVAC-related strategies and projecting the potential energy savings and cost implications for all the affected systems.</li> <li>- Following the criteria outlined in Prerequisite Minimum Energy Performance to show a percentage improvement in the proposed performance rating compared with the baseline.</li> </ul> </li> <li>• Calculating energy cost savings from both the building and IT to determine the total percentage reduction.</li> </ul>	
<b>Performance display</b>		
<b>Accreditation</b>	<p>LEED AP BD+C LEED AP O+M</p>	
<b>Qualitative considerations</b>	<p>Widely recognised internationally, and strong assurance of overall quality.</p>	<p>Most commonly used certification for existing buildings in Canada, and considered less administratively burdensome for existing buildings.</p>

<sup>26</sup> For data centers, regulated energy includes the “cooling units for computer and data processing rooms, critical power conditioning equipment, critical distribution equipment, heat rejection plants, and mechanical and electrical support rooms.” The “critical systems and electrical power transformation” such as “servers, storage and networking power use, and operations affecting monthly server CPU utilization percentages” are part of the IT load.

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

### Section 1. Basic Information

<b>Issuer name:</b>	Allied Properties REIT
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:</b>	Allied Properties REIT Green Financing Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	February 2, 2020
<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)*

### 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, Resource Efficiency & Management, Clean Transportation, and Renewable Energy – are aligned with those recognized by the Green Bond Principles 2018 and the Green Loan Principles 2020. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 11 and 12.

#### 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 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> ): Resource Efficiency & Management    |

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

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Allied Properties REIT is committed to appointing a Green Financing Working Committee (the "Committee") to oversee the implementation of its Framework with membership consisting of employees from across the organization. Sustainalytics considers the project selection process 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

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
|--|--|

- ☐ Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Allied Properties REIT intends to deposit the net proceeds from each Green Financing Instrument issuance into its general account, where it will be earmarked for allocation to projects that meet the Framework's eligibility criteria and will be allocated within 24 months of the offering. This process is 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:

- |  |   |
|--|---|
| <input type="checkbox"/> Allocations to future investments only                  | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                  | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):  |

### 4. REPORTING

Overall comment on section (if applicable):

Allied Properties REIT intends to report on allocation of proceeds on its website on an annual basis until full allocation. In addition, Allied Properties REIT is committed to reporting on relevant quantitative and qualitative impact metrics, where feasible. Sustainalytics views Allied Properties REIT's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):      |

#### Information reported:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> 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): green building certifications; floor space of green real estate (m2); annual waste that is prevented or diverted (% of total waste or amount in tonnes); annual greenhouse gas emissions reduced/avoided (tonnes of CO2e); new clean transportation infrastructure (km).

**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): Company's website.

☐ 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.)

www.alliedreit.com



**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**

1. **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.
2. **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.
3. **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.
4. **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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**Named**  
**2015:** Best SRI or Green Bond Research or Rating Firm  
**2017, 2018, 2019:** Most Impressive Second Opinion Provider

