

Allied Properties REIT

Type of Engagement: Annual Review

Date: December 15, 2021

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Introduction

In February 2021, Allied Properties REIT (“Allied” or the “Company”) issued its first green bond, a CAD 600 million Series H debenture (the “February 2021 Green Bond”), aimed at financing and refinancing eligible projects that reduce the Company’s carbon footprint and the energy consumption of its activities. In December 2021, Allied engaged Sustainalytics to review the projects funded through the February 2021 Green Bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the reporting commitments outlined in the Allied Properties REIT Green Financing Framework (the “Framework”).¹ Sustainalytics provided a Second Party Opinion on the Framework in February 2021.²

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the February 2021 Green Bond based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs, while Table 2 lists the detailed findings.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Green Buildings	<p>Investments related to the purchase, development and/or re-development of properties, other than data centers, that have received or are expected to receive at least one of the following green building certifications (or other equivalent green certification):</p> <ul style="list-style-type: none"> • LEED: Gold, Platinum • BOMA BEST: Gold, Platinum <p>Investments related to the purchase, development and/or re-development of data center properties that have received or are expected to receive the following green building certifications (or other equivalent green certification):</p> <p>LEED: Silver, Gold, Platinum</p>	<ul style="list-style-type: none"> • Green building certifications • Floor space of green real estate (m²)

¹ The Allied Properties REIT Green Financing Framework is available on Allied’s website at: <https://www.alliedreit.com/wp-content/uploads/2021/06/Allieds-Green-Financing-Framework-1.pdf>

² The Allied Properties REIT Green Financing Framework Second Party Opinion is available on Sustainalytics’ website at: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/allied-properties-reit/allied-properties-reit-green-financing-framework/allied-properties-reit-green-financing-framework-second-party-opinion-pdf>

Resource Efficiency and Management	<p>Investments that support measures to improve resource efficient (energy and/or water efficiency, wastewater management and/or waste diversion) including, but not limited to, projects, systems, equipment, or technologies that:</p> <ul style="list-style-type: none"> • Improve energy storage and capture such as district heating and cooling (e.g. thermal storage facilities) • Reduce energy consumption or improve energy efficiency (excluding energy efficiency measures for fossil fueled projects) • Reduce waste or improve recycling and/or waste diversion rates <p>Reduce water consumption or improve water efficiency</p>	<ul style="list-style-type: none"> • Annual water savings (m³) or percentage reduction in water use • Annual greenhouse gas emissions reduced/avoided OR annual energy saved • Annual waste that is prevented or diverted (% of total waste or amount in tonnes)
Clean Transportation	Investments in infrastructure to accommodate electric vehicles and other clean or active transportation options	<ul style="list-style-type: none"> • Annual greenhouse gas emissions reduced/avoided • New clean transportation infrastructure (km)
Renewable Energy	Investments aimed at providing renewable energy including, but not limited to, wind, solar or geothermal. Geothermal projects are expected to result in direct emissions < 100g of CO ₂ /kWh	<ul style="list-style-type: none"> • Annual energy savings or renewable energy generated (MWh)

Issuing Entity's Responsibility

Allied is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including a description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Allied's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Allied's employees and review of documentation to confirm the conformance with the Allied Properties REIT Green Financing Framework.

Sustainalytics has relied on the information and the facts presented by Allied with respect to the nominated projects. Sustainalytics is not responsible, nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Allied.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed nominated projects, funded through net proceeds of Allied's February 2021 Green Bond, are not in conformance with the Use of Proceeds and reporting commitments outlined in the Allied Properties REIT Green Financing Framework. Allied has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of December 15, 2021.

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the nominated projects funded by the February 2021 Green Bond to determine if projects aligned with the Use of Proceeds Criteria outlined in the Allied Properties REIT Green Financing Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Commitments	Verification of the nominated projects funded by the February 2021 Green Bond to determine if the impact of projects was reported in line with the KPIs outlined in the Allied Properties REIT Green Financing Framework and above in Table 1. For a list of KPIs reported, please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

Appendix

Appendix 1: Allocation and Impact Reporting

Use of Proceeds Category	Project	Amount Allocated (CAD, Millions)	Environmental Impact Reported by Project
Green Buildings	The Well ⁴	\$286.2	The Well is a mixed-use complex located in Toronto, Ontario, with approximately 1,526,000 square feet of gross leasable area (GLA) on completion, anticipated to be between 2022 and 2023. This site is pursuing LEED v2009 certification (Platinum Level).
	Telus Sky ⁴	\$69.6	Telus Sky is a mixed-use property located in Calgary, Alberta, with approximately 444,000 square feet of GLA and 326 residential units. This site is pursuing LEED v2009 certification (Platinum Level for commercial and Gold Level for residential). Building occupancy was issued in 2020.
	Adelaide & Duncan ⁴	\$60.5	Adelaide and Duncan is a mixed-use property located in Toronto, Ontario, with approximately 460,000 square feet of GLA and 464 residential units on completion. This site is pursuing LEED v2009 certification (Gold Level).
	King Portland Centre and Kingly ⁴	\$53.3	King Portland Centre is a mixed-use property located in Toronto, Ontario, with approximately 274,000 square feet of GLA completed in 2019. This site has obtained LEED v2009 certification (Platinum Level). Kingly is a 132-unit condominium building at the intersection of Adelaide Street West and Portland Street in Toronto, Ontario and was also completed in 2019. This site has obtained LEED v2009 certification (Gold Level).
Resource Efficiency and Management	425 Viger	\$83.7	425 Viger is an office property located in Montreal, Quebec with approximately 316,000 square feet of GLA. The building was expanded by three floors, the envelope was improved, and new mechanical, heat recovery and lighting systems were implemented. The project was completed in 2020. These measures are estimated to save 3,000,000 kWh of electricity, 340,000 cubic metres of gas and 760 tons of carbon dioxide equivalent emissions annually.
	Nordelec	\$37.9	Nordelec is a mixed-use property located at 1751 Richardson Street and 1700 Saint Patrick in Montreal, Quebec with approximately 830,000 square feet of GLA. Allied upgraded the property which included improvements to heat recovery, ventilation, cooling infrastructure, window replacements, roof insulation and lighting upgrades as well as a new energy management and control system. The project was completed in 2019. These measures are estimated to save 3,700,000 kWh of electricity, 691,000 cubic metres of gas and 1,300 tons of carbon dioxide equivalent emissions annually.
	Lougheed ⁵	\$5.7	Lougheed is a mixed-use property located at 604-1st Street SW in Calgary, Alberta with approximately 88,000 square feet of GLA. The project consists of lighting and plumbing upgrades, addition of a new outdoor air ventilation system with a heat recovery core, new water heaters and a new mechanical building management system. Total project upgrades are estimated to save 131,627 kWh of electricity,

⁴ These properties are co-owned and the amount allocated represents Allied's ownership interest. Building metrics are reported at 100% ownership interest.

⁵ Sustainalytics notes that the impact metrics include one activity which did not receive green bond allocations as it did not qualify under the criteria of the Framework. Given that the calculations were conducted by a third party, Allied is unable to remove the impacts of this activity. Sustainalytics does not consider this to detract from the credibility of the impact reporting.

			17,669 cubic metres of gas, and 142 tons of carbon dioxide equivalent emissions annually.
Total Proceeds Allocated		\$596.9	

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