

# Allied Properties REIT

**Type of Engagement:** Annual Review

**Date:** June 20, 2022

**Engagement Team:**

Nilofur Thakkar, [nilofur.thakkar@sustainalytics.com](mailto:nilofur.thakkar@sustainalytics.com)

Amrita Kaur, [amrita.kaur@sustainalytics.com](mailto:amrita.kaur@sustainalytics.com)

## Introduction

In August 2021, Allied Properties REIT (“Allied” or the “Company”) issued a green bond (the “August 2021 Green Bond”), a CAD 497 million Series I aimed at financing and refinancing eligible projects that reduce the Company’s carbon footprint and the energy consumption of its activities. In June 2022, Allied engaged Sustainalytics to review the projects funded through the August 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”).<sup>1</sup> Sustainalytics provided a Second Party Opinion on the Framework in February 2021.<sup>2</sup>

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the August 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)
<b>Green Buildings</b>	<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"> <li>• LEED: Gold, Platinum</li> <li>• BOMA BEST: Gold, Platinum</li> </ul> <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"> <li>• Green building certifications</li> <li>• Floor space of green real estate (m<sup>2</sup>)</li> </ul>

<sup>1</sup> 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>

<sup>2</sup> 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>

<b>Resource Efficiency and Management</b>	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: <ul style="list-style-type: none"> <li>• Improve energy storage and capture such as district heating and cooling (e.g. thermal storage facilities)</li> <li>• Reduce energy consumption or improve energy efficiency (excluding energy efficiency measures for fossil fueled projects)</li> <li>• Reduce waste or improve recycling and/or waste diversion rates</li> </ul> Reduce water consumption or improve water efficiency	<ul style="list-style-type: none"> <li>• Annual water savings (m<sup>3</sup>) or percentage reduction in water use</li> <li>• Annual greenhouse gas emissions reduced/avoided OR annual energy saved</li> <li>• Annual waste that is prevented or diverted (% of total waste or amount in tonnes)</li> </ul>
<b>Clean Transportation</b>	Investments in infrastructure to accommodate electric vehicles and other clean or active transportation options	<ul style="list-style-type: none"> <li>• Annual greenhouse gas emissions reduced/avoided</li> <li>• New clean transportation infrastructure (km)</li> </ul>
<b>Renewable Energy</b>	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 <sub>2</sub> /kWh	<ul style="list-style-type: none"> <li>• Annual energy savings or renewable energy generated (MWh)</li> </ul>

## 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,<sup>3</sup> 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 August 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 March 31, 2022.

<sup>3</sup> 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**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the nominated projects funded by the August 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
<b>Reporting Commitments</b>	Verification of the nominated projects funded by the August 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
<b>Green Buildings</b>	The Well <sup>4,5</sup>	\$333.6	The Well is a mixed-use complex located in Toronto, Ontario, with approximately 1,526,000 square feet of gross leasable area (GLA), anticipated to be completed between 2022 and 2023. This site is pursuing LEED v2009 certification (Platinum Level).
	Breithaupt – Phase III <sup>4</sup>	\$44.5	Breithaupt – Phase III is an office property located in Kitchener, Ontario with approximately 294,000 square feet of GLA upon completion. This site is pursuing LEED v4 certification (Gold Level).
	Adelaide & Duncan <sup>4,6</sup>	\$30.8	Adelaide and Duncan is a mixed-use property located in Toronto, Ontario, with approximately 460,000 square feet of GLA and 464 residential units upon completion. This site is pursuing LEED v2009 certification (Gold Level).
	QRC West – Phase II	\$15.7	QRC West – Phase II is a mixed-use property located at 375-381 Queen Street W in Toronto, Ontario with approximately 93,134 square feet of GLA upon completion. This site is pursuing LEED v4 certification (Gold Level)
	400 Atlantic	\$8.6	400 Atlantic is a mixed-use property located in Montreal, Quebec with approximately 87,473 square feet of GLA upon completion. This site is pursuing LEED O&M v4 certification (Gold Level)
<b>Resource Efficiency and Management</b>	Boardwalk-Revillon Building <sup>7</sup>	\$29.7	Boardwalk-Revillon Building is a mixed-use complex located in Edmonton, Alberta with approximately 297,851 square feet of GLA. The project consists of lighting and plumbing upgrades, new outdoor air ventilation system with a heat recovery core, new water heaters and upgrades to the mechanical building management system. The total project upgrades are estimated to save 486,727 kWh of electricity, 14,375 cubic metres of gas, and 432 tons of carbon dioxide equivalent of emissions annually.
	Lougheed <sup>7,8</sup>	\$18.9	Lougheed is a mixed-use property located at 604-1 <sup>st</sup> 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, 17,669 cubic metres of gas, and 142 tons of carbon dioxide equivalent emissions annually.

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

<sup>5</sup> A portion of The Well project costs were previously allocated in the February 2021 Green Bond. Total proceeds allocated to The Well project from bonds is \$619.8 million.

<sup>6</sup> A portion of Adelaide & Duncan project costs were previously allocated in the February 2021 Green Bond. Total proceeds allocated to the Adelaide & Duncan project from Allied's green bonds is \$91.3 million.

<sup>7</sup> 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.

<sup>8</sup> A portion of the Lougheed project costs were previously allocated in the February 2021 Green Bond. Total proceeds allocated to the Lougheed project from Allied's green bonds is \$24.6 million.

	Nordelec <sup>9</sup>	\$10.9	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.
	Energy conservation projects at various properties	\$4.3	Allied completed LED lighting retrofits, building automation system installations and electric baseboard heater control system installations at 65 properties from 2019 to 2021. These measures are estimated to save more than 13,525,484 kWh of electricity.
<b>Total Proceeds Allocated</b>		\$497.0	

<sup>9</sup> A portion of the Nordelec project costs were previously allocated in the February 2021 Green Bond. Total proceeds allocated to the Nordelec project from Allied's green bonds is \$48.8 million.

## Disclaimer

**Copyright ©2022 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [contact@sustainalytics.com](mailto:contact@sustainalytics.com)

