



Second-Party Opinion

RBC Canadian Core Real Estate Fund

Green Bond Framework

Evaluation Summary

Sustainalytics is of the opinion that the RBC Canadian Core Real Estate Fund Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Resource and Energy Efficiency, Pollution Prevention and Control, Climate Change Adaptation and Clean Transportation – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will contribute to positive environmental impacts for the Canadian real estate sector and help advance the UN Sustainable Development Goals, specifically SDGs 7, 11 and 12.



PROJECT EVALUATION / SELECTION RBC Canadian Core Real Estate Fund’s (CCREF) internal process for evaluating and selecting projects is managed by its Real Estate Investment Committee, working with the Corporate Governance & Responsible Investment group of RBC Global Asset Management (RBC GAM). The Real Estate Investment Committee is comprised of RBC GAM’s Chief Investment Officer and other senior members of its investment team. The selection process incorporates fund-level ESG risk analyses and is subject to the risk management tools and processes of CCREF’s investment team and those of its partner, QuadReal. Sustainalytics considers the risk management systems to be adequate and the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Net proceeds of all green bond issuances under the Framework will be deposited into CCREF’s general account, where they will be tracked by the Real Estate Investment Committee and made available to pre-identified eligible projects and assets. CCREF commits to allocating all proceeds within 24 months of issuance. Unallocated proceeds within this period will be held in cash, short term liquid instruments, or used to repay outstanding debt. This is in line with market practice.



REPORTING CCREF intends to report on allocation of proceeds in a green bond report or as part of the Issuer’s green bond offering memorandums on an annual basis until full allocation. The green bond report will be made available upon request and will include details on relevant impact metrics. Sustainalytics views CCREF’s allocation and impact reporting as aligned with market practice.

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Issuer Location Toronto, Canada

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Introduction

RBC Global Asset Management Inc. (“RBC GAM” or the “Company”) is an asset management firm headquartered in Toronto, Canada, owned by the Royal Bank of Canada. RBC GAM created the RBC Canadian Core Real Estate Fund (“CCREF” or the “Fund”) in 2019 to offer investors access to a diversified portfolio of real estate in Canadian markets. As of November 1, 2021, the Fund’s portfolio consisted of 62 real estate assets with a gross asset value of approximately CAD 3.5 billion (USD 2.8 billion).

CCREF has a partnership with QuadReal Property Group Limited Partnership (“QuadReal”), a privately held real estate investment, operating and development company headquartered in Vancouver, Canada which manages the real estate and mortgage programmes of the British Columbia Investment Management Corporation (BCI). The Fund and BCI jointly own each of the Fund’s assets. Canadian Core Real Estate LP (“CCRE” or the “Issuer”), the sole limited partner of which is the Fund, will be the issuer of green bonds under the Framework.

CCREF has developed the RBC Canadian Core Real Estate Fund Green Bond Framework dated November 2021 (the “Framework”), under which it intends to direct CCRE to issue green bonds and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to increase energy efficiency and reduce carbon footprints across the Fund’s portfolio. The Framework defines eligibility criteria in six areas:

1. Green Buildings
2. Renewable Energy
3. Resource and Energy Efficiency
4. Pollution Prevention and Control
5. Climate Change Adaptation
6. Clean Transportation

RBC GAM engaged Sustainalytics to review the RBC Canadian Core Real Estate Fund Green Bond Framework and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).¹ The Framework will be included as part of the Issuer’s Offering Memorandum related to the green bond and will also be available upon request.²

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent³ 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 2021, as administered by ICMA;
- 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 1.11 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 CCREF’s 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. CCREF representatives have confirmed that: (1) they understand it is the sole responsibility of CCREF to ensure that the information provided is complete, accurate and up to date; (2) they have provided Sustainalytics with all relevant

¹ 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/>.

² The RBC Canadian Core Real Estate Fund Green Bond Framework will be described as part of the Issuer’s Offering Memorandum related to the green bond and made available to qualified parties, which will include the Fund’s investors, lenders and debenture holders, upon request to CCREF.

³ 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.

information; and (3) 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.

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

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 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. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond 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 CCREF has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the RBC Canadian Core Real Estate Fund Green Bond Framework

Sustainalytics is of the opinion that the RBC Canadian Core Real Estate Fund Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of CCREF's Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Renewable Energy, Resource and Energy Efficiency, Pollution Prevention and Control, Climate Change Adaptation, and Clean Transportation – are aligned with those recognized by the GBP.
 - Under the Green Building category, CCREF may include expenditures related to the construction, development, acquisition, re-development, operations and maintenance of properties that have received or are reasonably expected to receive LEED Gold or Platinum, or BOMA BEST Gold or Platinum third-party certification. Sustainalytics considers the referenced certification standards to be credible and the selected levels to be aligned with market practice. For Sustainalytics' assessment of these certification schemes, please refer to Appendix 1.
 - The Renewable Energy category relates to investments in the generation, transmission and distribution of PV and CSP solar, wind and geothermal energy.
 - Investments in geothermal projects will be limited to those with direct emissions below 100 gCO₂/kWh. This is in line with market practice.
 - CCREF intends to finance CSP solar projects that aim to generate over 85% of electricity from solar energy. Sustainalytics notes that this threshold is aligned with market practice.
 - CCREF's expenditures under the Resource and Energy Efficiency category may include investments in projects that improve the efficiency of HVAC systems (including non-fossil fuel powered heating, ventilation, air conditioning and cooling systems), energy storage, district heating, smart grids, water usage and water treatment or control, or other controls or systems that monitor and optimize energy usage, resource usage and waste management such as smart sensors and smart meters.

- Investments related to energy storage will include battery and on-site non-fossil fuel powered thermal storage, such as ground source heat pumps. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics recommends CCREF to exclude financing of heat pumps with high-GWP refrigerants, and to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation and recycling, or destruction of refrigerants at end of life.
 - District heating investments will involve the connection to distribution networks primarily powered (>50%) by renewable energy or waste heat.
 - Smart grid investments will be related to energy metering equipment, sub-metering equipment, building-automation system upgrades and IP addressable sensor network equipment in buildings.
 - Sustainalytics views the restriction of projects to non-fossil fuel powered heating and district heating powered by at least 50% renewable energy or waste heat as aligned with market expectation.
- CCREF may invest in Pollution Prevention and Control projects including waste reduction and prevention via source separation of recyclable materials and on-site composting.
 - For recycling projects managing e-waste, Sustainalytics notes CCREF's intent to have eligible projects accompanied by a robust waste management process to address potential environmental and social risks associated with the processing of e-waste.
 - Sustainalytics views these investments to be aligned with market practice.
- Under the Climate Change Adaptation category, CCREF intends to finance projects such as flood defence improvements, storm water management and building structural resilience. Sustainalytics notes that eligible projects will be identified based on a climate risk exposure evaluation which is performed on a yearly basis. Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Clean Transportation category, CCREF will finance projects that improve connectivity, promote multi-modal and non-motorized methods of transportation, such as pedestrian and cycling infrastructure. CCREF will also finance electric vehicle charging stations and e-mobility end-of-trip facilities, as well as projects that promote and improve underground access to transit nodes.
 - For projects related to underground access to public transit systems, Sustainalytics notes as a limitation that such projects may require a significant allocation of proceeds to build this type of infrastructure without assurance of the benefits achieved. Sustainalytics encourages CCREF to measure the impact the proposed investments will have on public transit use so that environmental benefits in the form of reduced transportation emissions can be quantified.
- Project Evaluation and Selection:
 - CCREF's Real Estate Investment Committee ("the Committee"), comprised of RBC GAM's Chief Investment Officer and senior members from RBC GAM's investment team, will oversee the identification and selection of eligible projects and assets under the Framework. The Committee will be supported by QuadReal and the RBC GAM Corporate Governance & Responsible Investment team.
 - The Committee will be comprised of senior representatives from RBC GAM's investment team and RBC GAM's Chief Investment Officer. Committee meeting attendees will also include members of RBC GAM's finance, operations, tax, legal, risk and Corporate Governance and Responsible Investment teams.
 - CCREF has confirmed that the Fund's investment decision process integrates ESG risk analyses and is subject to the risk management tools and processes of both the Fund's investment team and QuadReal. For additional details on risk management policies, please refer to Section 2.
 - Based on the established oversight for project selection and the relevant policies and processes, Sustainalytics considers CCREF's approach to project evaluation and selection to be aligned with market practice

- Management of Proceeds:
 - Net proceeds of all green bond issuances will be deposited into the Issuer's general account and made available to eligible projects or assets pre-identified by the Committee through the evaluation and selection process.
 - The Fund's management team will maintain a Schedule of Use of Green Bond Proceeds (the "Schedule"), which will act as a database for eligible green projects and assets that align with the Framework's categories. The Committee will determine bond disbursements according to the Framework and Schedule, and will track the balance of net proceeds of outstanding green bonds to match allocations to eligible green projects.
 - CCREF will apply a look-back period for refinancing of 36 months from the date of issuance. In the case of green buildings, CCREF may refinance buildings that have obtained green building certification in the 36 months prior to the date of issuance. Therefore, green bond proceeds may be used to refinance expenditures for these certified buildings which were incurred prior to the 36 months look-back period, provided the certification was achieved in the past 36 months.
 - CCREF commits to allocating all net proceeds within 24 months from the date of issuance.
 - Unallocated proceeds will be held in accordance with CCREF's cash management procedures, which may include holdings in cash, short-term deposits and other short term liquid instruments, or used to repay an amount outstanding under any credit facility. Sustainalytics notes the inclusion of CCREF's statement which specifies that unallocated proceeds will be used only to pay outstanding debt that is unrelated to fossil fuel investment.
 - Based on the management of proceeds described and the allocation period indicated, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - CCREF intends to either publish a Green Bond Report as part of the Issuer's Offering Memorandum relating to the green bond issuance where the net proceeds of the green bond are completely allocated, or to publish a Green Bond Report within one year of its initial green bond issuance, to be updated annually thereafter until full allocation of net proceeds.
 - The Green Bond Report will be available upon request and will detail the allocation of green bond net proceeds to eligible project categories under the Framework. The report will also speak to relevant quantitative impact measures, such as but not limited to the achievement of green building certifications, annual energy savings or generation levels, installed renewable energy capacity, water consumption and GHG emission reductions.
 - Based on impact and allocation reporting, Sustainalytics views CCREF's reporting as being in line with market practice and notes positively the use of third-party verification of the allocation.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the RBC Canadian Core Real Estate Fund Green Bond Framework aligns with the four core components of the GBP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of RBC GAM

Contribution of framework to CCREF's sustainability strategy

This section assesses primarily RBC GAM's sustainability strategy and its related policies and procedures, which CCREF is aligned with. Since BCI is a co-owner of, and QuadReal and its affiliates manage, all of the Fund's assets, CCREF is also aligned with QuadReal's sustainability and risk management related policies and procedures. Where applicable, sustainability related achievements that are specific to CCREF are also noted.

RBC GAM's responsible investment strategy is comprised of three key pillars: (i) fully integrated ESG, (ii) active stewardship, and (iii) client-driven solutions and reporting.⁴

- All investment teams integrate material ESG factors, including climate change, into their investment processes.

⁴ RBC GAM, "Our approach to responsible investment", (2020), at: <https://www.rbcgam.com/documents/en/articles/approach-to-responsible-investment.pdf>

- RBC GAM shares its views through proxy voting, engagement with issuers and regulatory bodies, and collaboration with other like-minded investors.
- RBC GAM aligns solutions with client demand and provides transparent and meaningful reporting. This includes publishing an annual TCFD⁵ report.

RBC GAM also has a climate change strategy that is built upon these pillars and establishes the key commitments and actions the Company is taking to address climate-related risks and opportunities.⁶ RBC GAM supports the global goal of achieving net zero emissions by 2050 or sooner, as described in its net zero ambition.⁷ As part of this statement, RBC GAM commits to support the transition to a net zero economy through measuring and monitoring issuer alignment to net zero, by maintaining net zero emissions in its own operations, and by providing disclosure of climate commitments and progress.

CCREF has achieved over 90% of total square footage certified to green building certification BOMA BEST, LEED or both. CCREF is committed to reducing carbon emissions by 80% by 2050, as compared to a 2007 baseline.⁵ It also established goals to reduce energy consumption by 2% per year, and to achieve Fitwel certification⁶ in all office assets by 2025. With respect to reducing emissions from its own operations, CCREF has committed to achieving net zero emissions annually for its global operations, reducing GHG emissions by 70% by 2025,⁷ and increasing its sourcing of electricity from renewable and non-emitting sources to 100% by 2025.

CCREF has demonstrated its commitment to ESG transparency and improved performance by participating in the 2021 GRESB Real Estate Assessment,⁸ achieving a five-star rating and placing first in Canada and fourth globally in the diversified category for non-listed standing investments.⁹ RBC GAM is a signatory to a number of initiatives¹⁰ including the UN Principles of Responsible Investment, and is a member of Climate Action 100+, a collaboration of investors that actively engage the world's largest GHG emitters with the goal of supporting the transition to a net zero economy and Climate Engagement Canada, a collaborative engagement focused on Canadian companies.

Sustainalytics is of the opinion that the RBC Canadian Core Real Estate Fund Green Bond Framework is aligned with CCREF's overall sustainability strategy and initiatives and will further the Fund's action on its key environmental priorities.

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

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects could include worker health and safety risks, resource use and waste generation, as well as land-use change and biodiversity loss.

Sustainalytics is of the opinion that CCREF is able to manage or mitigate potential risks through implementation of the following:

Via alignment with RBC GAM and QuadReal's risk management policies and procedures, CCREF and QuadReal work together to employ a range of environmental and social risk management policies. These policies are intended to identify, assess and mitigate environmental and social risks in accordance with the International Finance Corporation (IFC) Performance Standards,¹¹ and the Canadian Standards Association (CSA).¹² In addition to CCREF benefitting from RBC GAM's Code of Ethics and Professional Conduct,¹³ QuadReal is contractually committed with CCREF to adhere to QuadReal's Responsible Contractor Code of Conduct and Ethics,¹⁴ which sets out the principles and expectations for CCREF's portfolio relating to its contractors and

⁵ RBC, "Climate Blueprint" (Updated February 2021), at: http://www.rbc.com/community-sustainability/_assets-custom/pdf/RBC-Climate-Blueprint.pdf

⁶ Fitwell, "Certification: How does the Fitwel process work?", at: <https://www.fitwel.org/certification/>

⁷ The target is inclusive of RBC's global operations scope 1, 2 and 3 (business travels) emissions, and uses a 2018 baseline.

⁸ GRESB, "ESG data and benchmarks for financial markets", at: www.gresb.com

⁹ GRESB, "2021 Real Estate Assessment Results", at: <https://gresb.com/nl-en/2021-real-estate-assessment-results/>

¹⁰ RBC GAM, "Responsible investment commitments", at: <https://www.rbcgam.com/en/ca/about-us/responsible-investment/responsible-investment-commitments>

¹¹ IFC, "Performance Standards", (2021), at: <https://firstforsustainability.org/risk-management/implementing-ifc-environmental-and-social-requirements/establish-and-maintain-an-esms/ifc-environmental-and-social-performance-requirements/ifc-performance-standards/>

¹² RBC, "Environmental and Social Risk Management", (2021), at: <https://www.rbc.com/community-social-impact/environment/environmental-social-risk-management.html#enterprise-tab-content>

¹³ RBC GAM, "Code of Ethics", at: <https://www.sec.gov/Archives/edgar/data/1027263/000119312512011775/d268260dex99p32.htm>

¹⁴ QuadReal, "Responsible contractor code of conduct and ethics", (2021), at: https://www.quadreal.com/wp-content/uploads/2021/07/2019_May_QuadReal-Responsible-Contractor-Code-of-Conduct-and-Ethics.pdf

their employees and representatives, particularly related to compliance with laws, regulations and rules around a safe and inclusive work environment.

QuadReal is also contractually committed to CCREF to comply with its Occupational Health and Safety Policy, ensuring compliance with all applicable laws, as well as procedures and reporting mechanisms for identifying and preventing operational risks, including the expectation that all of its vendors conform to health and safety management standards. CCREF holds QuadReal responsible for implementing and monitoring the Occupational Health and Safety Policy and expects its employees to commit to its objectives.¹⁵ The assets that comprise CCREF's portfolio are also governed by QuadReal's Sustainability and EHS Committee, whose mandate is to provide continuous guidance and ensure internal alignment to its sustainability commitments.¹⁶

In addition to the above, Sustainalytics notes that the financing under the Framework will take place in Canada, which is categorized as a Designated Country under the Equator Principles, indicating strong environmental and social governance legislation systems and institutional capacity to mitigate common environmental and social risks.¹⁷

Based on these policies, processes and assessments, Sustainalytics is of the opinion that CCREF follows adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories. Sustainalytics encourages CCREF to continue to elaborate and set policies to address environmental and social risks.

Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics elaborates below on the need to transition the building and real estate sector in Canada to become low carbon and climate resilient and how CCREF's eligible projects will contribute towards this goal.

Importance of promoting sustainability development of the real estate sector in Canada

Under the Paris agreement, Canada has committed to reducing its GHG emissions by 40-45% below 2005 levels by 2030.¹⁸ The Government of Canada has also committed to achieve net zero emissions by 2050.¹⁹ To achieve its emission reduction targets, Canada's building sector will have to reduce its operational and life cycle emissions. The Pan-Canadian Framework on Clean Growth and Climate Change²⁰ lists the building sector as one of the most critical sectors to decarbonize, currently accounting for 17% of Canada's total GHG emissions.

The absolute energy demand of buildings in Canada has increased by 8% for residential buildings and 35% for commercial buildings between 1990 and 2015.²¹ Buildings in Canada have relatively high energy intensity compared to other countries,²² mainly due to climatic conditions and a high standard of living. Heating consumes the largest share of a building's energy (61%), being primarily powered by fossil fuels.²³ The remaining energy use stems from water heating (19%), appliances (14%), lighting (4%) and space cooling

¹⁵ QuadReal, "Occupation Health and Safety Policy", (2021), at: https://www.quadreal.com/wp-content/uploads/2021/08/2021_04_QuadReal-Occupational-Health-and-Safety-Policy-2021.pdf

¹⁶ QuadReal, "Sustainability and EHS Committee", at: <https://www.quadreal.com/wp-content/uploads/2019/04/Sustainability-EHS-Cmt-Mandate.pdf>

¹⁷ Equator Principles, "Designated Countries", (2020), at: <https://equator-principles.com/designated-countries/>

¹⁸ Government of Canada, "Canada's 2021 Nationally Determined Contribution Under the Paris Agreement", (2021), at:

https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Canada%20First/Canada%27s%20Enhanced%20NDC%20Submission1_FINAL%20EN.pdf

¹⁹ Government of Canada, "Canada advanced climate action and remains committed to ambitious global action as United Nations Climate Change Conference concludes", (December 16, 2019), at: <https://www.canada.ca/en/environment-climate-change/news/2019/12/canada-advanced-climate-action-and-remains-committed-to-ambitious-global-action-as-united-nations-climate-change-conference-concludes.html>

¹⁹ Government of Canada, "Government of Canada confirms ambitious new greenhouse gas emissions reduction target", (July 12, 2021), at <https://www.canada.ca/en/environment-climate-change/news/2021/07/government-of-canada-confirms-ambitious-new-greenhouse-gas-emissions-reduction-target.html>

²⁰ The Pan-Canadian Framework on Clean Growth and Climate Change is Canada's national plan to reduce emissions and build resilience to adapt to a changing climate, while promoting healthy economic growth, read more: http://publications.gc.ca/collections/collection_2017/eccc/En4-294-2016-eng.pdf

²¹ Standing Senate Committee on Energy, the Environment and Natural Resources, "Reducing Greenhouse Gas Emission from Canada's Built Environment", (November 2018), at: https://sencanada.ca/content/sen/committee/421/ENEV/reports/ENEV_Buildings_FINAL_e.pdf

²² EIA, "Global energy consumption driven by more electricity in residential, commercial buildings", (October 2018), at:

<https://www.eia.gov/todayinenergy/detail.php?id=41753>

²³ Standing Senate Committee on Energy, the Environment and Natural Resources, "Reducing Greenhouse Gas Emission from Canada's Built Environment", (November 2018), at: https://sencanada.ca/content/sen/committee/421/ENEV/reports/ENEV_Buildings_FINAL_e.pdf

(3%).²⁴ In this context, CCREF's investment in non-fossil fuel powered heating, ventilation, air conditioning systems, as well as district heating that is powered by more than 50% renewable energy or waste heat, will meaningfully contribute towards reducing the GHG footprint of buildings in Canada.

Buildings must reduce their emissions by an estimated 25 MtCO₂e per year until 2030 for Canada to stay consistent with its national GHG emission reduction targets.²⁵ The federal, provincial and territorial governments of Canada are adopting more stringent building codes to help lower building footprints, with the goal of a "net zero energy ready" model building code by 2030.²⁶ The Standing Senate Committee on Energy, the Environment and Natural Resources estimates that if policy measures such as those identified under the Pan-Canadian Framework on Clean Growth and Climate Change²⁷ are implemented, there is a potential to reduce GHG emissions 20% by 2030 against 2015 levels.

Given the above, Sustainalytics is of the opinion that the eligible projects mentioned in CCREF's Green Bond Framework will likely contribute towards achieving reductions in building-related emissions, as well as support Canada in attaining its national GHG emission reduction targets.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by the year 2030. The bonds eventually issued under the RBC Canadian Core Real Estate Fund Green Bond Framework are expected to contribute to advance the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Resource and Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Climate Change Adaptation	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
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

²⁴ Natural Resource Canada, "Heating equipment for residential use", at: <https://www.nrcan.gc.ca/energy-efficiency/energy-efficiency-products/product-information/heating-equipment-residential-use/13740>

²⁵ Report of the Standing Senate Committee on Energy, the Environment and Natural Resources, "Reducing Greenhouse Gas Emissions from Canada's Built Environment", (November 2018), at: https://sencanada.ca/content/sen/committee/421/ENEV/reports/ENEV_Buildings_FINAL_e.pdf

²⁶ Environment and Climate Change Canada, "Canada's Seventh National Communication on Climate Change and Third Biennial Report—Actions to meet commitments under the United Nations Framework Convention on Climate Change", (2017), at: https://unfccc.int/files/national_reports/national_communications_and_biennial_reports/application/pdf/82051493_canada-nc7-br3-1-5108_eccc_can7thncomm3rdbi-report_en_04_web.pdf

²⁷ Measures identified under the Pan-Canadian Framework on Clean Growth and Climate Change are – (i) making new buildings more energy efficient (ii) Retrofitting existing buildings, and fuel switching (iii) improving energy efficiency for appliances and equipment (iv) Supporting mandatory energy labelling and disclosure (v) Supporting building codes and energy efficient housing in Indigenous communities.

Conclusion



CCREF has developed the Framework under which it intends to issue green bonds and use the proceeds to reduce its environmental footprint by financing the construction, development and acquisition of green buildings, investing in renewable energy, clean transport, resource efficiency measures, pollution prevention and control technologies as well as risk assessments that promote climate change adaptation in the buildings sector. Sustainalytics considers that the projects funded by the green bond proceeds will provide positive environmental impact by increasing resource efficiency, thereby reducing pollution, as well as improving the resilience of the building sector to climate change impacts.

The 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 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 (7, 11, and 12). Additionally, Sustainalytics is of the opinion that CCREF 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 CCREF is well-positioned to issue green bonds and that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021.

Appendices

Appendix 1: Summary of Referenced Green Building Certification Schemes

	LEED	BOMA BEST
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers 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.
Certification levels	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Certified • Bronze • Silver • Gold • Platinum
Areas of Assessment: Environmental Project Management	Integrative process, which requires, from the beginning of the design process, the identification and creation of synergies between the various project stakeholders regarding the construction choices and the technical systems.	<ul style="list-style-type: none"> • Comfort • Health and Wellness • Custodial • Purchasing • Stakeholder Engagement
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Energy • Water • Air • Waste • Site
Requirements	<p>Prerequisites (independent of level of certification) + Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>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).</p>	<p>Minimum requirements independent of level of certification; score based on checklist to determine certification level.</p> <p>The minimum best practices and category scoring is adjusted for seven different asset classes: office, enclosed shopping centres, light industrial, open air retail, universal, MURB, and health care.</p>
Performance display		

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

Section 1. Basic Information

Issuer name:	Canadian Core Real Estate LP
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	RBC Canadian Core Real Estate Fund Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	November 18, 2021
Publication date of review publication:	

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 nd 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*)

Please refer to Evaluation Summary above.

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, Renewable Energy, Resource and Energy Efficiency, Pollution Prevention and Control, Climate Change Adaptation and Clean Transportation – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will contribute to positive environmental impacts for the Canadian real estate sector and help advance the UN Sustainable Development Goals, specifically SDGs 7, 11 and 12.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" 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 checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input checked="" 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 type="checkbox"/> Other (<i>please specify</i>): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

RBC Canadian Core Real Estate Fund's (CCREF) internal process for evaluating and selecting projects is managed by its Real Estate Investment Committee, working with the Corporate Governance & Responsible Investment group of RBC Global Asset Management (RBC GAM). The Real Estate Investment Committee is comprised of RBC GAM's Chief Investment Officer and other senior members of its investment team. The selection process incorporates fund-level ESG risk analyses and is subject to the risk management tools and processes of CCREF's investment team and those of its partner, QuadReal. Sustainalytics considers the risk management systems to be adequate and 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

- Evaluation / Selection criteria subject to external advice or verification
 In-house assessment
- Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Net proceeds of all green bond issuances under the Framework will be deposited into CCREF's general account, where they will be tracked by the Real Estate Investment Committee and made available to pre-identified eligible projects and assets. CCREF commits to allocating all proceeds within 24 months of issuance. Unallocated proceeds within this period will be held in cash or other instruments, or used to repay outstanding debt. This 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:

- Allocations to future investments only
 Allocations to both existing and future investments
- Allocation to individual disbursements
 Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
 Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

CCREF intends to report on allocation of proceeds in a green bond report or as part of the Issuer's green bond offering memorandums on an annual basis until full allocation. The green bond report will be made available upon request and will include details on relevant impact metrics. Sustainalytics views CCREF's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify):

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input checked="" type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

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

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Achieved green building certifications; installed renewable energy capacity. |

Frequency

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of Disclosure

- | | |
|---|--|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Provided only to qualified parties (i.e., the Fund's investors, lenders and debenture holders) upon their written request. |
| <input type="checkbox"/> 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.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd 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**

- i. **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.
- ii. **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.
- iii. **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.
- iv. **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.

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