



Second-Party Opinion

Choice Properties REIT Green Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the Choice Properties REIT Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Sustainable Water and Wastewater Management, Clean Transportation, Renewable Energy, Pollution Prevention and Control, Biodiversity and Conservation, and Adaptability and Resilience to Climate Change – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 11, 12, 13 and 15.



PROJECT EVALUATION / SELECTION Choice Properties REIT’s (“Choice” or the “Company”) Green Financing Committee along with members of the Sustainability, Treasury, Development, Asset Management and Legal departments will identify eligible projects. This committee reports to the Company’s ESG Steering Committee that is responsible for final sign-off on eligible projects. The Company’s environmental and social risk management processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Net proceeds will be deposited and earmarked for allocation within Choice’s general accounts by the Finance department. Choice intends to fully allocate within 36 months of each issuance, pending which the net proceeds will be held in cash, short-term deposits, or other instruments, or used to repay existing debt. This is in line with market practice.



REPORTING Choice intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include information such as the amount allocated to eligible green projects as well as the percentage of proceeds allocated towards refinancing. In addition, Choice is committed to reporting on relevant qualitative and quantitative impact metrics. Sustainalytics views Choice’s allocation and impact reporting as aligned with market practice.

Evaluation date	November 11, 2021
Issuer Location	Toronto, Canada

Report Sections

Introduction	2
Sustainalytics’ Opinion.....	3
Appendices.....	10

For inquiries, contact the Sustainable Finance Solutions project team:

Ijeoma Madueke (Toronto) Project Manager ijeoma.madueke@sustainalytics.com (+1) 647 317 3631
Tina Ghaemmaghami (Toronto) Project Support
Amala Devi (Toronto) Project Support
Guilherme Grunthal (Toronto) Client Relations susfinance.americas@sustainalytics.com (+1) 646 518 9623

Introduction

Choice Properties REIT (“Choice” or the “Company”) is an owner, manager, and developer of commercial and residential properties across Canada. As of June 30, 2021, the Company had a portfolio of 717 income producing properties with approximately 66 million square feet of gross leasable area.

Choice has developed the Choice Properties REIT Green Financing Framework (the “Framework”) under which it intends to issue green bonds and/or loans and use the proceeds to finance and refinance, in whole or in part, existing and future projects that aim to reduce the carbon footprint of its portfolio as well as enhance resilience to climate change. The Framework defines eligibility criteria in eight areas:

1. Green Buildings
2. Energy Efficiency
3. Sustainable Water and Wastewater Management
4. Clean Transportation
5. Renewable Energy
6. Pollution Prevention and Control
7. Biodiversity and Conservation
8. Adaptability and Resilience to Climate Change

Choice engaged Sustainalytics to review the Choice Properties REIT Green Financing Framework, dated November 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)¹ and the Green Loan Principles 2021 (GLP).² This Framework will be published in a separate document.³

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ 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, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA⁵;
- 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 1.10, 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 Choice’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. Choice representatives have confirmed (1) they understand it is the sole responsibility of Choice 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.

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 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/>.

³ The Choice Properties REIT Green Financing Framework will be available on Choice Properties REIT’s website at: <https://www.choicereit.ca/sustainability/>

⁴ 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.

⁵ 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

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 Choice.

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 Choice has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

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

Sustainalytics is of the opinion that the Choice 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 Choice's Green Financing Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Energy Efficiency, Sustainable Water and Wastewater Management, Clean Transportation, Renewable Energy, Pollution Prevention and Control, Biodiversity and Conservation, Adaptability and Resilience to Climate Change – are aligned with those recognized by the GBP and GLP.
 - Within the Green Buildings category, Choice intends to finance and/or refinance expenditures related to the acquisition, development, operation and maintenance, or improvement of commercial and/or residential properties. Eligibility will be determined by properties that have achieved or are expected to achieve the following green building standards and minimum levels: LEED Gold, BOMA BEST Gold, Toronto Green Standard Tier 2, CaGBC Zero Carbon Building (ZCB) Design Standard, Passive House, EnerPHit or PHI Low Energy Building Standard, and ENERGY STAR® Multifamily High-Rise (New Construction). Please refer to Appendix 1 for a summary of these certification schemes. Furthermore, Choice intends to finance industrial buildings that have received or are expected to receive LEED Silver certification, in addition to being designed to achieve a 20% energy efficiency improvement compared to ASHRAE 90.1 2010. Sustainalytics views these criteria to be in line with market practice.
 - The Energy Efficiency category may include (i) investments that improve energy efficiency by more than 20%, such as projects that improve the efficiency of heating and cooling (HVAC) systems as well as the use of geo-exchange to reduce building energy consumption and/or (ii) projects related to lighting and electrical systems to enhance energy efficiency, battery-based energy storage and district heating powered by over 50% renewable energy or waste heat. The Company may also invest in other initiatives that allow for a greater than 20% energy efficiency outcome, such as smart meters.
 - Choice has confirmed that investments will be limited to district heating and/or cooling distribution networks which may include the use of waste heat recovery systems from systems such as data centres, from sewage as well as municipal wastewater heat. .

Projects using fossil fuels are excluded except where fossil fuels are used for limited peaking purposes and, in such cases, Choice will remove an amount equal to the costs allocated to fossil fuel equipment from the total project costs. While Sustainalytics notes that district heating and/or cooling distribution network systems primarily powered by renewables are preferred in the market, Sustainalytics recognizes the importance of improving energy efficiency of air conditioning systems, and encourages Choice to report on the impact achieved.

- Choice has confirmed that projects related to improving the energy efficiency of HVAC systems will not include fossil-fuel powered boiler and chiller upgrades. Sustainalytics considers this as aligned with market practice.
- Geo-exchange projects will involve the use of electric heat pumps (ground, air, or water source). Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics encourages Choice to exclude financing of air and ground source heat pumps with high Global Warming Potential refrigerant(s), and promote robust refrigerant leak control, detection, and monitoring, while ensuring recovery, reclamation/recycling, or destruction of refrigerants at end of life.
- Under Sustainable Water & Wastewater Management, Choice may finance sustainable water management projects. This could include water infrastructure upgrades such as smart metering, water-use controls for washrooms and irrigation, rainwater capture systems, green roofs or other initiatives that lead to more than 15% reduction in water consumption. Sustainalytics views these activities and the specification of a reduction threshold to be aligned with market practice.
- Clean Transportation expenditures relate to investments in infrastructure that improves connectivity, promotes multi-modal or non-motorized transportation (e.g., walking and cycling) and/or reduces GHG emissions through infrastructure or charging stations for electric vehicles.
 - Choice has indicated this category may include finance for bike paths and pedestrian walkways, and that this category does not contemplate underground tunnels. Sustainalytics considers these investments as aligned with market practice.
- Within the Renewable Energy category, the Company may finance wind, solar or geothermal energy projects. For geothermal projects, the Framework defines a threshold of less than 100g CO₂/kWh in direct emissions. Sustainalytics views this to be in line with market practice.
- The Pollution & Waste Prevention or Control category contemplates expenditures related to onsite composting and recycling as well as soil remediation. Sustainalytics views these activities to be in line with market practice.
 - Choice has confirmed that soil remediation projects are not related to contamination from activities within its operational control.
- Biodiversity & Conservation expenditures relate to activities such as tree planting and ecological restoration with an aim to preserve biodiversity and native ecosystems at Choice's properties. Sustainalytics views these activities as aligned with market practice.
- Within the Adaptability & Resilience to Climate Change category, Choice may finance infrastructure projects that would support the corresponding property's defense and adaptation to extreme weather conditions or effects of climate change. Such projects would be identified based on vulnerability and/or feasibility studies that demonstrate their expected benefits towards climate resilience. The projects may include flood defense, stormwater management, building structural resilience or other similar projects that enhance climate resilience. Based on the pre-assessment of the benefits of these projects prior to investment, Sustainalytics considers this to be in line with market practice.
- Project Evaluation and Selection:
 - Choice's Green Financing Committee, consisting of members from departments such as Sustainability, Treasury, Development, Asset Management and Legal will be responsible for identifying the Eligible Green Projects ("Eligible Projects"). The Green Financing Committee will report to the ESG Steering Committee (the "Steering Committee") that sets Choice's company-wide ESG metrics and priorities. The Steering Committee consists of senior management including the President and Chief Executive Officer and is chaired by the Director of Sustainability & Environment Programs. The Steering Committee will also be responsible for the

- final sign-off on Eligible Projects, reviewing and approving annual reporting, and monitoring green financing market practices.
 - Furthermore, The Company has environmental and social risk management processes in place that are applicable to all allocation decisions made under the Framework. Sustainalytics views these processes to be adequate and in line with market practice. See section 2 for more details.
 - Based on the establishment of dedicated committees, presence of risk management procedures, and oversight from senior representatives, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Choice intends to deposit the net proceeds in its general accounts which will be earmarked for allocation to Eligible Projects. The Framework specifies a lookback period of 36 months which is aligned with market practice.
 - Choice intends to fully allocate proceeds within 36 months from each issuance. Pending full allocation, the net proceeds will be held in cash or short-term instruments or used to repay existing indebtedness. The issuer has confirmed that outstanding debt is not related to fossil-fuel investments.
 - Choice's Finance department will maintain internal records of the green financing issuances, eligible projects and the amount allocated.
 - Based on the defined management approach and disclosure around the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Choice commits to providing annual allocation reporting such as a description of Eligible Projects, net proceeds raised from each green financing and allocated to Eligible Projects, share of financing vs. refinancing and the unallocated balance. This reporting will be made available through its corporate website, ESG report and/or Annual Report annually until full allocation. The Company also commits to annual impact reporting of key performance indicators such as green building certifications, annual energy saved (in MWh), water consumption reduced/avoided (in thousand cubic meters) and annual greenhouse gas emissions reduced/avoided (in tonnes of CO₂ equivalent) until full allocation.
 - The Company will engage an independent third-party to complete an annual review of its allocation reporting, until all the proceeds have been fully allocated and in the event of any material change.
 - Sustainalytics considers Choice's reporting commitments to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics has determined that the Choice 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 Choice Properties REIT

Contribution of framework to Choice's sustainability strategy

Sustainalytics is of the opinion that Choice demonstrates a commitment to sustainability with a focus on the following environmental and social pillars: 1) Climate Action; 2) Sustainable Communities; and 3) Equity & Wellness. In 2019, Choice released its inaugural sustainability report,⁶ in which the Company established its medium-term ESG strategy by creating several five-year goals to be achieved by the end of 2023. In order to fulfill its commitments, the Company tracks and reports on its performance in its annual Environmental Social & Governance Report.⁷ Sustainalytics considers that the proceeds of the green financing instruments issued under the Framework will directly contribute to Choice's ability to fulfill the first two focus areas of its sustainability strategy.

⁶ Choice, 2020 'Environmental, Social & Governance Report', at: <https://www.choicereit.ca/wp-content/uploads/2021/04/Sustainability-2020-Environmental-Social-Governance-ESG-Report-English.pdf>

⁷ *Ibid.*

Please see below for an overview of the Company's 2023 key achievements and progress to date, all of which are aligned with the objectives in the Framework:⁸

- Reduce same-asset energy used by 10% relative to 2018 – In 2020, Choice achieved a 17.6% reduction relative to its baseline. Additionally, in 2020, the Company conducted energy assessments at 50% of its offices and implemented energy saving measures such as LED lighting conversions and building automation system enhancements.
- Reduce same-asset water use by 5% relative to 2018 – In 2020, Choice achieved a 26.1% reduction relative to its baseline. The Company reduces water consumption through water fixture upgrades and the implementation of recommendations from the water audits it conducts at 20% of its office properties.
- Divert 70% of its annual waste from landfill relative to 2018 – Choice diverted 46.2% of its waste in 2020, relative to its 2018 baseline. In 2020, the Company's property management teams in Montreal and Toronto implemented improved monthly waste tracking systems to better identify opportunities to improve diversion from landfill. Choice aims to continue these efforts in the remainder of its properties in 2021.
- Convert 75% of parking lot lighting to high efficiency fixtures – Choice achieved 51.2% of its target in 2020 as a result of initiatives such as upgrading exterior lighting at 136 properties to LED technology. This resulted in an increase of 22.6% in 2019 to 51.2% in 2020. Majority of the Company's sites in Ontario and Quebec are equipped with LED lighting, with additional upgrades underway in the Western and Atlantic provinces.
- Reduce same-asset and absolute greenhouse gas emissions by 10% relative to 2018 – Choice achieved a reduction of 19.8% and 44.6% respectively in 2020, relative to its 2018 baseline.
- Certify 65% of its portfolio under LEED or BOMA BEST – By 2020, the Company achieved 28% of its goal. This represents a significant increase from 6.6% in 2019. The Company achieved this by certifying an additional 53 properties under BOMA BEST, including its first set of industrial properties. In addition to the BOMA BEST portfolio, the Company has one office property certified to LEED and one under-development mixed-use property – West Block, which is pursuing LEED certification in 2021.

Choice's ESG strategy is governed by the Company's Board of Trustees, the Governance Committee, the Company's President and CEO, as well as a dedicated ESG Steering Committee. The Company also has five ESG subcommittees in place to facilitate the coordination of activities related to specific parts of Choice's ESG strategy, including 1) Operations; 2) Development & Construction; 3) Accounting & Reporting; 4) Choice Cares; and 5) Colleague Culture. Furthermore, the Company provides reporting against the Global Real Estate Sustainability Benchmark.

Sustainalytics is of the opinion that the Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

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

While Sustainalytics recognizes that the net proceeds from the green financing instruments issued under the Framework will be directed towards eligible projects that are expected to yield positive environmental impact, it is acknowledged that such eligible projects could also pose negative environmental and social risks. Some key risks associated with the eligible projects could include occupational health and safety, community relations/stakeholder participation, and management of effluents and waste generated in the construction and operation of commercial and/or residential properties.

Sustainalytics is of the opinion that Choice is able to manage and/or mitigate potential risks through the context in which the Company operates and implementation of the following:

- To ensure the safety of workers during construction, all contractors are required to provide evidence of health and safety compliance that is third-party accredited.⁹ Furthermore, each sizable office has a Joint Health and Safety Committee that inspects the office and convenes regularly to discuss health and safety concerns.¹⁰ Choice also requires all of its trustees, officers, and employees to comply with its Code of Conduct (the "Code") which outlines workplace safety and environmental safety requirements.¹¹ As outlined in the Code, property managers and operators are provided with specialized training on a variety of health and safety topics, including, substance management, fall

⁸ 2020 reductions in energy, water and greenhouse gases were attributable to both Choice's energy and water reduction initiatives and to the temporary remote work arrangements resulting from COVID-19.

⁹ *Ibid.*

¹⁰ *Ibid.*

¹¹ Choice Properties, Code of Conduct (July 2020), at: <https://www.choicereit.ca/wp-content/uploads/2021/03/Governance-Code-of-Conduct-English-Final-AODA.pdf>

arrest, hazardous materials, and first aid. In addition, Choice has a Health & Safety policy in place which outlines a series of requirements, including maintaining an up-to-date health and safety program to ensure safe and healthy work conditions in the workplace, as well as a requirement for managers to report any injuries to their respective Joint Health and Safety Committee.¹²

- To maintain stakeholder relations, Choice has issued tenant satisfaction surveys in several of its offices. Results from the surveys have been disseminated to the broader tenant-base and action has been taken towards improvement opportunities across its properties.¹³ The Company also aims to engage regularly with its tenants to implement sustainability initiatives, such as installation of modern equipment and electric vehicle charging stations.
- Choice has implemented an Environmental Management System (EMS) across its operations, which is overseen by a dedicated Environmental Health & Safety (EHS) Manager.¹⁴ The EHS Manager is responsible for implementing all EHS policies, procedures, and trainings, as well as ensuring continued compliance with applicable EHS regulatory requirements. In addition, the EHS Manager oversees environmental and health and safety due diligence, as well as ongoing site investigations and remediations if required.

In addition to the above, The Company also complies with all federal, provincial, and local laws regarding waste management to tackle waste and effluents generated during construction, including applicable regulations regarding hazardous materials and its management.¹⁵ Sustainalytics also notes that the projects financed under the Framework will take place in Canada which is recognized as a Designated Country under the Equator Principles, indicating that the country has robust environmental and social governance, legislation systems and institutional capacity to sufficiently mitigate identified material risks.¹⁶

Based on these policies, standards, and assessments, Sustainalytics is of the opinion that Choice 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 eight 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.

Importance of Green Buildings in achieving Canada's GHG emission targets

The buildings sector is an important contributor to greenhouse gas emissions in Canada. In 2018, it accounted for 13% of the total greenhouse gas emissions in the country.¹⁷ In 2017, residential and commercial buildings accounted for close to 20% of Canada's energy consumption.¹⁸ Majority of this consumption comes from lighting as well as space and water heating, which cumulatively accounted for 84% of residential and 76% of commercial energy consumption respectively.¹⁹ In 2016, as part of the Federal Government's plan to address climate change and grow the economy, Canada committed to reduce its emissions by 30% below 2005 levels by 2030 under the Pan-Canadian Framework on Clean Growth and Climate Change.²⁰ The Pan-Canadian Framework's approach towards reducing building sector emissions includes improving energy efficiency in new buildings, retrofitting and fuel-switching in existing buildings and improving appliance and equipment energy efficiency.²¹ The Canada Green Building Council finds that improvement to building energy efficiency

¹² This document was shared with Sustainalytics and viewed confidentially.

¹³ Choice, 2020 'Environmental, Social & Governance Report', at: <https://www.choicereit.ca/wp-content/uploads/2021/04/Sustainability-2020-Environmental-Social-Governance-ESG-Report-English.pdf>

¹⁴ *Ibid.*

¹⁵ Choice Properties, Code of Conduct (July 2020), at: <https://www.choicereit.ca/wp-content/uploads/2021/03/Governance-Code-of-Conduct-English-Final-AODA.pdf>

¹⁶ Equator Principles, "Designated Countries", (2020), at: <https://equator-principles.com/designated-countries/>

¹⁷ Environment and Climate Change Canada, "Greenhouse Gas Emissions: Canadian Environmental Sustainability Indicators", (2020), at: <https://www.canada.ca/content/dam/eccc/documents/pdf/cesindicators/ghg-emissions/2020/greenhouse-gas-emissions-en.pdf>

¹⁸ Natural Resources Canada, "Energy Fact Book 2020-2021", at: https://www.nrcan.gc.ca/sites/nrcan/files/energy/energy_fact/energy-factbook-2020-2021-English.pdf

¹⁹ *Ibid.*

²⁰ ²⁰ Government of Canada, "Pan-Canadian Framework on Clean Growth and Climate Change", at: http://publications.gc.ca/collections/collection_2017/eccc/En4-294-2016-eng.pdf

²¹ *Ibid.*

alone has the potential to reduce the nation's overall GHG emissions by 44% from the 2005 baseline, and additionally save CAD 6.2 billion in energy-related costs and contribute CAD 32.5 billion to the GDP.²²

The green building sector has seen significant growth in the past few years, more than doubling from CAD 23.4 billion to CAD 47.9 billion in gross domestic product from 2014 to 2018.²³ Third-party certifications play a key role in the expansion of this market. Between 2005 and 2018, LEED-certified buildings in Canada helped save 16.7 million megawatt-hours of energy, 30 billion liters of water and 3.24 million CO₂ equivalent tonnes in greenhouse gas emissions.²⁴ As of January 2019, there were over 4,000 LEED certified projects in Canada accounting for more than 500 million square feet in area.²⁵ In 2020, Choice reported that 20.2 million square feet, or 28%, of its portfolio was certified under BOMA BEST or LEED.

Based on the above, Sustainalytics is of the opinion that eligible projects under the Framework have the potential to provide substantial environmental benefits for Canada's built environment, contributing to the country's national GHG reduction targets.

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 Choice Properties REIT Green Financing Framework advances the following SDGs and targets.

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
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Sustainable Water and Wastewater 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.
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.
Pollution Prevention and Control	12. Responsible Consumption	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

²² Canada Green Building Council, "Building Solutions to Climate Change: How Green Buildings Can Help Meet Canada's 2030 Emission Targets", at: https://www.cagbc.org/CAGBC/Advocacy/Building_Solutions_to_Climate_Change.aspx

²³ Canada Green Building Council, "Canada's Green Building Engine: Market Impact and Opportunities in a Critical Decade", (2020), at: https://www.cagbc.org/cagbcdocs/advocacy/CaGBC_CanadasGreenBuildingEngine_Executive_Summary_EN.pdf

²⁴ *Ibid.*

²⁵ Canada Green Building Council, "LEED Impact Report Canada 2018", at: <https://www.cagbc.org/leedimpactreport2018>

Biodiversity and Conservation	15. Life on Land	15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect
Adaptability and Resilience to Climate Change	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Conclusion

Choice has developed the Choice Properties REIT Green Financing Framework under which it may issue green bonds and/or loans and use the proceeds to finance and/or refinance, existing and future projects that aim to reduce the carbon footprint of its portfolio as well as enhance resilience to climate change. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental and social impact.

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 use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 9, 11, 12, 13, and 15. Additionally, Sustainalytics is of the opinion that Choice 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 Choice is well-positioned to issue green bonds and/or loans and that the Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021) and Green Loan Principles (2021).

Appendices

Appendix 1: Green Building Certifications

	LEED ²⁶	Toronto Green Standard ²⁷	BOMA BEST ²⁸
Background	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.	The Toronto Green Standard (TGS) represents a set of performance standards that facilitate more sustainable development in Toronto and implementing the environmental policies in the City of Toronto's Official Plan. The TGS was initially introduced as a voluntary standard for new building development in 2006. Subsequent versions, beginning in 2010, adopted a multi-tiered system – Tier 1 being mandatory and Tier 2-4 being another voluntary. Achievement of Tier 2 and higher makes projects eligible for financial incentives, including a partial refund of development charges.	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	Certified Silver Gold Platinum	Tier 1 (Mandatory) Tier 2 (Voluntary) Tier 3 (Voluntary) Tier 4 (Voluntary)	Certified Bronze Silver Gold Platinum
Areas of Assessment: Environmental Performance of the Building	• Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority	The TGS addresses Toronto's urban environmental pressure, promoting sustainable site and building development.	• Energy • Water • Air • Comfort • Health and Wellbeing • Custodial • Purchasing • Waste • Site • Stakeholder Engagement
Requirements	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	For buildings greater than 2,000 m ² GFA, Tier 1 requires the submission of a Design Development Stage Energy Report prior to Site Plan Approval that demonstrates a minimum level of compliance with the TGS energy efficiency requirements. A building receives Tier 1 certification if it	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

²⁶ USGBC, "LEED rating system" at: www.usgbc.org/LEED

²⁷ City of Toronto, "Toronto Green Standard Version 3" at: <https://www.toronto.ca/city-government/planning-development/official-plan-guidelines/toronto-green-standard/toronto-green-standard-version-3/>

²⁸ Building Owners and Managers Association of British Columbia, "Building Environmental Standards" at: <https://www.boma.bc.ca/green-buildings/boma-best/>

	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).	meets the requirements set for each category. An As-Construction Stage Energy Report is required for Tier 2 or higher-level performances. For Tier 2, 3, and 4 there are optional performance measurements that need to be met. Tier 2, 3, and 4 projects that have been verified may be eligible for a refund of development charges. There are currently three standards of the TGS ("Low-Rise Residential", "Mid to High-Rise Residential and Non-Residential" and "City Agency, Corporation & Division – Owned Facilities") each relating to different development types.	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.
Performance display		None	
Accreditation	LEED AP BD+C LEED AP O+M	City Planning Division of Toronto Third party reviewer for Tier 2,3,4 applications.	N/A
Qualitative considerations	Widely recognised internationally, and strong assurance of overall quality.	The TGS certification system is part of the City of Toronto's TransformTO action plan, which aims at reducing the GHG emissions by 80% by 2050 (compared to the 1990 levels). Applications submitted on or after May 1, 2018 are required to meet v3 of the TGS.	Most commonly used certification for existing buildings in Canada and considered less administratively burdensome for existing buildings.

	CaGBC ZCB Design Standard ²⁹	Passive House, EnerPHIT and PHI Low Energy Building Standard ³⁰	ENERGY STAR® Multifamily High-Rise (New Construction) ³¹
Background	The CaGBC Zero Carbon Building (ZCB) Design Standard was launched by the Canadian Green Building Council (CaGBC) in 2017 as a framework for the design of low-carbon,	Passive House (also known by its German name, Passivhaus) is a certification scheme for very low energy buildings, first developed in Germany and administered by the non-profit Passive House Institute and implemented in Canada by the Canadian	The Energy Star program was first developed in 1992 by the US Environmental Protection Agency as a method to identify and promote products and practices that are the most energy efficient. The ENERGY STAR® Multifamily High-Rise (New Construction) sets out requirements that enable new

²⁹ CaGBC, "ZCB Standard – Information & Resources, at: https://www.cagbc.org/CAGBC/Zero_Carbon/The_CaGBC_Zero_Carbon_Building_Program.aspx

³⁰ Passive House Canada, "Criteria for the Passive House, EnerPHIT and PHI Low Energy Building Standard", at: https://www.passivehousecanada.com/wp-content/uploads/2017/02/Passive-House-and-EnerPHit_building_criteria.pdf

³¹ Energy Star, "Multifamily High Rise Program New Construction", at: https://www.energystar.gov/partner_resources/residential_new/program_reqs/mfhr

	highly efficient buildings with the best potential to achieve zero-carbon operations in Canada. It is applicable primarily to new buildings and major renovations.	Passive House Institute (CanPHI).	homes to be approximately 15% more energy efficient than those built to the Provincial or National Building Code. In Canada, ENERGY STAR for New Homes is administered by the Office of Energy Efficiency of Natural Resources Canada
Certification levels	Certified	Passive House (Classic, Plus or Premium) EnerPHit (Classic, Plus or Premium) PHI Low Energy Building Standard	Certified
Areas of Assessment: Environmental Performance of the Building	It applies to the entire building site and includes direct Scope 1 emissions from combustion of fossil fuels and fugitive emissions from leakage of refrigerants from HVAC systems, indirect Scope 2 emissions from purchased electricity, heating or cooling, and embodied carbon or Scope 3 emissions associated with new structural and envelope building materials.	• Space Heating • Space Cooling • Airtightness • Renewable Primary Energy (PER) demand	• Appliances • Heating and Cooling equipment and distribution • Envelope • Garage and sidewalks • Ventilation and Infiltration • Domestic water heating • Lighting • Pump efficiency
Requirements	CaGBC certifies projects based on reporting from the applicants. Required documentation includes completed Design Workbook, energy models and additional documents as required by CaGBC to demonstrate compliance. The Design certification is awarded based on the project's final design, and projects are eligible to submit for certification once issued for construction documents are ready. Projects are awarded certification once all	Passive House requires compliance with threshold requirements in four areas - space heating, cooling, airtightness and PER. For building retrofits, EnerPHit certification can be achieved by demonstrating compliance with criteria for building components or for energy demand, in addition to threshold requirements for airtightness and PER. The Low Energy Building Standard assesses the same categories as Passive House, but with less stringent requirements	The certification requirements can be met through Performance or Prescriptive paths. In both cases, compliance is verified and tested in accordance with ENERGY STAR MFHR Testing and Verification Protocols. The Performance path is applicable to all buildings where the local codes are equal to or more stringent than 2012 IECC or ASHRAE 90.1-2010. The Performance Target is 15% energy cost savings over the ASHRAE 90.1 Standard (2007 or 2010) equivalent to the state energy code under which the building is permitted.

	requisite documentation is received and a review by CaGBC confirms that the requirements of the Design Standard have been met.		
Performance display	None	  	 
Accreditation	N/A	Certified Passive House Designer/ Consultant, Certified Passive House Tradesperson	N/A
Qualitative considerations	The v1 of the Design Standard was released in 2017 closed registration in May 31, 2020. Projects registered before this date with the intention to be certified can provide submissions till May 31, 2022. The current version is ZCB Design Standard v2 released in 2020.	It is one of the most widely used passive building standards with a global presence.	It is one of the leading schemes for residential buildings with a strong market perception in the U.S. and Canada.

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

Section 1. Basic Information

Issuer name:	Choice Properties REIT
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Choice Properties REIT Green Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	September 13, 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:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ 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, Energy Efficiency, Sustainable Water and Wastewater Management, Clean Transportation, Renewable Energy, Pollution Prevention and Control, Biodiversity and Conservation, Adaptability and Resilience to Climate Change are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9, 11, 12, 13 and 15.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| ☒ Renewable energy | ☒ Energy efficiency |
| ☒ Pollution prevention and control | ☐ Environmentally sustainable management of living natural resources and land use |
| ☐ Terrestrial and aquatic biodiversity conservation | ☒ Clean transportation |
| ☒ Sustainable water and wastewater management | ☒ Climate change adaptation |
| ☐ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☒ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | ☒ Other (<i>please specify</i>): Biodiversity & Conservation |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Choice Properties REIT's ("Choice" or the "Company") Green Financing Committee along with members of the Sustainability, Treasury, Development, Asset Management and Legal departments will identify eligible projects. This committee reports to the Company's ESG Steering Committee that is responsible for final sign-off on eligible projects. The Company's environmental and social risk management processes are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| ☒ Credentials on the issuer's environmental sustainability objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Green Bond proceeds | ☒ Documented process to identify and manage potential ESG risks associated with the project |
| ☒ Summary criteria for project evaluation and selection publicly available | ☐ 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 will be deposited and earmarked for allocation within Choice's general accounts by the Finance department. Choice intends to fully allocate within 36 months of each issuance, pending which the net proceeds will be held in cash, short-term deposits, or other instruments, or used to repay existing 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):

Choice intends to report on allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include information such as the amount allocated to eligible green projects as well as the percentage of proceeds allocated towards refinancing. In addition, Choice is committed to reporting on relevant qualitative and quantitative impact metrics. Sustainalytics views Choice'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:

- ☒ Allocated amounts
 ☐ 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 (by building or square footage)

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.)

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

- ☐ Consultancy (incl. 2nd opinion)
 ☐ Certification
- ☐ Verification / Audit
 ☐ Rating

☐ Other (*please specify*):

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.

Disclaimer

Copyright ©2021 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. The firm 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. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.



Named

2015: Best SRI or Green Bond Research or Rating Firm
 2017, 2018, 2019: Most Impressive Second Opinion Provider

