

# Granite REIT

**Type of Engagement:** Annual Review

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## Introduction

In 2020, Granite REIT Holdings Limited Partnership, with an unconditional guarantee by Granite REIT<sup>1</sup> (collectively, “Granite”) issued its inaugural green bond, CAD 500 million senior unsecured debentures due 2027 (the “2027 Debentures”). Subsequently, Granite issued CAD 500 million senior unsecured debentures in August 2021 (the “2028 Debentures”) and another CAD 400 million senior unsecured debentures in October 2023 (the “2029 Debentures”, and collectively with the 2027 and 2028 Debentures, the “Green Bonds”). The Green Bonds have financed projects relating to Green Buildings, and Resource Efficiency and Management. In 2024, Granite engaged Sustainalytics to review the projects financed with proceeds from the Green Bonds (the “Nominated Projects”) and provide an assessment as to whether the projects meet the use of proceeds criteria and the reporting commitments outlined in the Granite Green Bond Framework (the “Framework”).<sup>2</sup> Sustainalytics provided a Second-Party Opinion on the Framework in April 2020.<sup>3</sup> This is Sustainalytics’ fourth annual review of allocation and reporting of the instruments issued under the Framework, following previous reviews in 2021<sup>4</sup>, 2022<sup>5</sup> and 2023.<sup>6</sup>

## Evaluation Criteria

Sustainalytics evaluated the Nominated Projects based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

**Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs**

Use of Proceeds Category <sup>7</sup>	Eligibility Criteria	Key Performance Indicators
Green Buildings	<p>Investments related to the purchase, development, redevelopment or improvement of logistics, e-commerce, warehouse and industrial properties that have received or are expected to receive at least one of the following green building certifications (or other equivalent green certification):</p> <ul style="list-style-type: none"> <li>- LEED: Silver, Gold, Platinum</li> <li>- DGNB: Silver, Gold, Platinum</li> <li>- BREEAM: Very Good, Excellent, Outstanding</li> <li>- Green Globes: Two, Three, Four</li> </ul> <p>Buildings with LEED Silver, DGNB Silver or Two Green Globes certifications will also be confirmed to have been designed to achieve a 20 to 30% energy efficiency improvement.</p>	Level of green building certifications

<sup>1</sup> Granite REIT is composed of Granite Real Estate Investment Trust and Granite REIT Inc.

<sup>2</sup> The Granite Green Bond Framework (2020) is available at: <https://granitereit.com/wp-content/uploads/2020/05/Granite-Green-Bond-Framework.pdf>

<sup>3</sup> Sustainalytics, “Second-Party Opinion, Granite REIT”, (2020), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/granite-reit-green-bond-framework-second-party-opinion.pdf?sfvrsn=8c767ae\\_3](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/granite-reit-green-bond-framework-second-party-opinion.pdf?sfvrsn=8c767ae_3)

<sup>4</sup> Sustainalytics, “Annual Review, Granite REIT”, (2021), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/granite-reit-green-bond-framework-annual-review.pdf?sfvrsn=104779fa\\_3](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/granite-reit-green-bond-framework-annual-review.pdf?sfvrsn=104779fa_3)

<sup>5</sup> Sustainalytics, “Annual Review, Granite REIT”, (2022), at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/granite-reit-green-bond-annual-review-2022.pdf?sfvrsn=871705f4\\_1](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/granite-reit-green-bond-annual-review-2022.pdf?sfvrsn=871705f4_1)

<sup>6</sup> Granite REIT, “Annual Review”, (2023), at: <https://granitereit.com/wp-content/uploads/2023/03/granite-2022-greenbond-framework.pdf>

<sup>7</sup> The Framework defines a total of six green categories: Green Buildings, Resource Efficiency and Management, Clean Transportation, Renewable Energy, Pollution Prevention and Control and Biodiversity and Conservation.

<p><b>Resource Efficiency and Management</b></p>	<p>Investments that improve energy or water efficiency greater than 15%, or make other environmentally beneficial improvements to properties or land including, but not limited to, investments in:</p> <ul style="list-style-type: none"> <li>- LED and other energy efficient lighting</li> <li>- Cool roof and other sustainability-oriented construction materials</li> <li>- Smart meters</li> <li>- Energy storage</li> <li>- Xeriscaping/drought-tolerant landscaping</li> <li>- Sustainable drainage systems</li> <li>- Water and energy-saving technologies and materials</li> </ul>	<p>Annual greenhouse gas emissions reduced or avoided</p>
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## Issuer’s Responsibility

Granite is responsible for providing accurate information and documentation relating to the details of the funded projects, including descriptions of projects, amounts allocated and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from Granite’s Green Bonds. The work undertaken as part of this engagement included collection of documentation from Granite and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by Granite. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Granite.

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

## Conclusion

Based on the limited assurance procedures conducted,<sup>8</sup> nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects do not conform with the use of proceeds criteria and reporting commitments in the Framework. Granite has disclosed to Sustainalytics that 100% of the proceeds from the 2027 Debentures and the 2028 Debentures, and 42% of the proceeds from the 2029 Debentures have been allocated, as of 31 December 2023.

<sup>8</sup> Sustainalytics’ limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

## Detailed Findings

**Table 2: Detailed Findings**

<b>Framework Requirements</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the Nominated Projects to determine alignment with the use of proceeds criteria outlined in the Framework.	All projects reviewed complied with the use of proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the Nominated Projects to determine if impact was reported in line with the KPIs outlined in the Framework.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

## Appendices

### Appendix 1: Allocation and Reported Impact for the 2027 Debentures

The net proceeds from the 2027 Debentures total CAD 496.9 million representing gross proceeds of CAD 500 million less CAD 3.1 million of transaction costs. 100% of net proceeds from the 2027 Debentures have been allocated as of 31 December 2023.

**Table 3: Financed Projects Under the Green Buildings Category**

Project Financed	Certification <sup>9</sup>	Building area certified (m <sup>2</sup> )	Annual energy intensity <sup>10</sup> (kWh/m <sup>2</sup> )	Annual energy use reduction	Annual GHG emissions avoided <sup>11</sup> (tCO <sub>2</sub> e or %)	Proportion of on-site renewable energy <sup>12</sup>	Annual water use reduction compared to baseline <sup>13</sup>	Net Proceeds Allocation (CAD million)
Acquisition of a green building located at 3501 North Lancaster Hutchins Road (Lancaster, Texas, USA)	LEED Silver (Achieved)	18,243	144.6	39.7%	678	N/A	50.7%	106.1
Acquisition of a green building located at Oude Graaf 15 (Weert, Netherlands)	BREEAM Excellent (Achieved)	22,126	29.7	100%	100%	73.6%	N/A	31.9
Completed development of a green building at 1201 Allpoints Court (Plainfield, Indiana, USA)	Two Green Globes (Achieved)	47,470	69.5	34%	853	N/A	26.9%	36.0
Acquisition of a green building located at Francis Baconstraat 4 (Ede, Netherlands)	BREEAM Very Good (Achieved)	11,479	31.5	11.5%	N/A	12.6%	24.8%	21.4
Acquisition and subsequent expansion of a green building located at De Kroonstraat 1 and De Poosthoornstraat 2 (expansion) (Tilburg, Netherlands)	BREEAM Excellent (Achieved)	45,242	34.0	100%	100%	73.8%	39.9%	83.8

<sup>9</sup> Granite has confirmed to Sustainalytics that all existing and new LEED Silver and Two Green Globes buildings are being designed to achieve at least 20% energy efficiency improvement (or performance) over respective baselines.

<sup>10</sup> For some projects, only parts of a building are considered for measuring energy use intensity.

<sup>11</sup> Compared to baseline.

<sup>12</sup> Proportion of base building energy usage that is generated through rooftop solar PV array.

<sup>13</sup> Granite has communicated to Sustainalytics that estimations for some of the projects include design water consumption from flush and flow fixtures, and exclude process water and irrigation.

Acquisition and subsequent development of a green building located at Aquamarijnweg 2 (Bleiswijk, Netherlands)	BREEAM Very Good (Achieved)	22,319	81.11	20%	62.7%	5.9%	50%	66.2
Acquisition of a green building located at 1243 Gregory Drive (Antioch, Illinois, USA)	LEED Silver (Achieved)	42,204	57.2	28.2%	192.05	N/A	30.4%	56.5
Completed development of a green building at Im Ghai 36 (Altbach, Germany)	DGNB Gold (Achieved)	27,188	80.0	23.8%	N/A	N/A	N/A	41.2
Completed development of a Green Building at 5000 Village Creek Road, US (Fort Worth, Texas, USA)	Two Green Globes (Achieved)	56,247	50.07	38%	209.4	N/A	N/A	51.6 (Partial Allocation)
<b>Net proceeds allocated (CAD million)</b>								<b>494.7</b>

**Table 4: Financed Projects Under the Resource Efficiency and Management Category**

Project Financed	Annual Energy Savings <sup>14</sup> (%)	Annual reduction of greenhouse gas emissions <sup>15</sup> (tCO <sub>2</sub> e)	Net Proceeds Allocation (CAD million)
LED lighting upgrade of exterior lights at 39600 Lewis Drive, Novi, MI	65	41.6	1.8
LED lighting upgrades at 535 Gateway Blvd., Monroe, OH	55	926	
LED lighting upgrade at 101 Clyde Alexander Lane, Pooler, GA	53	210	
LED lighting upgrade at 201 Sunridge Blvd, Wilmer, TX	73	1306	
LED lighting upgrades at 600 Tesma Way, Concord, ON	57	9.4	
LED lighting upgrades at 6201 Green Pointe Drive South, Groveport, OH	37	194.4	0.4
HVAC replacement at 1695 Crossroads Drive, Joliet, IL	33.2	2.61	
HVAC replacement at 39600 Lewis Drive, Novi, MI	33.4	194.6	
<b>Net proceeds allocated (CAD million)</b>			<b>2.2</b>

<sup>14</sup> Based on assumed number of hours of usage and compared against energy usage from previously existing system.

<sup>15</sup> List of sources Granite used to estimate the carbon intensity of electricity consumption:

- i) Michigan electricity profile 2019, at: <https://eia.gov/electricity/state/Michigan>
- ii) Ohio electricity profile 2019 & 2020, at: <https://eia.gov/electricity/state/Ohio>
- iii) Georgia electricity profile 2019, at: <https://eia.gov/electricity/state/Georgia>
- iv) Texas electricity profile 2019, at: <https://eia.gov/electricity/state/Texas>
- v) Ontario Power Generation Climate Change 2020 Report, at: <https://www.opg.com/documents/opg-climate-change-plan-2020/>
- vi) Illinois Electricity Profile 2021, at: <https://www.eia.gov/electricity/state/Illinois/>

## Appendix 2: Allocation and Reported Impact for the 2028 Debentures

The net proceeds from the 2028 Debentures total CAD 497.3 million representing gross proceeds of CAD 500 million less CAD 2.7 million of transaction costs. 100% of net proceeds from the 2028 Debentures have been allocated as of 31 December 2023.

**Table 5: Financed Projects Under the Green Buildings Category**

<b>Project Financed</b>	<b>Certification<sup>16</sup></b>	<b>Net Proceeds Allocation (CAD million)</b>
Completed development of a green building at 5000 Village Creek Road (Fort Worth, Texas, USA)	Two Green Globes (Achieved)	3.5 (Partial Allocation)
Acquisition of a green building located at Swaardvenstraat 75 (Tilburg, Netherlands)	Two Green Globes (Pursuing)	101.2
Completed expansion of a building at 2095 Logistics Drive (Mississauga, Ontario, Canada)	Two Green Globes (Achieved)	11.5
Completed development of a green building at 2120 Logistics Way (Murfreesboro, Tennessee, USA)	Two Green Globes (Achieved)	89.3
Completed development of three green buildings at 13220/13230/13250 Crosby Freeway (Houston, Texas, USA)	Two Green Globes (Achieved)	147.4
Completed development of two green buildings at 10144/10207 Veterans Drive (Avon, Indiana, USA)	Two Green Globes (Achieved)	108.7
Completed development of a green building at 905 Belle Lane (Bolingbrook, IL, USA)	Two Green Globes (Pursuing)	35.7 (Partial Allocation)
<b>Net proceeds allocated (CAD million)</b>		<b>497.3</b>

<sup>16</sup> Granite has confirmed to Sustainalytics that all Two Green Globes buildings are being designed to achieve at least 20% energy efficiency improvement (or performance) over respective baselines.

### Appendix 3: Allocation and Reported Impact for the 2029 Debentures

The net proceeds from the 2029 Debentures total CAD 397.5 million representing gross proceeds of CAD 400 million less CAD 2.7 million of transaction costs. 42% of net proceeds (CAD 167.1 million) from the 2028 Debentures have been allocated as of 31 December 2023. Additionally, Granite REIT intends to allocate the remaining amount before 12 October 2026.

**Table 6: Financed Projects Under the Green Buildings Category**

Project Financed	Certification <sup>17</sup>	Net Proceeds Allocation (CAD million)
Completed development of a green building at 905 Belle Lane (Bolingbrook, IL, USA)	Two Green Globes (Pursuing)	17.7 (Partial Allocation)
Completed development of three green buildings at 100/120/150 Business Park Drive (Lebanon, Tennessee, USA) <sup>18,19,20</sup>	Two Green Globes (Achieved)	71.2
Development in progress of a green building at 4 Bowery Road, Block 1 (Brantford, Ontario, Canada)	Two Green Globes (Pursuing)	67.1
Green expansion in progress of a building at 555 Beck Crescent (Ajax, Ontario, Canada)	Two Green Globes (Pursuing)	10.7
<b>Net proceeds allocated (CAD million)</b>		<b>166.7</b>
<b>Unallocated net proceeds (CAD million)</b>		<b>230.4</b>

**Table 7: Financed Projects Under the Resource Efficiency and Management Category**

Project Financed	Annual Energy Savings (%) <sup>21</sup>	Annual reduction of greenhouse gas emissions (tCO <sub>2</sub> e) <sup>22</sup>	Net Proceeds Allocation (CAD million)
LED lighting upgrade at 445 Airtech Parkway, Plainfield, IN, USA	43	519.7	<b>0.4</b>
LED lighting upgrade at Peiner Strabe 151-155, Saltzgirter, Germany	86	78.68	

<sup>17</sup> Granite has confirmed that all Two Green Globes buildings are being designed to achieve at least 20% energy efficiency improvement (or performance) over respective baselines.

<sup>18</sup> 100 Business Park Drive (Lebanon, Tennessee, USA): Annual energy intensity (13.9 kWh/m<sup>2</sup>), Annual energy use reduction (50%), Annual greenhouse gas emissions avoided (81.6% or 283 tonnes CO<sub>2</sub>e), Annual greenhouse gas emission intensity (4.07 kgCO<sub>2</sub>e/m<sup>2</sup>) and Building area certified as Two Green Globes (15,724 m<sup>2</sup>)

<sup>19</sup> 120 Business Park Drive (Lebanon, Tennessee, USA): Annual energy intensity (13.44 kWh/m<sup>2</sup>), Annual energy use reduction (50%), Annual greenhouse gas emissions avoided (82% or 291 tonnes CO<sub>2</sub>e), Annual greenhouse gas emission intensity (3.93 kgCO<sub>2</sub>e/m<sup>2</sup>) and Building area certified as Two Green Globes (16,258 m<sup>2</sup>)

<sup>20</sup> 150 Business Park Drive (Lebanon, Tennessee, USA): Annual energy intensity (4.31 kWh/m<sup>2</sup>), Annual energy use reduction (50%), Annual greenhouse gas emissions avoided (93.7% or 314 tonnes CO<sub>2</sub>e), Annual greenhouse gas emission intensity (1.37 kgCO<sub>2</sub>e/m<sup>2</sup>) and Building area certified as Two Green Globes (15,329 m<sup>2</sup>)

<sup>21</sup> Based on assumed number of hours of usage and compared against energy usage from previously existing system.

<sup>22</sup> List of sources Granite used to estimate the carbon intensity of electricity consumption:

i) Indiana Electricity Profile 2022, at:<https://www.eia.gov/electricity/state/indiana/>

ii) Germany Climate Transparency Report 2022, at:<https://www.climate-transparency.org/wp-content/uploads/2022/10/CT2022-Germany-Web.pdf>

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