

Granite REIT

Type of Engagement: Annual Review

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Introduction

In June 2020, Granite REIT Holdings Limited Partnership¹, with an unconditional guarantee by Granite Real Estate Investment Trust and Granite REIT Inc. (collectively, “Granite”) issued its inaugural CAD 500 million senior unsecured debentures (the “2027 Debentures”). Subsequently, Granite issued CAD 500 million senior unsecured debentures in August 2021 (the “2028 Debentures”, and collectively with the 2027 Debentures, the “Green Bonds”). The Green Bonds have financed projects² from two of the six categories listed in the Framework, namely – Green Buildings and Resource Efficiency & Management. In April 2020, Sustainalytics provided a Second-Party Opinion³ on the Granite REIT Green Bond Framework (the “Framework”).⁴ In February 2022, Granite engaged Sustainalytics to review the projects funded through the Green Bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Framework.

As of December 31, 2021, Granite allocated a total of CAD 496.9 million of net proceeds to 11 green buildings and six energy efficiency projects through the 2027 Debenture issuance and CAD 76.8 million to six green building projects through the 2028 Debenture issuance.

Evaluation Criteria

Sustainalytics evaluated the projects funded by the Green Bonds based on whether the selected projects:

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

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

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

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
Green Buildings	Investments related to the purchase, development, re-development 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): <ul style="list-style-type: none"> - LEED: Silver, Gold, Platinum - DGNB: Silver, Gold, Platinum - BREEAM: Very Good, Excellent, Outstanding - Green Globes: Two, Three, Four Buildings with LEED Silver, DGNB Silver or Two Green Globes certifications will also be	Level of green building certifications

¹ Granite REIT Holdings Limited Partnership is a wholly owned subsidiary of Granite Real Estate Investment Trust.

² As of December 31, 2021.

³ Sustainalytics’ Second-Party Opinion on the Framework is available 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

⁴The Granite Green Bond Framework is available at: <https://granitereit.com/wp-content/uploads/2020/05/Granite-Green-Bond-Framework.pdf>

	confirmed to have been designed to achieve a 20 to 30% energy efficiency improvement.	
Resource and Energy Efficiency	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: <ul style="list-style-type: none"> - LED and other energy efficient lighting - Cool roof and other sustainability-oriented construction materials - Smart meters - Energy storage - Xeriscaping/drought-tolerant landscaping - Sustainable drainage systems - Water and energy-saving technologies and materials 	Annual greenhouse gas emissions reduced /avoided
Clean Transportation	Investments in infrastructure to accommodate electric vehicles or other clean transportation.	Annual greenhouse gas emissions reduced /avoided
Renewable Energy	Investments aimed at providing renewable energy including, but not limited to, wind, solar or geothermal. Geothermal projects are expected to result in direct emissions <100 grams of CO ₂ /kWh.	Annual energy saved or renewable energy generated
Pollution Prevention & Control	Remediation of contaminated soil and other construction waste diversion.	Annual greenhouse gas emissions reduced/avoided
Biodiversity and Conservation	Tree planting and ecological restoration to preserve biodiversity and native ecosystems.	Natural capital value (i.e. trees planted)

Issuing Entity's Responsibility

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

Independence and Quality Control

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

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

Conclusion

Based on the limited assurance procedures conducted,⁵ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of the

⁵ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Green Bonds, are not in conformance with the Use of Proceeds and Reporting criteria outlined in the Framework. Granite has disclosed to Sustainalytics that 100% of the proceeds from the 2027 Debentures and 15.4% of the proceeds from the 2028 Debentures have been allocated, as of December 31, 2021.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the Green Bonds to determine if projects aligned with the Use of Proceeds Criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the Green Bonds to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of reported KPIs reported, please refer to Appendices 1 and 2.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

Appendices

Appendix 1: Impact and Allocation Reporting for the 2027 Debentures⁶

Use of Proceeds Category	Financed Projects Reported by Eligibility Criteria	Environmental Impact Reported by Eligibility Criteria <i>(For buildings that have already achieved a specified level of green building certificate)</i>							Allocated Amount (CAD – Mn)
		Certification ^{7,8}	Building area certified (m ²)	Annual energy intensity ⁹ (kWh/m ²)	Annual energy use reduction ¹⁰ (%)	Annual GHG emission avoided ¹¹ (tonnes CO ₂ or %)	Proportion of on-site renewable energy ¹² (%)	Annual water use reduction compared to baseline ¹³ (%)	
Green Buildings	Acquisition of an existing green building located at 3501 North Lancaster Hutchins Road, US	LEED Silver (Achieved)	18,243	144.6	39.7	678	NA	50.7	106.1
	Acquisition of a green building located at Oude Graaf 15, Netherlands	BREEAM Excellent (Achieved)	22,126	29.7	100	100%	73.6	NA ¹⁴	31.9
	Completed development of a new green building at 1201 Allpoints Court, US	Two Green Globes (Achieved)	47,470	69.5	34	376	NA	26.9	34.1
	Acquisition of a green building located at Francis Baconstraat 4, Netherlands	BREEAM Very Good (Achieved)	11,479	31.5	11.5	NA	12.6	24.8	21.4
	Acquisition and subsequent expansion of a green building located at De Kroonstraat 1 and De Poosthoornstraat 2	BREEAM Excellent (Achieved)	45,242	34	100	100%	73.8	39.9	83.8

⁶ As of December 31, 2021.

⁷ For some projects, only parts of a building are certified green.

⁸ Granite has confirmed 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.

⁹ For some projects, only parts of a building are considered for measuring energy use intensity.

¹⁰ For Green Building projects, the baselines for respective projects are mentioned in Granite's Annual Green Bond Use of Proceeds Report (ending December 31, 2021).

¹¹ *Ibid.*

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

¹³ Granite has communicated that estimations for some of the projects include design water consumption from flush and flow fixtures and exclude process water and irrigation.

¹⁴ Data was not available to report on this indicator.

	(expansion), Netherlands								
	Acquisition and subsequent development of a green building located at Aquamarijnweg 2, Netherlands	BREEAM Very Good (Achieved)	22,319	81.11	20	62.7 ¹⁵	5.9	50	66.2
	Acquisition of an existing green building located at 1243 Gregory Drive, US	LEED Silver (Achieved)	42,204	57.2	28.2	192.05	NA	30.4	56.5
	Development in progress of a green building at Im Ghai 36, Germany	DGNB Gold (Pursuing)	Not applicable						39.7
	Development in progress of two new green buildings at 6710/6702 Purple Sage Road, US	Two Green Globes (Pursuing)							45.0
	Development in progress of a new green building at 5005 Parker Henderson Road, US	Two Green Globes (Pursuing)							10.6
Resource and Energy Efficiency	LED lighting upgrade of exterior lights at 39600 Lewis Drive, Novi, MI	Not applicable			65	41.6	Not applicable		1.6
	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	1,306			
	LED lighting upgrades at 600 Tesma Way, Concord, ON				57	9.4			

¹⁵ Reduction in environmental impacts from building materials. The estimation methodology is disclosed in Granite's Annual Green Bond Use of Proceeds Report (ending December 31, 2021).

	LED lighting upgrades at 6201 Green Pointe Drive South, Groveport, OH		37	194.4		
Allocated proceeds (CAD – Mn)						496.9
Net proceeds raised from the issuance (CAD – Mn)						496.9
Unallocated proceeds (CAD - Mn)						0
Percentage of net proceeds allocated						100%

Appendix 2: Impact and Allocation reporting for the 2028 Debentures¹⁶

Use of Proceeds Category	Financed Projects Reported by Eligibility Criteria	Certification ^{17,18}	Allocated Amount (CAD - Mn)
Green Buildings	Development in progress of a new green building at 5005 Parker Henderson Road, US	Two Green Globes (Pursuing)	20.9
	Development in progress of a new green building at 2120 Logistics Way, US	Two Green Globes (Pursuing)	35.1
	Development in progress of three new green buildings at 150 Business Park Drive, Highway 109, US	Two Green Globes (Pursuing)	11.6
	Expansion in progress of a building at 2095 Logistics Drive, Canada	Two Green Globes (Pursuing)	9.2
Allocated proceeds (CAD - Mn)			76.8
Net proceeds raised from the issuance (CAD - Mn)			497.3
Unallocated proceeds (CAD - Mn)			420.5
Percentage of net proceeds allocated			15.4%

¹⁶ As of December 31, 2021.

¹⁷ For some projects only parts of a building are certified green. The total floor area included for each project is indicated in Granite's Green Bond Report.

¹⁸ Granite has confirmed that all Two Green Globes buildings/expansions are being designed to achieve at least 20% energy efficiency performance over respective baselines.

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