

Granite REIT

Type of Engagement: Annual Review

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Introduction

In June 2020, Granite Real Estate Investment Trust (“Granite”) issued green bonds aimed at financing projects that promote energy efficiency and sustainable practices within its properties. In February 2021, Granite engaged Sustainalytics to review the projects funded through the issued green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Granite REIT Green Bond Framework (the “Framework”).¹

Between the period of June 4th, 2020 to December 31st, 2020, Granite committed a total of CAD 342.6 million of the net proceeds to 11 projects. These projects fall into two of the six categories listed in the Framework, namely – Green Buildings and Resource Efficiency & Management.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2020 (between June 4th, 2020 and December 31st, 2020) 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 while Table 2 lists the 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 certifications will also be confirmed to have been designed to achieve a 20 to 30% energy efficiency improvement.	Level of green building certifications
Resource Efficiency & Management	Investments that improve energy or water efficiency greater than 15%, or make other environmentally beneficial improvements to	Annual greenhouse gas emissions reduced /avoided

¹ The Granite Green Bond Framework is available at the following link: <https://granitereit.com/wp-content/uploads/2020/05/Granite-Green-Bond-Framework.pdf>

	<p>properties or land including, but not limited to, investments in:</p> <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 <p>Water and energy-saving technologies and materials</p>	
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 CO2/kWh.	Annual energy saved or renewable energy generated
Pollution Prevention and 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 Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by 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,² nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Granite's Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the

² 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.

Framework. Granite has disclosed to Sustainalytics that, as of December 31st, 2020, 69% of the green bond proceeds have been allocated.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2020 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 bond in 2020 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 please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

Appendices

Appendix 1: Impact and Allocation reporting by Eligibility Criteria

Use of Proceeds Category	Environmental Impact Reported by Eligibility Criteria	Amount Allocated (CAD, millions)	Environmental Impact Reported by Eligibility Criteria						
			Certification ³	Annual Energy Use Intensity ⁴ (kWh/m ²)	Annual Energy Use Reduction ⁵ (%)	Annual GHG emissions avoided ⁶ (indicated either in tonnes CO ₂ or %)	Proportion of on-site renewable energy ⁷ (%)	Annual Water Use Reduction ⁸ (%)	Proportion of construction Waste Diverted ⁹ (%)
Green Buildings	Acquisition of a Green Building located at 3501 North Lancaster Hutchins Road.	106.1	LEED Silver	144.6	39.7 ¹⁰	678	n/a	50.7	82.3
	Acquisition of a Green Building located at Oude Graaf 15.	31.9	BREEAM Excellent	29.7	100	100% ¹¹	73.6	n/a	93
	Development of a Green Building at 1201 Allpoints Court.	31.6	Two Green Globes	69.5	34 ¹²	376	n/a	26.9	n/a
	Acquisition of a Green Building located at Francis Baconstraat 4.	21.4	BREEAM Very Good	31.5	11.5	n/a	12.6	24.8	91
	Acquisition and subsequent expansion of a Green Building located at De Kroonstraat 1 and De Poosthoornstra at 2 (expansion).	84.1	BREEAM Excellent	34.0	100	100% ¹³	73.8	39.9	89

³ 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.

⁴ For some projects only parts of a building are measured for energy use intensity. The total floor area included for each project is indicated in Granite's Green Bond Report

⁵ Granite has confirmed that reduction in energy use was calculated in comparison with local baseline for buildings certified under BREEAM.

⁶ Granite has confirmed that this is compared to the building's baseline performance.

⁷ Granite has confirmed that this includes the proportion of base building energy usage that is generated through rooftop solar PV array.

⁸ Granite has confirmed that this calculation includes design water consumption from flush and flow fixtures, excluding process water and irrigation.

⁹ Granite has confirmed that this calculation is based on the total amount of construction waste generated that was minimized, reused, or recycled.

¹⁰ Granite has confirmed that reduction in energy use was calculated against the building's baseline performance using ASHRAE 90.1 methodology.

¹¹ Granite has confirmed that this building produces negative GHG emissions.

¹² Granite has confirmed that reduction in energy use was calculated against the building's baseline performance using ASHRAE 90.1 methodology.

¹³ Granite has confirmed that this building produces negative GHG emissions.

	Acquisition and subsequent development of a Green Building located at Aquamarijnweg 2	66.2	BREEAM Very Good	81.1	20	62.7 ¹⁴	5.9	50	91.3
Resource Efficiency & Management	LED lighting retrofit at 101 Clyde Alexander	0.3	n/a	n/a	53	210	n/a	n/a	n/a
	LED lighting retrofit at 535 Gateway Boulevard	0.3			55	926			
	LED lighting retrofit of exterior lights at 39600 Lewis Drive	0.03			65	41.6			
	LED lighting retrofit at 201 Sunridge Boulevard	0.5			73	1,306			
	LED lighting retrofits at 600 Tesma Way	0.2			57	9.4			

¹⁴ Granite informed Sustainalytics that it was unable to measure the estimated GHG emission reduction vs. a local baseline, which is why it has opted to report on the estimated reduction in environmental impacts from building materials. Environmental impacts over the entire lifecycle of all materials used in the construction of the building were calculated using a national environmental database and expressed as shadow costs. The materials used in the construction of this building had "shadow costs" of 0.28 €/m², compared to a reference value for a standard building of 0.75 €/m².

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5th Green Bond Pioneer Awards

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More information conference.climatebonds.net/awards



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2015: Best SRI or Green Bond Research or Rating Firm
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The
**Green Bond
Principles**