

# QuadReal Property Group

**Type of Engagement:** Annual Review

**Date:** July 28, 2021

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## Introduction

In July 2020 and March 2021, QuadReal Property Group (“QuadReal”) issued the Series 2 Senior Notes and Series 4 Senior Notes, collectively the “Green Bonds”. The Green Bonds were issued for the financing and/or refinancing of commercial buildings that have achieved or are expected to achieve a green building certification such as LEED (“Gold” or above) or BOMA BEST (“Gold” or above) – collectively, the “Eligible Projects”. In July 2020, Sustainalytics provided a Second Party Opinion<sup>1</sup> on the QuadReal Green Bond Framework<sup>2</sup> (the “Framework”). In June 2021, QuadReal engaged Sustainalytics to review the Eligible Projects funded through the Green Bonds and provide an assessment as to whether the Eligible Projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Framework.

## Evaluation Criteria

Sustainalytics evaluated the Eligible Projects funded between 2020 and 2021 based on whether the Eligible 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)
<b>Green Buildings</b>	Investments related to the construction, development, acquisition, redevelopment, operations and maintenance of properties that have received or are expected to receive applicable green building certification(s).  Eligible green building certifications are LEED (Gold or Platinum) or BOMA BEST (Gold or Platinum), or other equivalent domestic or international certifications.	<ul style="list-style-type: none"> <li>• Achieving green building certification (by building or square footage (“sf”))</li> </ul>
<b>Renewable Energy</b>	Investments related to the production, connectivity, storage and equipment that provide renewable energy to the buildings or back to the grid.  Projects that are aimed at providing renewable sources of energy from solar, wind, or geothermal projects that produce direct emissions of less than 100gCO <sub>2</sub> /kWh.	<ul style="list-style-type: none"> <li>• Energy capacity (MW)</li> <li>• Annual generating levels (in MWh)</li> </ul>
<b>Resource and Energy Efficiency</b>	Investments that will improve the resource or energy consumption/efficiency in buildings.	<ul style="list-style-type: none"> <li>• Annual energy saving</li> </ul>

<sup>1</sup> Sustainalytics, “Second-Party Opinion QuadReal Green Bond Framework”, at: [https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/quadreal-green-bond-second-party-opinion-1.pdf?sfvrsn=6451dfa2\\_3](https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/quadreal-green-bond-second-party-opinion-1.pdf?sfvrsn=6451dfa2_3)

<sup>2</sup> QuadReal, “Green Bond Framework”, at: [https://www.quadreal.com/wp-content/uploads/2021/04/2020\\_July\\_QuadReal\\_Green-Bond-Framework.pdf](https://www.quadreal.com/wp-content/uploads/2021/04/2020_July_QuadReal_Green-Bond-Framework.pdf)

	Eligible investments can include projects that would improve the efficiency of HVAC (non-fossil fuel powered heating, ventilation, air conditioning/cooling) systems, lighting, electricity, energy storage, district heating powered >50% by renewable energy and/or waste heat, smart grids, water usage or treatment/control, or other controls or systems that monitor and optimize energy or resource usage.	<ul style="list-style-type: none"> <li>• Water consumption reduction (in thousand cubic metres)</li> <li>• Greenhouse gas emission reduction (in tonnes of CO<sub>2</sub> equivalent)</li> </ul>
<b>Pollution Prevention and Control</b>	Investments related to the reduction of greenhouse gas emissions (i.e. carbon), soil remediation, waste prevention, waste reduction, onsite composting and recycling.	<ul style="list-style-type: none"> <li>• Greenhouse gas emission reduction (in tonnes of CO<sub>2</sub> equivalent)</li> </ul>
<b>Clean Transportation</b>	Investments in clean transportation projects and infrastructure that would improve connectivity or promote multi-modal transportation and non-motorised methods like cycling and walking, or result in a reduction in greenhouse gas emissions through infrastructure or charging stations for clean energy vehicles and demonstrated increased usage of mass public transit.	<ul style="list-style-type: none"> <li>• Greenhouse gas emission reduction (in tonnes of CO<sub>2</sub> equivalent)</li> </ul>
<b>Climate Change Adaptation</b>	Investments including feasibility studies, and information support systems such as our Climate Risk Measurement tool that would support a property's defence and adaptation to extreme weather conditions or effects of climate change. These can include projects to improve flood defence, storm water waste management, building structural resilience or other projects.	

## Issuing Entity's Responsibility

QuadReal 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 QuadReal's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from QuadReal employees and review of documentation to confirm the conformance with the QuadReal Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by QuadReal 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 QuadReal.

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,<sup>3</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed Eligible Projects, funded through proceeds of the Green Bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework. QuadReal has disclosed to Sustainalytics that the proceeds of the Green Bonds were fully allocated as of June 2021.

## Detailed Findings

**Table 3: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of Eligible Projects funded by the Green Bonds between July 2020 and June 2021 to determine if Eligible 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
<b>Reporting Criteria</b>	Verification of the projects funded by the Green Bonds between July 2020 and June 2021 to determine if impact of Eligible Projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

<sup>3</sup> 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.

## Appendix

### Appendix 1: Allocation and Impact KPIs of the Eligible Projects

Use of Proceeds Category	Property Location	Property Name (Eligible Project)	Property Size	Green building certification (achieved/expected to achieve) <sup>4</sup>	Net Bond Proceeds Allocated (CAD) <sup>5</sup>
<b>Green Buildings<sup>6</sup></b>	Vancouver, BC, Canada	The Post	~1,050,000 sf (office) / 175,000 sf (retail)	LEED Platinum (expected upon completion)	\$426,000,000
		745 Thurlow	~430,000 sf	BOMA Gold (achieved)	\$64,000,000
		Broadway Tech	~1,100,000 sf	BOMA Gold (achieved)	\$50,000,000
	Calgary, AB, Canada	Jamieson Place	~810,000 sf	BOMA Gold (achieved)	\$130,000,000
		Livingston Place	~435,000 sf	BOMA Gold (achieved)	\$78,000,000
<b>Total allocation of net bond proceeds (CAD)</b>					<b>\$748,000,000</b>

<sup>4</sup> QuadReal has shared with Sustainalytics copies of the green building certificates achieved as of June 2021.

<sup>5</sup> Sustainalytics notes that "The Post" and "745 Thurlow" were financed by both the Series 2 Senior Notes and Series 4 Senior Notes and "Broadway Tech", "Jamieson Place", and "Livingston Place" were financed by Series 4 Senior Notes only.

<sup>6</sup> No allocation was made to other Use of Proceed categories. Proceeds were allocated to QuadReal's pro-rata ownership share of each building with the exception of The Post, which is wholly owned by QuadReal.

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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](http://www.sustainalytics.com).

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Green Bond  
Principles**