

Second-Party Opinion

RBC Canadian Core Real Estate Fund Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the RBC Canadian Core Real Estate Fund Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds Green Buildings, Renewable Energy, Resource and Energy Efficiency, Pollution Prevention and Control, Climate Change Adaptation, and Clean Transportation, are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 11 and 12.



PROJECT EVALUATION AND SELECTION CCREF's internal process for evaluating and selecting projects is managed by its Real Estate Investment Committee, working with the Corporate Governance & Responsible Investment group of RBC Global Asset Management (RBC GAM). The Real Estate Investment Committee is comprised of RBC GAM's Chief Investment Officer and other senior members of its investment team. The selection process incorporates fund-level ESG risk analyses and is subject to the risk management tools and processes of CCREF's investment team and those of its partner, QuadReal. Sustainalytics considers the risk management systems to be adequate and the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS Net proceeds of all green bond issuances under the Framework will be deposited into CCREF's general account, where they will be tracked by the Real Estate Investment Committee and made available to pre-identified eligible projects and assets. CCREF will allocate all proceeds within 24 months of each issuance. Unallocated proceeds within this period will be held in cash, short-term liquid instruments or used to repay outstanding debt. Sustainalytics considers the management process and allocation period to be in line with market practice.



REPORTING CCREF will report on allocation of proceeds in a green bond report or as part of its green bond offering memorandums on an annual basis until full allocation. The green bond report will be made available upon request and will include details on relevant impact metrics. Sustainalytics views the allocation and impact reporting commitments as aligned with market practice.

Evaluation Date	August 21, 2024 ¹
Issuer Location	Toronto, Canada

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¹ This document updates the Second-Party Opinion provided by Sustainalytics in November 2021.

Introduction

RBC Global Asset Management Inc. ("RBC GAM" or the "Company") is an asset management firm headquartered in Toronto, Canada, owned by the Royal Bank of Canada. RBC GAM created the RBC Canadian Core Real Estate Fund ("CCREF" or the "Fund") in 2019 to offer investors access to a diversified portfolio of real estate in Canadian markets. As of June 30, 2024, the Fund's portfolio had a gross asset value of approximately CAD 4.7 billion (USD 3.4 billion) consisting of 66 real estate assets.

CCREF has a partnership with QuadReal Property Group Limited Partnership ("QuadReal"), a privately held company headquartered in Vancouver, Canada, dedicated to investment, operation and development of real estate. QuadReal manages the real estate portfolio and mortgage programmes of the British Columbia Investment Management Corporation (BCI). The Fund and BCI jointly own each of the Fund's assets. Canadian Core Real Estate LP ("CCRE" or the "Issuer"), the sole limited partner of which is the Fund, will be the issuer of green bonds under the Framework.

CCREF has developed the RBC Canadian Core Real Estate Fund Green Bond Framework dated August 2024 (the "Framework") under which it intends to direct CCRE to issue green bonds and use the proceeds to finance or refinance, in whole or in part, projects intended to increase energy efficiency and reduce carbon footprints across the Fund's portfolio. The Framework defines eligibility criteria in the following areas:

1. Green Buildings
2. Renewable Energy
3. Resource and Energy Efficiency
4. Pollution Prevention and Control
5. Climate Change Adaptation
6. Clean Transportation

RBC GAM engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).² The Framework will be included as part of the Issuer's Offering Memorandum related to the green bonds and will also be available upon request.³

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

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent⁴ opinion on alignment of the Framework with 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;
- 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 1.17, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with representatives of CCRE to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. CCRE representatives have confirmed that: (1) they understand it is the sole responsibility of CCRE to ensure that the information provided is complete, accurate and up to date; (2) 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.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with it.

² 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/>.

³ CCREF has communicated to Sustainalytics that the RBC Canadian Core Real Estate Fund Green Bond Framework will be described as part of the Issuer's Offering Memorandum related to the green bonds and made available to purchasers of the green bonds upon request to CCREF.

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.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CCRE.

Sustainalytics' Second-Party Opinion assesses alignment of the Framework with market standards but provides 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 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 issuer.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee their realized allocation 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 in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that CCRE has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the RBC Canadian Core Real Estate Fund Green Bond Framework

Sustainalytics is of the opinion that the RBC Canadian Core Real Estate Fund Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories, Green Buildings, Renewable Energy, Resource and Energy Efficiency, Pollution Prevention and Control, Climate Change Adaptation, and Clean Transportation, are aligned with those recognized by the GBP.
 - CCRE has established a look-back period of 36 months for its refinancing activities. Sustainalytics considers this to be in line with market practice.
 - Under the Green Buildings category, CCRE may finance or refinance the construction, development, acquisition, redevelopment, operations and maintenance of commercial and multi-residential buildings that have achieved or are expected to achieve one of the following green building certifications:
 - LEED Gold or Platinum⁵
 - BOMA BEST Gold or Platinum⁶
 - Sustainalytics considers investments under this category to be in line with market practice.
 - Under the Renewable Energy category, CCRE may finance or refinance generation, transmission and distribution of renewable energy projects meeting the following criteria:
 - Solar power, including solar photovoltaic (PV) and concentrated solar power (CSP). Sustainalytics notes that CCRE intends to finance CSP solar projects that aim to generate over 85% of electricity from solar energy.
 - Wind power projects.
 - Geothermal energy projects with a direct GHG emissions intensity below 100 gCO₂e/kWh.
 - Sustainalytics considers investments under this category to be in line with market practice.
 - Under the Resource and Energy Efficiency category, CCRE may finance or refinance projects that improve the energy efficiency in buildings, including the following expenditures:
 - Energy efficiency improvement of lighting and HVAC systems, including non-fossil fuel powered heating, ventilation, air conditioning and cooling systems.
 - Energy storage systems, including battery and on-site non-fossil fuel powered thermal storage, such as ground source heat pumps, meeting the following criteria:
 - Fully connected to renewable energy; or
 - Energy storage systems connected to renewable energy or district energy systems and grids. Sustainalytics recognizes the critical need to expand

⁵ LEED, at: <https://www.usgbc.org/leed>

⁶ BOMA BEST, at: <https://bomabest.org/>

utility-scale storage systems in order to enable the expansion of renewable energy, while also noting that the environmental benefit of storage systems depends on the carbon intensity of the grid to which they are connected, and that deploying such assets to carbon-intensive grids or associated systems may result in increased emissions. Sustainalytics encourages the issuer to prioritize installation of storage systems on grids that follow a credible decarbonization pathway⁷ and to report on the positive impact of such installation, where feasible.

- CCRE has communicated to Sustainalytics that the Fund will primarily consider investments in electric heat pumps and heat pumps with low global warming potential (GWP) refrigerants. Additionally, CCRE has confirmed to Sustainalytics that absorption heat pumps powered by fossil fuel are excluded.
 - Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics recommends CCRE to exclude financing of heat pumps with high-GWP refrigerants, and to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation and recycling, or destruction of refrigerants at end of life.
 - CCRE has confirmed to Sustainalytics that there is a regular maintenance programme in place, serving as a refrigerant management system.
- District heating generation infrastructure and distribution network.
 - For district heating generation infrastructure, CCRE has confirmed to Sustainalytics that the heat generation is 100% from renewables or industrial waste heat that excludes waste heat from fossil fuel production and operations.
 - For investments in distribution network of district heating, Sustainalytics notes that the connection to distribution networks will be primarily powered (>50%) by renewable energy or waste heat. Projects may include low-carbon energy systems owned by a building or equipment owned by a building to connect to low-carbon district systems.
- Smart grid investments related to energy metering equipment, sub-metering equipment, building automation system upgrades, IP addressable sensor network equipment in buildings.
 - CCRE has confirmed to Sustainalytics that smart grids will not be applied to transmission lines connected or dedicated to fossil fuel power.
- Water usage, and water treatment and control in buildings.
- Sustainalytics considers investments under this category to be in line with market practice.
- Under the Pollution Prevention and Control category, CCRE may finance or refinance projects related to waste reduction and prevention via source separation of recyclable materials and on-site composting. Eligible projects include the following:
 - Waste collection projects within buildings related to waste diversion through increasing waste streams and proper sorting processes. CCRE has confirmed to Sustainalytics that the waste collection and diversion process supports source segregation of waste. Additionally, third-party waste collection companies and collection vehicles are excluded from the Framework.
 - Projects related to encouragement of reuse programmes and occupants' awareness campaigns in buildings.
 - CCRE has confirmed to Sustainalytics that the Fund will not finance refurbishment, reconditioning and repair of products specifically for use in the extraction of fossil fuels or that inherently rely on fossil fuels under the Framework.
 - CCRE may also finance expenditures tied to running campaigns that raise occupants' awareness of waste reduction and prevention in asset

⁷ Sustainalytics considers a transmission and distribution grid to be aligned with a credible decarbonization pathway if it meets either of the following criteria: i) more than 67% of newly enabled generation installed capacity in the system is below the emissions threshold of 100 gCO_{2e}/kWh, measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period or; ii) the average system grid emissions factor is below the threshold of 100 gCO_{2e}/kWh over a rolling five-year period.

- buildings. Sustainalytics is of the opinion that there should be a clear environmental benefit of projects, and notes that such expenditures may have a potential indirect environmental impact through waste prevention, reduction and better segregation of waste. Due to the uncertainty related to the environmental benefits, Sustainalytics encourages CCRE to limit the financing of campaigns that raise occupants' awareness of waste reduction and prevention under the Framework to no more than 10% of the net proceeds through allocation decisions.
- Recycling of commercial and residential solid waste, including mixed paper, cardboard, mixed containers and e-waste.
 - For recycling projects managing e-waste, CCRE has confirmed with Sustainalytics that CCRE has eligible projects accompanied by a robust waste management process to address potential environmental and social risks associated with the processing of e-waste.
 - Sustainalytics views these investments to be aligned with market practice.
 - Under the Climate Change Adaptation category, CCRE may finance or refinance projects for flood defence improvements, storm water management and building structural resilience.
 - Sustainalytics notes that eligible projects will be identified based on a climate risk exposure assessment, which is performed on a yearly basis. Additionally, CCRE has communicated to Sustainalytics that the Fund will include an adaptation plan to the climate risk exposure assessment, to support the investment decisions.
 - CCRE has confirmed to Sustainalytics that business-as-usual retrofits or renovations will be excluded from the Framework.
 - Sustainalytics considers investments under this category to be aligned with market practice.
 - Under the Clean Transportation category, CCRE may finance or refinance infrastructure projects that improve connectivity, promote multi-modal and non-motorized methods of transportation. Eligible projects include the following:
 - Pedestrian and bike lanes, and end-of-trip facilities.⁸
 - Electric vehicle charging stations and e-mobility end-of-trip facilities.
 - Projects that promote and improve underground access to transit nodes.
 - For projects related to underground access to public transit systems, Sustainalytics encourages CCRE to measure and report the impacts on public transit use where feasible.
 - CCRE has confirmed to Sustainalytics that the following projects are excluded under the Framework: i) new construction and existing road infrastructure retrofits, such as road and road bridges; ii) parking facilities; and iii) fossil fuel filling station and assets that prolong the life and facilitate the use of fossil fuel powered transport.
 - Sustainalytics considers the investments under this category to be aligned with market practice.
 - Project Evaluation and Selection:
 - CCREF's Real Estate Investment Committee ("the Committee"), comprised of RBC GAM's Chief Investment Officer and senior members from RBC GAM's investment team, will oversee the identification and selection of eligible projects and assets under the Framework. The Committee will be supported by QuadReal and the RBC GAM Corporate Governance & Responsible Investment team.
 - The Committee will be comprised of senior representatives from RBC GAM's investment team and RBC GAM's Chief Investment Officer. Committee meeting attendees will also include members of RBC GAM's finance, operations, tax, legal, risk and Corporate Governance and Responsible Investment teams.
 - CCRE has confirmed that the Fund's investment decision process integrates ESG risk analyses and is subject to the risk management tools and processes of both the Fund's investment team and QuadReal. For additional details on risk management policies, please refer to Section 2.

⁸ Bicycle end-of-trip facilities are parking and additional infrastructure designed for bicycles. This includes bicycle parking infrastructure, such as stands or racks that hold bicycles, and shelters or enclosures that shield parked bikes from vandalism, theft and weather conditions. Transport Canada, "Bicycle End-of-Trip Facilities: A guide for Canadian municipalities and employers", (2010), at: https://publications.gc.ca/collections/collection_2011/tc/T22-194-2010-eng.pdf

- Based on the established oversight and processes for project selection and risk management, Sustainalytics considers CCRE's approach to project evaluation and selection to be aligned with market practice.
- Management of Proceeds:
 - Net proceeds of all green bond issuances will be deposited into the Issuer's general account and made available to eligible projects or assets pre-identified by the Committee through the evaluation and selection process.
 - The Fund's management team will maintain a Schedule of Use of Green Bond Proceeds (the "Schedule"), which will act as a database for eligible green projects and assets that align with the Framework's categories. The Committee will determine bond disbursements according to the Framework and Schedule, and will track the balance of net proceeds of outstanding green bonds to match allocations to eligible green projects.
 - CCRE will apply a look-back period for refinancing of 36 months from the date of each issuance. In the case of green buildings, CCRE may refinance buildings that have obtained green building certification in the 36 months prior to the relevant date of issuance. Therefore, green bond proceeds may be used to refinance expenditures for these certified buildings which were incurred prior to the 36 months look-back period, provided the certification was achieved in the past 36 months. For projects no longer deemed eligible according to the Framework's eligibility criteria, the net proceeds previously allocated to such projects will be allocated to other eligible projects as soon as reasonably practicable.
 - CCRE commits to allocating all net proceeds within 24 months from the date of each issuance.
 - Unallocated proceeds will be held in accordance with CCRE's cash management procedures, which may include holdings in cash, short-term deposits and other short term liquid instruments, or used to repay an amount outstanding under any credit facility. Sustainalytics notes the inclusion of CCRE's statement which specifies that unallocated proceeds will be used only to pay outstanding debt that is unrelated to fossil fuel investment.
 - Based on the management of proceeds described and the allocation period indicated, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - CCRE intends to either publish a Green Bond Report as part of the Issuer's Offering Memorandum relating to the green bond issuance where the net proceeds of the green bond are completely allocated, or to publish a Green Bond Report within one year of its initial green bond issuance, to be updated annually thereafter until full allocation of net proceeds.
 - The Green Bond Report will be available upon request and will detail the allocation of green bond net proceeds to eligible project categories under the Framework. The report will also speak to relevant quantitative impact measures, such as but not limited to the achievement of green building certifications, annual energy savings or generation levels, installed renewable energy capacity, water consumption and GHG emission reductions.
 - Based on the impact and allocation reporting commitments, Sustainalytics views CCRE's reporting as being in line with market practice and notes positively the use of a third-party verification of the allocation.

Alignment with Green Bond Principles 2021

Sustainalytics has determined that the RBC Canadian Core Real Estate Fund Green Bond Framework aligns with the four core components of the GBP.

Section 2: Sustainability Strategy of CCRE

Contribution to CCRE's sustainability strategy

This section assesses primarily RBC GAM's sustainability strategy and its related policies and procedures, which CCRE is aligned with. With BCI and QuadReal respectively co-owning and managing all of the CCRE's assets, the Fund is also aligned with QuadReal's sustainability and risk management policies and procedures. Where applicable, sustainability related achievements that are specific to CCRE are also noted.

RBC GAM's responsible investment strategy⁹ is comprised of three key pillars: i) *ESG integration*, where all investment teams integrate material ESG factors, including climate change, into their investment

⁹ RBC GAM, "Our Approach to Responsible Investment", (2024), at: <https://www.rbcgam.com/documents/en/articles/approach-to-responsible-investment.pdf>

processes; ii) *active stewardship*, where RBC GAM shares its views through proxy voting, engagement with issuers and regulatory bodies, and collaboration with investors; and iii) client-driven solutions and reporting, where RBC GAM aligns solutions with client demand and provides transparent and meaningful reporting such as the annual Climate Report¹⁰ aligned with the recommendations of the TCFD.

RBC GAM's climate change strategy is built upon the above pillars and establishes the key commitments and actions taken by the Company to address climate-related risks and opportunities. In 2023, RBC GAM provided quarterly Climate Dashboards with data on GHG emissions, net-zero alignment, risks and opportunities related to transition, and scenario analysis to its investment teams for investment strategies. Climate-related analysis was conducted for 81% (USD 348.3 billion) of RBC GAM's total Assets Under Management (AUM), which represents 88% of equity investments and 93% of fixed income investments. Furthermore, 34% (USD 116.7 billion) of AUM is invested in issuers with science-based or net-zero targets. This includes 32% (USD 52.7 billion) in equity investments, 19% (USD 24.2 billion) in corporate bonds and 72% (USD 39.8 billion) in sovereign bonds.¹¹

CCREF has achieved more than 90% of total square footage of building space certified to green building certifications BOMA BEST, LEED or both in its asset portfolio. CCREF has communicated to Sustainalytics that it is committed to achieving net-zero carbon emissions by 2050 with an allowance for up to 10% renewable energy certificates or offsets, as compared to a 2007 baseline. It has also established goals to reduce energy consumption by 2% per year, and to achieve Fitwel certification¹² in all office assets by 2025.

RBC GAM is a signatory to initiatives such as the UN Principles of Responsible Investment and is a member of the IFRS Sustainability Alliance and the Global Impact Investing Network; it is also a founding participant of Climate Engagement Canada.¹³ RBC GAM is a signatory to the Climate Action 100+, a collaboration of investors that actively engages the world's largest GHG emitters with the goal of supporting the transition to a low-carbon economy.¹⁴ Additionally, RBC is also a member of the Net-Zero Banking Alliance,¹⁵ an initiative of banks representing more than 40% of global banking assets committed to net-zero by 2050, consistent with a maximum global temperature rise of 1.5°C.¹⁶

QuadReal integrates ESG factors into its core activities, including corporate, global real estate and debt management, due diligence and investing.¹⁷ QuadReal has committed to achieving net zero by 2050 for all the assets it manages in alignment with science-based GHG emissions reduction goals.¹⁸ In accordance with its net zero target, QuadReal has set a target of reducing its Canadian portfolio's absolute carbon emissions by 50% by 2030.¹⁹

Sustainalytics is of the opinion that the Framework is aligned with RBC GAM and QuadReal's overall sustainability strategies and initiatives and will further the Fund's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that proceeds from the instruments issued under the Framework will be directed towards eligible projects expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects may include issues involving: i) land use and biodiversity loss associated with large-scale development, ii) resource use and waste generation, iii) business ethics, bribery and corruption, iv) occupational health and safety (OHS), and v) community relations.

Sustainalytics is of the opinion that CCRE is able to manage or mitigate potential risks through implementation of the following:

- To manage the overall environmental and social risks associated with the projects financed through the Framework, CCREF and QuadReal work together to employ a range of environmental and social risk management policies via alignment with RBC GAM's and QuadReal's risk management policies and procedures. These policies are intended to identify, assess and mitigate environmental and social risks in accordance with the International Finance Corporation

¹⁰ RBC GAM, "Climate Report 2023", (2024), at: <https://www.rbcgam.com/documents/en/other/2023-rbc-gam-climate-report.pdf>

¹¹ Ibid.

¹² Fitwel, "Certify with Fitwel for Added Value, Risk Mitigation, and ESG Reporting", at: <https://www.fitwel.org/certification/>

¹³ RBC GAM, "Our Approach to Responsible Investment", (2024), at: <https://www.rbcgam.com/documents/en/articles/approach-to-responsible-investment.pdf>

¹⁴ RBC GAM, "Climate Report 2023", (2024), at: <https://www.rbcgam.com/documents/en/other/2023-rbc-gam-climate-report.pdf>

¹⁵ UNEPFI, "Our Members – Net-Zero banking Alliance", (2024), at: <https://www.unepfi.org/net-zero-banking/members/>

¹⁶ RBC GAM, "Our Approach to Climate Change", (2024), at: <https://www.rbcgam.com/documents/en/other/our-approach-to-climate-change.pdf>

¹⁷ QuadReal, "Our Approach to ESG", (2024), at: <https://www.quadreal.com/esg/our-esg-approach/>

¹⁸ QuadReal, "Environmental", at: <https://www.quadreal.com/esg/environmental/>

¹⁹ QuadReal, "Our Approach to ESG", at: <https://www.quadreal.com/esg/our-esg-approach/>

Performance Standards²⁰ and the Canadian Standards Association.²¹ QuadReal's Sustainability Policy recognizes the environmental impacts of its real estate portfolio and highlights the importance of reducing energy, water, waste and GHG emissions through data tracking.²²

- To manage the risks associated with land-use and biodiversity loss associated with large-scale development, CCREF has communicated to Sustainalytics that the financed projects under the Framework will comply with all applicable environmental regulations and laws in Canada.
- Regarding risks associated with business ethics, bribery and corruption, QuadReal has a Code of Ethics and Professional Conduct in place,²³ and QuadReal is contractually committed with CCREF to adhere to QuadReal's Responsible Contractor Code of Conduct and Ethics,²⁴ which sets out the principles and expectations for CCREF's portfolio relating to its contractors and their employees and representatives, particularly related to compliance with laws, regulations and rules around anti-bribery and anti-corruption.
- Regarding risks associated with OHS, QuadReal is contractually committed to CCREF to comply with its Occupational Health and Safety Policy, ensuring compliance with all applicable legislation, as well as procedures and reporting mechanisms for identifying and preventing operational risks, including the expectation that all its vendors conform to health and safety management standards. CCREF holds QuadReal responsible for implementing and monitoring the Occupational Health and Safety Policy and expects its employees to commit to its objectives.²⁵ The assets that comprise CCREF's portfolio are also governed by QuadReal's Sustainability and EHS Committee, whose mandate is to provide continuous guidance and ensure internal alignment to its sustainability commitments.²⁶
- To address risks related to community relations, QuadReal's Sustainability Policy includes a commitment to collaborate with residents, cities and industry peers to facilitate sustainability goals and to create safe and liveable communities.²⁷ Sustainalytics notes that RBC is a signatory to the Equator Principles.²⁸ The Equator Principles require companies to demonstrate effective stakeholder management by disclosing the environmental or social risks and any adverse impacts on an ongoing basis with affected communities, workers or Indigenous peoples in a local language and in a culturally appropriate manner. For projects with a potentially adverse impact on affected communities, the Issuer is required to consider the risks and impacts of the projects through a consultation and participation process involving all key stakeholders.²⁹
- In addition to the above, Sustainalytics notes that financing under the Framework will take place in Canada, which is recognized as a Designated Country under the Equator Principles, indicating the presence of strong environmental and social governance legislation systems and institutional capacity to mitigate common environmental and social risks.³⁰

Based on these policies, standards and assessments, Sustainalytics is of the opinion that CCRE has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories. Sustainalytics encourages CCRE to continue to elaborate and set policies to address environmental and social risks.

Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

²⁰ IFC, "Performance Standards on Environmental and Social Sustainability", (2012), at: <https://www.ifc.org/content/dam/ifc/doc/2010/2012-ifc-performance-standards-en.pdf>

²¹ RBC, "Environmental and Social Risk Management Policies", (2024), at: <https://www.rbc.com/our-impact/climate/environmental-social-risk-management.html>

²² QuadReal, "Sustainability Policy", (2023), at: https://www.quadreal.com/wp-content/uploads/2023/09/QuadReal_Sustainability-Policy_2023-1-2-English.pdf

²³ QuadReal, "Code of Ethics and Professional Conduct", (2022), at: https://www.quadreal.com/wp-content/uploads/2023/04/2022_04_Code-of-Ethics-and-Professional-Conduct.pdf

²⁴ QuadReal, "Responsible Contractor Code of Conduct and Ethics", (2023), at: https://www.quadreal.com/wp-content/uploads/2023/11/QuadReal_Responsible-Contractor-Code-of-Conduct-and-Ethics.pdf

²⁵ QuadReal, "Occupation Health and Safety Policy", (2023), at: https://www.quadreal.com/wp-content/uploads/2023/09/QuadReal_Occupational-Health-and-Safety-Policy_2023-1.pdf

²⁶ QuadReal, "Sustainability and EHS Committee Mandate", at: https://www.quadreal.com/wp-content/uploads/2024/04/QuadReal_Sustainability-and-EHS-Committee-Mandate_2024.pdf

²⁷ QuadReal, "Sustainability Policy", (2023), at: https://www.quadreal.com/wp-content/uploads/2023/09/QuadReal_Sustainability-Policy_2023-1-2-English.pdf

²⁸ Equator Principles, "Signatories & EPFI Reporting", at: <https://equator-principles.com/signatories-epfis-reporting/>

²⁹ Equator Principles, "Equator Principles: EP4", (2020), at: https://equator-principles.com/app/uploads/The-Equator-Principles_EP4_July2020.pdf

³⁰ Equator Principles, "Designated Countries", (2024), at: <https://equator-principles.com/about-the-equator-principles/>

Importance of improving buildings' energy efficiency in Canada

The buildings sector is a significant contributor to GHG emissions in Canada, accounting for 13% of total GHG emissions in the country, the third largest emitter after oil and gas, and transportation.³¹ The absolute energy demand of buildings in Canada has increased by 8% for residential buildings and 35% for commercial buildings between 1990 and 2015.³² The majority of the energy consumption in residential buildings comes from space heating, which is primarily powered by natural gas, and accounts for approximately 61% of buildings' energy use.^{33,34} The remaining energy use relates to water heating (18%), appliances (15%), lighting (4%) and space cooling (3%).³⁵ In commercial and institutional buildings, space and water heating combine to represent 63% of the total energy consumed.³⁶

Under the Paris Agreement, Canada has committed to reducing its GHG emissions by 40-45% below 2005 levels by 2030.³⁷ The Government of Canada has also committed to achieve net zero emissions by 2050.³⁸ In line with its climate targets and as part of the Canada Green Buildings Strategy, Canada aims to achieve a 37% emission reduction in the buildings sector by 2030 versus 2005 levels and net zero emissions by 2050.³⁹ The Government of Canada has identified complementary actions to achieve its emissions reduction targets, including strengthening codes to ensure that new buildings are more energy efficient, retrofitting existing buildings, encouraging fuel switching, improving the efficiency of appliances and equipment and supporting mandatory energy labelling and disclosure.⁴⁰

Sustainalytics is of the opinion that the investment in green buildings, and resource and energy efficiency projects under the Framework are expected to contribute towards achieving reductions in building-related emissions, as well as support Canada in attaining its national GHG emission reduction targets.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the RBC Canadian Core Real Estate Fund Green Bond Framework are expected to advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Resource and Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

³¹ Government of Canada, "The Canada Green Buildings Strategy: Transforming Canada's buildings sector for a net-zero and resilient future", (2024), at: <https://natural-resources.canada.ca/transparency/reporting-and-accountability/plans-and-performance-reports/departmental-strategies/the-canada-green-buildings-strategy-transforming-canadas-buildings-sector-for-net-zero/26065#a3a>

³² Standing Senate Committee on Energy, the Environment and Natural Resources, Reducing Greenhouse Gas Emission from Canada's Built Environment, (2018), at: https://sencanada.ca/content/sen/committee/421/ENEV/reports/ENEV_Buildings_FINAL_e.pdf

³³ Canada Energy Regulator, "What is in a Canadian residential natural gas bill?", at: <https://www.cer-rec.gc.ca/en/data-analysis/energy-commodities/natural-gas/report/canadian-residential-natural-gasbill/index.html>

³⁴ Natural Resources Canada, "Energy Fact Book 2023-2024", at: <https://energy-information.canada.ca/sites/default/files/2023-10/energy-factbook-2023-2024.pdf>

³⁵ *Ibid.*

³⁶ *Ibid.*

³⁷ UNFCCC, "Canada's 2021 Nationally Determined Contribution Under the Paris Agreement", at: https://unfccc.int/sites/default/files/NDC/2022-06/Canada%27s%20Enhanced%20NDC%20Submission1_FINAL%20EN.pdf

³⁸ Government of Canada, "Net-zero emissions by 2050", (2024), at:

<https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/net-zero-emissions-2050.html>

³⁸ Government of Canada, "Government of Canada confirms ambitious new greenhouse gas emissions reduction target", (2021), at <https://www.canada.ca/en/environment-climate-change/news/2021/07/government-of-canada-confirms-ambitious-new-greenhouse-gas-emissions-reduction-target.html>

³⁹ Government of Canada, "2030 Emissions Reduction Plan – Sector-by-sector overview", (2023), at:

<https://www.canada.ca/en/services/environment/weather/climatechange/climate-plan/climate-plan-overview/emissions-reduction-2030/sector-overview.html#sector2>

⁴⁰ Government of Canada, "Complementary actions to reduce emissions", at:

https://www.canada.ca/en/services/environment/weather/climatechange/pan-canadian-framework/complementary-actions-reduce-emissions.html#3_2

Climate Change Adaptation	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
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

Conclusion

CCRE has developed the RBC Canadian Core Real Estate Fund Green Bond Framework under which it may issue green bonds and use the proceeds to finance green buildings, renewable energy, resource and energy efficiency, pollution prevention and control, climate adaptation, and clean transportation projects. Sustainalytics considers that the eligible projects are expected to provide positive environmental impacts.

The Framework outlines processes for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the RBC Canadian Core Real Estate Fund Green Bond Framework is aligned with RBC GAM and QuadReal's sustainability strategy and that the use of proceeds will contribute to the advancement of UN Sustainable Development Goals 7, 11 and 12. Additionally, Sustainalytics considers that CCRE has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that CCRE is well positioned to issue green bonds and that the RBC Canadian Core Real Estate Fund Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021.

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