

# Second-Party Opinion Granite REIT Green Bond Framework



## Evaluation Summary

Sustainalytics is of the opinion that the Granite REIT Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Resource Efficiency and Management, Clean Transportation, Renewable Energy, Pollution Prevention and Control and Biodiversity and Conservation – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG Goals 6, 7, 9, 11, 12 and 15.



**PROJECT EVALUATION / SELECTION** Eligible projects will be assessed by a Green Bond Working Committee to ensure alignment with the Framework. The Committee will be comprised of representatives from various departments, including Sustainability, Finance, Development, Asset Management and Legal. Granite REIT’s senior management team will be responsible for final project approval. Sustainalytics considers the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Granite REIT’s Finance department will use a Green Bond Register to track the net proceeds in its general account and will earmark an amount equivalent to the net proceeds for allocation to eligible green projects originated no more than 36 months prior to issuance, with the intention to fully allocate within 36 months of an offering. Pending allocation, net proceeds may be used for repayment of Granite REIT’s credit facilities, held in cash or cash equivalents, or for general corporate purposes. This is in line with market practice.



**REPORTING** Granite REIT intends to provide publicly available allocation and impact reporting on an annual basis until full allocation. Allocation reporting will include information on eligible green projects, amount allocated to eligible green projects and the balance of unallocated proceeds, while impact reporting will include the level of green building certifications attained, and will draw on other impact metrics where feasible. Sustainalytics views Granite REIT’s allocation and impact reporting as aligned with market practice.

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<b>Evaluation date</b>	April 20, 2020
<b>Issuer Location</b>	Toronto, Canada

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## Introduction

Granite Real Estate Investment Trust and Granite REIT Inc. (collectively, “Granite REIT”, “Granite”, or the “Company”) is a Canadian real estate investment trust headquartered in Toronto, Ontario. The Company is engaged in the acquisition, development, ownership and management of logistics, e-commerce, warehouse and industrial properties across nine countries in North America and Europe with a total investment property value of approximately \$4.5 billion as of December 31, 2019.

Granite has developed the Granite REIT Green Bond Framework (the “Framework”) under which it intends to issue green bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that aim to reduce the carbon footprint and energy consumption at Granite’s properties. The Framework defines eligibility criteria in six areas:

1. Green Buildings
2. Resource Efficiency and Management
3. Clean Transportation
4. Renewable Energy
5. Pollution Prevention and Control
6. Biodiversity and Conservation

Granite engaged Sustainalytics to review the Granite REIT Green Bond Framework, dated April 2020, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).<sup>1</sup> This Framework has been published in a separate document.<sup>2</sup>

As part of this engagement, Sustainalytics held conversations with various members of Granite’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Granite’s Green Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Granite REIT Green Bond Framework and should be read in conjunction with that Framework.

<sup>1</sup> 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/>

<sup>2</sup> The Granite REIT Green Bond Framework is available on Granite REIT’s website at <https://granitereit.com/green-bond-framework-second-party-opinion>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Granite REIT Green Bond Framework

Sustainalytics is of the opinion that the Granite REIT Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP 2018. Sustainalytics highlights the following elements of Granite's Green Bond Framework:

- Use of Proceeds:
  - The six eligible categories – Green Buildings, Resource Efficiency and Management, Clean Transportation, Renewable Energy, Pollution Prevention and Control and Biodiversity and Conservation – are aligned with those recognized by the GBP 2018.
  - Within the “Green Buildings” category, Granite intends to allocate bond proceeds to the purchase, development, re-development or improvement of logistics, e-commerce, warehouse and industrial properties that have received, or are expected to receive, green building certification. The criteria in the Framework define the following certification programs and associated levels as eligible: LEED (Silver, Gold or Platinum), DGNB (Silver, Gold or Platinum), BREEAM (Very Good, Excellent or Outstanding) and Green Globes (Two, Three or Four). See Appendix 1 for a summary of these certification programs. Granite REIT has committed that buildings achieving LEED Silver certification, DGNB Silver certification or Two Green Globes certification will be designed to achieve a 20 – 30% energy efficiency improvement, compared to the building's baseline performance under ASHRAE 90.1, or similar methodology.
  - Within the “Resource Efficiency and Management” category, Granite intends to undertake projects that will improve energy or water efficiency or make other environmentally beneficial improvements to properties or land, such as LED lighting, cool roofs, smart meters, energy storage, xeriscaping/drought-tolerant landscaping, sustainable drainage systems and water and energy-saving technologies and materials. Sustainalytics views positively the inclusion of a 15% minimum performance improvement threshold for energy and water efficiency projects.
  - The “Clean Transportation” category includes investments in infrastructure to accommodate electric vehicles. Granite has communicated to Sustainalytics that additional projects within this category could include bike parking infrastructure. Such expenditures are in line with market practice.
  - Within the “Renewable Energy” category, Granite intends to invest bond proceeds in projects that will supply renewable energy, including wind, solar or geothermal projects. For geothermal projects, Granite has adopted an appropriate threshold whereby projects will be expected to result in direct emissions below 100 grams of CO<sub>2</sub> per kilowatt-hour. Sustainalytics views this as in line with market practice.
  - The “Pollution Prevention and Control” category contemplates expenditures related to the remediation of contaminated soil as well as other construction waste diversion projects. Sustainalytics considers these projects to be aligned with market practice.
  - In the “Biodiversity and Conservation” category, Granite may allocate proceeds to tree planting and ecological restoration activities to preserve biodiversity and native ecosystems. Sustainalytics views the projects that would fall under this category positively and encourages Granite to report on the impact of these projects, where feasible.
- Project Evaluation and Selection:
  - Granite has established a Green Bond Working Committee to oversee the project evaluation and selection process and ensure alignment with the eligible green project criteria outlined in the Framework. The Committee will be comprised of representatives from various departments, including Sustainability, Finance, Development, Asset Management and Legal. Granite REIT's senior management team will be responsible for final project approval of all eligible projects.
  - Sustainalytics considers the project selection process to be in line with market practice.
- Management of Proceeds:
  - Granite's Finance department will use a Green Bond Register to track the net proceeds and will earmark an amount equivalent to the net proceeds in its general account for allocation to eligible green projects originated up to 36 months prior to issuance. Granite's internal records will reflect the allocation of the net proceeds of the relevant offering to eligible green projects as long as

- the offering remains outstanding. Granite intends to fully allocate net proceeds within 36 months of an offering. While this allocation timeframe is viewed as longer than market practice, Sustainalytics deems it to be acceptable.
- Pending allocation, net proceeds of a green bond issuance may be used for repayment of Granite's credit facilities, held in cash or cash equivalents, or for general corporate purposes. The Framework specifies that payment of principal and interest on any green bonds will be made from general funds and will therefore not be directly linked to the performance of any eligible green projects. Sustainalytics considers this process to be in line with market practice.
  - Reporting:
    - Granite has committed to providing allocation and impact reporting updates on an annual basis until full allocation. These reports will be available publicly via the Company's corporate website and/or in its Annual Report. Allocation reporting will include information on eligible green projects, amount allocated to eligible green projects and the balance of unallocated proceeds. Impact reporting will provide information on the level of green building certifications attained, as well as other impact metrics where feasible, including annual energy saved or renewable energy generated, annual greenhouse gas emissions reduced/avoided and natural capital value (i.e. trees planted).
    - Granite will engage a third party to conduct an annual verification of its allocation of net proceeds to eligible green projects until full allocation.
    - Sustainalytics views Granite's reporting commitments to be in line with market practice.

#### **Alignment with Green Bond Principles 2018**

Sustainalytics has determined that the Granite REIT Green Bond Framework aligns with the four core components of the GBP 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of Granite**

### **Contribution of framework to Granite REIT's sustainability strategy**

Granite implemented an enterprise-wide Sustainability Plan<sup>3</sup> (the "Plan") in 2019 with the mission of "...fostering the efficient use of resources and respecting our environment". The Plan focuses on five key environmental and social areas that are directly impacted by the Company's operations: 1) promoting energy efficiency and sustainable practices within its properties, 2) exceeding required standards where feasible in its developments and major replacement projects, 3) reducing use of resources and increasing waste diversion, 4) promoting volunteerism and community support and 5) promoting employee well-being.

While Sustainalytics is of the opinion that the activities outlined in the Granite REIT Green Bond Framework will contribute to the goals and overarching purpose of the first three key principles, it notes that at present, the Plan does not include quantitative, time-bound targets or commitments. Sustainalytics encourages Granite to develop a sustainability strategy that includes transparent short and long-term targets to increase the likelihood of future green bond proceeds delivering environmental impact in alignment with the Company's strategy. Sustainalytics acknowledges that Granite has committed to providing progress updates on the outlined principles and measures, starting in 2020, and encourages the Company to do this in tandem with setting defined targets.

Sustainalytics is of the opinion that the eligible green projects defined in the Granite REIT Green Bond Framework will contribute to the Company's overall sustainability approach, while encouraging the Company to set time-bound quantitative targets in the future.

<sup>3</sup> Granite REIT, Sustainability Plan: <https://granitereit.com/wp-content/uploads/2019/07/Sustainability-Plan-Final.pdf>

### **Well positioned to address common environmental and social risks associated with the projects**

While Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are recognized by the GBP to have positive environmental impact, it is acknowledged that such eligible projects could also lead to negative environmental and social outcomes as a result of the operations of the Company's tenants occupying its properties. Some key environmental and social risks associated with the eligible projects could include resource usage and waste generation in building construction; and the occupational health and safety of the Company's employees and contractors on site during the construction and maintenance phases of building operation.

In order to manage environmental risks associated with its properties, the Company applies an enterprise-wide Environmental Policy<sup>4</sup> (the "Policy"). The Policy applies to all Granite personnel, and includes the following supporting procedures:

- Procedures for Monitoring Tenants' Environmental Performance During Lease Tenure and on Lease Termination;
- Environmental Due Diligence Procedures for Property Acquisitions;
- Environmental Due Diligence Procedures for Property Dispositions; and
- External Environmental Complaints Management and Response Procedure.

Each of the policies include mandatory requirements. For example, within the Environmental Due Diligence Procedures for Property Acquisitions Policy, the Environmental Director is required to meet with the acquisition team to ensure that an environmental site assessment has been completed within the 6 months prior to closing.

Granite also demonstrates a robust governance structure to ensure compliance with such environmental policies, including oversight from an Environmental Committee (the "Committee") that is comprised of Granite's Environmental Director and representation from the Company's Legal and Asset Management groups. The Committee is responsible for refining environmental programs, managing their implementation and supervising any environmental site assessments for properties that Granite intends to acquire. On a periodic basis, the Committee will report to the executive management team on environmental matters that are considered to be material as well as on environmental risks and the subsequent allocation of resources needed to mitigate such risks.

Granite manages health and safety risks through its Code of Conduct and Ethics,<sup>5</sup> which includes a sub-section on Environment and Occupational Health and Safety. This section mandates that all employees and managers comply with applicable environmental and occupational health and safety laws and supports employees to report unsafe or hazardous conditions, materials, injuries and/or accidents connected with Granite's business. The Company has shared an updated ESG statement<sup>6</sup>, which notes that the Company issued a comprehensive employee handbook to all staff in March 2020, and that the Company intends to finalize a formal Health & Safety Policy in the near future. Sustainalytics views this development positively, and encourages Granite to align its future policies with internationally recognized Health & Safety standards, and to undergo regular health and safety inspections and audits on site at its various properties.

Based on the outlined policies, Sustainalytics is of the opinion that Granite has sufficient measures in place to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### **Section 3: Impact of Use of Proceeds**

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

#### **The impact of green building certifications for industrial property development**

The industrial real estate sector, including logistics, e-commerce, warehouses and distribution centers, continues to have a sizeable environmental footprint due generally to the size and space, heating and cooling needs of these buildings. The World Economic Forum estimates that the logistics industry, including

<sup>4</sup> Granite REIT, Environmental Policy: [https://granitereit.com/wp-content/uploads/2019/06/Environmental\\_Policy.pdf](https://granitereit.com/wp-content/uploads/2019/06/Environmental_Policy.pdf)

<sup>5</sup> Granite REIT, Code of Conduct and Ethics: [https://granitereit.com/wp-content/uploads/2019/06/Code\\_of\\_Conduct\\_and\\_Ethics.pdf](https://granitereit.com/wp-content/uploads/2019/06/Code_of_Conduct_and_Ethics.pdf)

<sup>6</sup> Granite REIT, ESG Statement

warehouses and distribution centers, accounts for approximately 5.5% of global GHG emissions.<sup>7</sup> In Canada, residential, commercial and industrial buildings collectively account for 17% of the nation’s GHG emissions,<sup>8</sup> while in some European countries in which Granite owns properties, such as Germany, buildings account for approximately one third of total CO<sub>2</sub> emissions.<sup>9</sup>

With consideration of the built environment’s substantial footprint, Sustainalytics is of the opinion that the allocation of green bond proceeds towards buildings that have achieved LEED, BREEAM, DGNB and Green Globes certifications will achieve positive environmental impact by reducing energy, materials and water use and increasing the overall sustainability of the Company’s industrial buildings, thereby reducing the overall negative impacts of the real estate sector on climate change.

Given the above, Sustainalytics considers these certification schemes to be a credible means to ensuring the integration of environmental considerations during all stages of a building’s life cycle. Appendix 1 shows a comparison between these certification schemes. While BREEAM Very Good is considered to be in line with market practice, Sustainalytics recognizes that for LEED, DGNB and Green Globes, the top two levels of achievement are generally viewed as market practice as these levels provide a higher level of assurance of positive impact. Nonetheless, given that the Framework is contemplating investments in industrial buildings (which includes large, potentially energy-intensive warehouse and logistics buildings) and the additional qualification measures in place, Sustainalytics views the inclusion of green buildings that achieve certification levels ranging from Silver to Platinum for LEED and DGNB-certified buildings (or Two Green Globes and above) performance will have a positive environmental impact.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, Innovation and Infrastructure	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.
Resource Efficiency and Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
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.

<sup>7</sup> World Economic Forum, Supply Chain Decarbonization: [http://www3.weforum.org/docs/WEF\\_LT\\_SupplyChainDecarbonization\\_Report\\_2009.pdf](http://www3.weforum.org/docs/WEF_LT_SupplyChainDecarbonization_Report_2009.pdf)

<sup>8</sup> Senate of Canada, Reducing greenhouse gas emissions in Canada’s buildings: <https://www.google.com/search?q=commerical+industrial+buildings+emissions&oq=commerical+industrial+buildings+emissions&aqs=chrome..69i57j33i5.4653j0j9&sourceid=chrome&ie=UTF-8>

<sup>9</sup> Handelsblatt, ‘This Could Save the Most CO<sub>2</sub> in Germany’: <https://www.handelsblatt.com/politik/deutschland/klimaschutz-so-koennte-in-deutschland-das-meiste-co2-eingespart-werden/23192484.html?ticket=ST-4612181-DDpwtiQP3AeARSXjnTxB-ap2>

Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Biodiversity and Conservation	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

## Conclusion

Granite has developed the Granite REIT Green Bond Framework under which it will issue green bonds, where the proceeds will be used to finance or refinance projects in the following categories: Green Buildings, Resource Efficiency & Management, Clean Transportation, Renewable Energy, Pollution Prevention & Control and Biodiversity & Conservation. Sustainalytics is of the opinion that the projects outlined in the Framework will reduce the Company's overall carbon footprint, and notes that the use of proceeds categories are recognized by the Green Bond Principles 2018.

The Granite Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Granite REIT Green Bond Framework is aligned with the overall approach to sustainability and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 9, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that Granite has sufficient measures to manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Granite REIT is well-positioned to issue green bonds and that the Granite REIT Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

## Appendices

### Appendix 1: Overview and Comparison of Green Building Certification Schemes

	LEED <sup>10</sup>	DGNB <sup>11</sup>	BREEAM <sup>12</sup>	Green Globes <sup>13</sup>
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	DGNB was developed in 2007 by the non-profit German Sustainable Building Council in partnership with the German Federal Ministry of Transport, Building, and Urban Affairs in order to actively encourage sustainable building.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Green Globes, administered by the US Green Building Initiative, is a building certification used primarily in Canada, as well as the US. Originally based off of the BREEAM standard, and re-worked to under the specifications of the Canadian Standards Association (CSA) and the American National Standards Institute (ANSI).
<b>Certification levels</b>	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• Bronze</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<ul style="list-style-type: none"> <li>• Pass</li> <li>• Good</li> <li>• Very Good</li> <li>• Excellent</li> <li>• Outstanding</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Globe</li> <li>• 2 Globes</li> <li>• 3 Globes</li> <li>• 4 Globes</li> </ul>
<b>Areas of Assessment:</b>	<ul style="list-style-type: none"> <li>• Energy and Atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and Resources</li> <li>• Water Efficiency</li> <li>• Indoor Environmental Quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Environment</li> <li>• Economic</li> <li>• Sociocultural and functional aspects</li> <li>• Technology</li> <li>• Processes &amp; Site</li> </ul>	<ul style="list-style-type: none"> <li>• Management</li> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Project Management</li> <li>• Site</li> <li>• Energy</li> <li>• Water</li> <li>• Materials &amp; Resources</li> <li>• Emissions</li> <li>• Indoor Environment</li> </ul>
<b>Requirements</b>	Prerequisites (independent of level of certification) and credits with associated points.  These points are then added together	Percentage-based performance index.  The total performance index (expressed as a percentage) is calculated by adding the six key areas of assessment.	Prerequisites depending on the levels of certification and credits with associated points  This number of points is then weighted by item and gives a BREEAM	Score-based performance levels, with 1,000 total points available. The number of points available in each category varies on the certification type (i.e. new construction or existing building). A score of 35%





<sup>10</sup> USGBC, LEED: <https://www.usgbc.org/leed>

<sup>11</sup> DGNB: <https://www.dgnb.de/en/index.php>

<sup>12</sup> BREEAM: <https://www.breeam.com/>

<sup>13</sup> Green Globes: <http://www.greenglobes.com/home.asp>



	<p>to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Depending on the total performance index, a DGNB award will be given to the project, starting from Silver. Bronze is awarded for existing buildings and is conferred as the lowest rank.</p>	<p>level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>(350 points) must be obtained in order to receive the lowest (1 Globe) rating.</p> <p>The evaluation system combines web-based submissions by the project team and remote and on-site assessments by qualified third party assessors.</p> <p>Qualification systems exist for New Construction (NC), Existing Buildings (EB), and Sustainable Interiors (SI).</p>
<b>Performance display</b>				
<b>Qualitative Considerations</b>	<p>Widely recognised internationally, and strong assurance of overall quality.</p>	<p>DGNB certification is based on current European Union standards.</p>	<p>Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. Minimum standards less strict than LEED.</p>	<p>Limited recognition outside of North America.</p>

## Appendix 2: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	Granite Real Estate Investment Trust and Granite REIT Inc.
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i></b>	Granite REIT Green Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	April 20, 2020
<b>Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i></b>	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other <i>(please specify)</i> :                        |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Green Buildings, Resource Efficiency and Management, Clean Transportation, Renewable Energy, Pollution Prevention and Control and Biodiversity and Conservation – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG Goals 6, 7, 9, 11, 12 and 15.

#### Use of proceeds categories as per GBP:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency   |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation  |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

If applicable please specify the environmental taxonomy, if other than GBPs:

#### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

Eligible projects will be assessed by a Green Bond Working Committee to ensure alignment with the Framework. The Committee will be comprised of representatives from various departments, including Sustainability, Finance, Development, Asset Management and Legal. Granite REIT's senior management team will be responsible for final project approval. Sustainalytics considers the project selection process to be in line with market practice.

#### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
|---|---|

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                  | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):  |  |

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Granite REIT's Finance department will use a Green Bond Register to track the net proceeds in its general account and will earmark an amount equivalent to the net proceeds for allocation to eligible green projects originated no more than 36 months prior to issuance, with the intention to fully allocate within 36 months of an offering. Pending allocation, net proceeds may be used for repayment of Granite REIT's credit facilities, held in cash or cash equivalents, or for general corporate purposes. This is in line with market practice.

#### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner          |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |

#### Additional disclosure:

- |  |   |
|--|---|
| <input type="checkbox"/> Allocations to future investments only                  | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                  | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                               |

### 4. REPORTING

Overall comment on section (*if applicable*):

Granite REIT intends to provide publicly available allocation and impact reporting on an annual basis until full allocation. Allocation reporting will include information on eligible green projects, amount allocated to eligible green projects and the balance of unallocated proceeds, while impact reporting will include the level of green building certifications attained, and will draw on other impact metrics where feasible. Sustainalytics views Granite REIT's allocation and impact reporting as aligned with market practice.

**Use of proceeds reporting:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis     |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ): |

**Information reported:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Allocated amounts  | <input type="checkbox"/> Green Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): balance of unallocated proceeds |  |

**Frequency:**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

**Frequency:**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Information reported (expected or ex-post):**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings  |
| <input type="checkbox"/> Decrease in water use              | <input checked="" type="checkbox"/> Other ESG indicators ( <i>please specify</i> ): green building certification received, renewable energy generated, natural capital value (i.e. trees planted) |

**Means of Disclosure**

- |   |   |
|---|---|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report                                     |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): Company's website and/or Annual Report |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |   |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

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