

QuadReal Property Group

Type of Engagement: Annual Review

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Introduction

In February 2022 QuadReal Property Group (“QuadReal”) issued its third green bond (Series 5 senior notes) under the QuadReal Green Bond Framework dated July 2020 (the “Framework”)¹. Sustainalytics provided a Second Party Opinion² on the Framework in July 2020. The green bond was issued for the purpose of financing or refinancing green buildings and related costs. The Series 5 senior notes were immediately allocated upon issuance and refinanced construction costs for two projects incurred between January 2021 and December 2021. In July 2022, QuadReal engaged Sustainalytics to review the new projects funded through the Series 5 green bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Framework.

Evaluation Criteria

Sustainalytics evaluated the projects funded through Series 5 senior notes based on whether:

1. The two projects outlined in Appendix 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 set out in the Framework

| Use of Proceeds | Eligibility Criteria | Key performance indicators (KPIs) |
|---------------------------------------|---|--|
| Green Buildings | 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"> • Achieving green building certification (by building or square footage) |
| Renewable Energy | 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 ₂ /kWh. | <ul style="list-style-type: none"> • Energy capacity (MW) • Annual generating levels (MWh) |
| Resource and Energy Efficiency | Investments that will improve the resource or energy consumption/efficiency in buildings. | <ul style="list-style-type: none"> • Annual energy saving (%) |

¹ QuadReal, “Green Bond Framework”, (2020): https://www.quadreal.com/wp-content/uploads/2021/04/2020_July_QuadReal_Green-Bond-Framework.pdf

² Sustainalytics, “Second-Party Opinion QuadReal Green Bond Framework”, at: https://www.quadreal.com/wp-content/uploads/2021/04/2020_July_QuadReal-Green-Bond-SPO_Sustainalytics.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"> • Water consumption reduction (thousand m³) • Greenhouse gas emission reduction (tCO₂e) |
| Pollution Prevention and Control | 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"> • Greenhouse gas emission reduction (tCO₂e) |
| Clean Transportation | 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"> • Greenhouse gas emission reduction (tCO₂e) |
| Climate Change Adaptation | Investments including feasibility studies, and information support systems such as the 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,³ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed projects, funded through proceeds of

³ 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.

QuadReal’s Series 5 senior notes, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the QuadReal Green Bond Framework. QuadReal has disclosed to Sustainalytics that the proceeds were fully allocated as of February 2022 as the remaining balance of its green portfolio credits exceeds the net proceeds of its green bonds.

Detailed Findings

Table 3: Detailed Findings

| Eligibility Criteria | Procedure Performed | Factual Findings | Error or Exceptions Identified |
|---------------------------------|--|--|---------------------------------------|
| Use of Proceeds Criteria | Verification of the projects funded by the Series 5 senior notes to determine if projects aligned with the Use of Proceeds Criteria outlined in the Framework and above in Table 1. | All projects reviewed complied with the Use of Proceeds criteria. | None |
| Reporting Criteria | Verification of the projects funded by the Series 5 senior notes to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1. | All projects reviewed reported on at least one KPI per Use of Proceeds criteria. | None |

Appendix

Appendix 1: Allocation and Impact Reporting of the Projects Financed through Series 5 Senior Notes

| Use of Proceeds category | Property location | Property name ⁴ | Property size | Green building certification (achieved/expected to achieve) | Net bond proceeds allocated (CAD) |
|------------------------------------|-------------------------------------|----------------------------|--|---|-----------------------------------|
| Green Buildings⁵ | Vancouver, British Columbia, Canada | The Post ⁶ | ~1,050,000 ft ² office space ~175,000 ft ² retail space | LEED Gold (expected one year post occupation) | 399,000,000 ⁷ |
| | | Oakridge Park ⁸ | ~881,000 ft ² retail space ~484,000 ft ² office space ~1,972,000 ft ² residential condos ~185,000 ft ² residential rental space ~307,000 ft ² civic amenity space | BOMA Gold ⁹ (expected one year post occupation) | |

| Allocations | Amount (CAD) |
|--|----------------------|
| Bond proceeds from Series 5 senior notes | 399,000,000 |
| Bond proceeds from Series 2 and 4 senior notes | 748,000,000 |
| Total proceeds allocated as of June 2022 | 1,147,000,000 |
| Total eligible assets and projects as of June 2022 | 1,460,000,000 |
| Percentage of allocated proceeds | 100% |

⁴ Sustainalytics notes that both buildings financed through Series 5 senior notes are, at the time of this review, still under construction.

⁵ No allocation was made to other Use of Proceed categories.

⁶ Sustainalytics notes that different portions of the construction costs for "The Post" were financed previously by the Series 2 and Series 4 senior notes issuances. For "The Post", Series 2 and 4 financed the construction costs inclusive up to December 31, 2020, and Series 5 senior notes allocation financed construction costs incurred from January 1, 2021 to December 31, 2021.

⁷ Net bond proceeds of Series 5 senior notes issuance.

⁸ Proceeds were allocated to QuadReal's pro-rata ownership share of Oakridge Park (85%).

⁹ Certification will refer to retail, multi-family rentals, and office aspects of the project.

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