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Choice Properties Real Estate Investment Trust Green Financing Framework

ChoiceProperties



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Company Overview

Choice Properties Real Estate Investment Trust (“Choice”) is a leading Real Estate Investment Trust that creates enduring value through the ownership, operation, and development of high-quality commercial and residential properties.

Our portfolio is comprised of retail properties primarily leased to necessity-based tenants and we benefit from our strategic relationship with Loblaw Companies Limited, the country’s leading retailer. We also own a portfolio of industrial, office and residential assets concentrated in attractive markets across Canada. As of September 30, 2021, the Company had a portfolio of 718 income producing properties with approximately 66.5 million square feet of gross leasable area.

Currently, we have identified three focus areas through which Choice can generate a significant impact on social and environmental sustainability:

1. Climate Action
2. Sustainable Communities
3. Equity & Wellness

Climate Action

With this pillar, we intend to establish a long-term carbon reduction target that will commit Choice to supporting the transition to a low-carbon economy. This focus area will also include measures to enhance the resiliency of our portfolio to climate change and events.

Sustainable Communities

As long-term owners and developers of real estate, Choice plays a vital role in shaping the spaces used by communities across Canada. Designing for efficiency, accessibility, function, and biodiversity ensures that the places we create will be livable and vibrant for generations to come.

Equity & Wellness

One of Choice’s greatest assets is its human capital – which has especially been brought to light throughout the COVID-19 pandemic. We will continue to develop programs and policies that endeavor to foster the strength brought about by the diversity of skill, background, experience, gender, and ethnicity of our people.

The Board of Trustees oversees Choice’s environmental, social and governance (“ESG”) program. The Governance Committee also receives periodic reports on the ESG program and performance against ESG targets from management, and advises the Board of Trustees on the status of the ESG program.



Environmental Sustainability at Choice

Choice's vision is to be among the leaders in embedding environmental sustainability practices in our business model and management approach. We believe that the best decisions are those made to the benefit of all stakeholders. We continue to integrate sustainable and resilient business practices to deliver value both for today and for future generations.

Aligning sustainability measures with targets, further enhances Choice's commitment towards aligning its business with sustainable practices. As such, Choice has set the below environmental targets to be achieved by the end of 2023¹:

- Reduce same-asset energy use by 10% relative to 2018. 17.6% reduction achieved in 2020 relative to our 2018 baseline
- Reduce same-asset water use by 5% relative to 2018. 26.1% reduction achieved in 2020 relative to our 2018 baseline
- Divert 70% of annual waste from landfill relative to 2018. 46.2% diversion achieved in 2020 relative to our 2018 baseline
- Convert 75% of parking lot lighting to high efficiency fixtures. 51.2% of target achieved in 2020

- Reduce same-asset and absolute greenhouse gas emissions by 10% relative to 2018. 19.8% and 44.6% reduction achieved respectively in 2020 relative to our 2018 baseline
- Certify 65% of our portfolio under LEED or BOMA BEST. 28% achieved as at the end of 2020



1. 2020 reductions in energy, water and greenhouse gases were attributable to both Choice's energy and water reduction initiatives and to the temporary remote work arrangements resulting from COVID-19

Green Financing Framework

Choice has developed a Green Financing Framework (the “Framework”) under which Choice may issue Green Bonds, Green Loans, or other financial instruments (hereinafter referred to as “Green Financing Instruments”), which is aligned with the Green Bond Principles (“GBP”)² developed by the International Capital Markets Association (“ICMA”) as of June 2021 and the Green Loan Principles (“GLP”)³ developed by the Loan Market Association, the Loan Syndication and Trading Association and the Asia Pacific Loan Market Association as of February 2021. The GLP and the GBP are a set of voluntary guidelines that recommend transparency, disclosure and promote integrity in the development of green debt instruments.

This Framework is aligned with the four key areas of the GBP and the GLP:

1. Use of Proceeds
2. Project Evaluation and Selection
3. Management of Proceeds
4. Allocation and Impact Reporting

2. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

3. <https://www.lsta.org/content/green-loan-principles/>

Use of Proceeds

Under this Framework, 100% of net Green Financing proceeds can be used to finance and/or refinance in part or in full, new and/or existing eligible green project categories (the “Eligible Green Projects” or the “Projects”) based on the criteria described herein.

Each of the project categories are linked to the United Nations Sustainable Development Goals (“SDGs”) and are mapped to the most applicable SDG in the table below to provide clarity on Choice’s financing objectives.



Project Categories	Description and Project Eligibility
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Green Buildings



Investments and/or expenditures related to the purchase, development, redevelopment, operation and maintenance or improvement of properties that have received or are expected to receive at least one of the following green building certifications:

- LEED (Gold or Platinum)
- BOMA BEST (Gold or Platinum)
- Toronto Green Standards (Tier 2 or higher)
- Zero Carbon Building Design Certification
- Passive House, EnerPHit or PHI Low Energy Building Standard
- ENERGY STAR® Multifamily High-Rise (New Construction)
- Investments and/or expenditures in industrial buildings that have received or are expected to receive LEED Silver certification will also be confirmed to have been designed to achieve at least a 20% energy efficiency improvement compared to ASHRAE 90.1-2010

Energy Efficiency



Investments that improve energy efficiency greater than 20%, or make other environmentally beneficial improvements to properties including, but not limited to:

- Projects that improve efficiency of HVAC systems or improve energy efficiency or reduce energy consumption of the building, including geo-exchange heating and cooling
- Lighting, electricity, energy storage and district heating powered >50% by renewable energy and/or waste heat recovery⁴
- Other initiatives that allow for a greater than 20% energy efficiency outcome (i.e. smart meters)

Sustainable Water & Wastewater Management








Investments and/or expenditures in implementing sustainable water management projects within properties or land including, but not limited to:

- Water infrastructure upgrades (including but not limited to smart metering, washrooms and irrigation controls)
- Rainwater capture systems
- Green or living roofs resulting in rainwater runoff reductions
- Other initiatives that allow for a greater than 15% water reduction outcome

4. Waste heat recovery will not be sourced from fossil fuel production and activities

Use of Proceeds Cont.



Project Categories	Description and Project Eligibility
<p>Clean Transportation</p> 	<p>Investments and/or expenditures in clean transportation projects and infrastructure that:</p> <ul style="list-style-type: none"> • Improve connectivity or promote multi-modal transportation or non-motorized methods like cycling and walking • Result in a reduction in greenhouse gas (“GHG”) emissions through infrastructure or charging stations for electric vehicles
<p>Renewable Energy</p> 	<p>Investments and/or expenditures aimed at providing renewable energy including, but not limited to,</p> <ul style="list-style-type: none"> • Wind, solar or geothermal projects expected to result in direct emissions <100 grams of CO2/kWh • Geo-exchange heat pump systems
<p>Pollution & Waste Prevention or Control</p> 	<ul style="list-style-type: none"> • Investments and/or expenditures related to onsite composting and recycling • Remediation of contaminated soil
<p>Biodiversity & Conservation</p> 	<p>Tree planting and ecological restoration to preserve biodiversity and native ecosystems</p>
<p>Adaptability & Resilience to Climate Change</p> 	<p>Investments and/or expenditure projects where vulnerability/feasibility studies demonstrate expected benefits of infrastructure projects that would support a property’s defense and adaptation to extreme weather conditions or to the effects of climate change.</p> <p>These can include projects to improve:</p> <ul style="list-style-type: none"> • Flood defense • Stormwater management • Building structural resilience • Other similar projects related to climate change resilience

Project Evaluation and Selection

Choice has appointed a Green Financing Committee (the “Committee”) to provide oversight and implementation of this Framework.

The Committee currently consists of members across different departments such as Sustainability, Treasury, Development, Asset Management and Legal, and will identify projects that satisfy the Eligible Green Projects criteria set forth in the “Use of Proceeds” section. The Committee will adhere to Choice’s existing policies and procedures when assessing perceived social and/or environmental risks associated with the relevant projects. The Committee will report to the ESG Steering Committee.

The ESG Steering Committee is responsible for setting priorities, metrics and championing ESG across the organization. It consists of a cross-functional group comprised of senior management and executives from across the business including the President and CEO, and is chaired by the Director of Sustainability & Environmental Programs; and meets regularly throughout the year to review progress on Choice’s key initiatives.

In addition, the Committee will:

- a. review and approve annual reporting required pursuant to this Framework; and
- b. monitor on going Green Financing market practices.

Management of Proceeds

The net proceeds will be deposited to Choice’s general accounts and notionally be earmarked for Eligible Green Projects in accordance with this Framework. Net proceeds may be used for Eligible Green Projects in the 36 months preceding or following the issuance of the Green Financing, or in the case of Green Buildings, where costs were incurred prior to green building certification, if such certification was obtained within the 36 month look-back period.

Unallocated proceeds will be reserved and held in cash, short-term deposits or other instruments that are unrelated to fossil-fuel investments, or to repay existing indebtedness.

Internal records including information relating to details of Green Financings issued, Eligible Green Projects and the amount of any Green Financing net proceeds allocated to Eligible Green Projects will be maintained by Choice’s Finance department. Choice’s internal records will show the allocation of the net proceeds of the relevant offering to Eligible Green Projects as long as proceeds from a Green Financing offering remains unpaid.

Allocation and Impact Reporting

Choice will engage a third-party to complete an annual review of its allocation of net proceeds to Eligible Green Project(s) until full allocation is disclosed and in the event of any material change to the use of proceeds subsequent to that. Until full allocation, Choice will provide annual updates via its corporate website and/or ESG Report. Reporting will include relevant information such as a description of Eligible Green Projects, net proceeds of each Green Financing, net proceeds allocated to Eligible Green Projects, percentage of proceeds towards refinancing and the balance of unallocated net proceeds of Green Financings.

In addition, on an annual basis, until the full allocation of the net proceeds (and in the event of a material change to the use of proceeds subsequent to that), Choice will include (to the extent available and if reasonably practicable) impact reporting on select key performance indicators (“KPIs”) such as, but not limited to:

- Green building certifications (by building or square footage)
- Annual energy saved (in MWh)
- Water consumption reduced/avoided (in thousand cubic meters)
- Annual greenhouse gas emissions reduced/avoided (in tonnes of CO2 equivalent)

External Review

Choice has also obtained an independent second party opinion from Sustainalytics to confirm that this Framework conforms to ICMA’s Green Financing Principles, which can be found at: www.sustainalytics.com/sustainable-finance/our-work/

Amendments to this Framework

The Committee will review this Framework on a regular basis, including its alignment to updated versions of the Green Bond Principles and Green Loan Principles as and when they are released. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of Choice and Sustainalytics or another external reviewer.



Disclaimer

The information contained in this Framework is provided as at the date of this Framework and is subject to change without notice. Choice does not assume any responsibility or obligation and disclaims any obligations to update or revise any statements in this Framework, regardless of whether those statements are affected by the results of new information, future events or otherwise. No representation or warranty, express or implied, is or will be made in relation to the accuracy, reliability or completeness of the information contained herein. No liability whatsoever is or will be accepted by Choice for any loss or damage howsoever arising out of or in connection with the use of, or reliance upon, the information contained in, or omitted from, this Framework. This Framework does not form part of Choice's continuous disclosure record and is not incorporated by reference therein.

Nothing in this Framework shall constitute, or form part of, an offer to sell or solicitation of an offer to buy or subscribe for any security or other instrument of Choice or any of its affiliates, or as an invitation, recommendation or inducement to enter into any investment activity, and no part of this Framework shall form the basis of or be relied upon in connection with any contract, commitment, or investment decision whatsoever.

Offers to sell, sales, solicitation of offers to buy or purchases of securities issued by Choice or any affiliate thereof may only be made or entered into pursuant to appropriate offering materials prepared and distributed in accordance with the laws, regulations, rules and market practices of the jurisdictions in which such offers, solicitations or sales may be made. Professional advice should be sought prior to any decision to invest in securities.

This Framework may contain forward-looking statements within the meaning of applicable securities laws. Forward-looking statements are typically identified by words such as “believe”, “expect”, “foresee”, “forecast”, “anticipate”, “intend”, “estimate”, “goal”, “target”, “plan” and “project” and similar expressions of future or conditional verbs such as “will”, “may”, “should”, “could” or “would”.

By their very nature, forward-looking statements require certain assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that predictions, forecasts, projections, expectations or conclusions will not prove to be accurate and that such assumptions may not be correct. Readers are cautioned not to place undue reliance on these statements as a

number of risk factors could cause actual results to differ materially from the expectations, estimates or intentions expressed in such forward-looking statements. These factors include credit and counterparty, market, liquidity and funding, insurance, operational, model, business, regulatory compliance, strategic, reputation, legal and regulatory, environment and social, competitive and systemic risks and other risks discussed in Choice's 2020 Annual Information Form. Readers are cautioned that these risk factors are not exhaustive and other factors could also adversely affect Choice's results. When relying on the forward-looking statements contained in this Framework to make decisions with respect to Choice, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

Except as required by law, Choice does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the organization or on its behalf.