



H&R REAL ESTATE INVESTMENT TRUST

GREEN FINANCING FRAMEWORK

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1.0 INTRODUCTION

1.1 COMPANY OVERVIEW

H&R REIT (“H&R”) is one of Canada’s largest fully internalized real estate investment trusts, with ownership interests in a North American portfolio comprised of high-quality residential, industrial, office, and retail properties totaling over 28.7 million square feet, as at September 30, 2022.

The REIT is currently undergoing a five-year, strategic repositioning to transform into a simplified, growth-oriented company focusing on residential and industrial properties.

H&R aspires to be a leading real estate owner, operator, and developer, creating value through redevelopment and greenfield development in prime locations within Toronto, Montreal, Vancouver, and high growth U.S. sunbelt and gateway cities.

As at September 30, 2022, H&R’s portfolio consisted of 25 office, 73 industrial, 284 retail and 24 residential properties. H&R’s total assets are approximately \$11.7 billion. H&R is listed on the Toronto Stock Exchange (“TSX”) under the symbol HR.UN.



Chorus Quay was the first LEED Gold building on Toronto’s waterfront, designed by Diamond Schmitt Architects.

Corus Quay is home to one of Diamond Schmitt’s ‘Nedlaw Living Wall’ plant installations, a 5-storey tall vertical tropical garden also acting as a bio filter. Other sustainable features include a green roof, and a grey water recycling system for rainwater.

In addition, Enwave operates a heating and cooling plant in the building that supplies all the heating and cooling to the building and surrounding properties. The plant has the potential to be a hub for district energy loop serving Toronto’s Eastern Bayfront district.

1.2 H&R REIT'S SUSTAINABILITY STRATEGY

The Paris Agreement was ratified in December 2015, during COP21 and acted as a catalyst for global adoption of decarbonization pathways. Consequently, many public and private entities have committed to reach net-zero emissions by 2050, in line with a well below 2°C scenario over pre-industrial levels. Collectively, these commitments cover approximately 70% of global CO₂ emissions¹ with policies and regulation continuing to shift at a rapid pace. Global organizations such as the International Energy Agency (the “IEA”) have developed roadmaps to attain net zero emissions by 2050, calling for all new buildings to be zero-carbon ready by 2030. This will help propel research, retrofits, and sector-wide technological advancements.

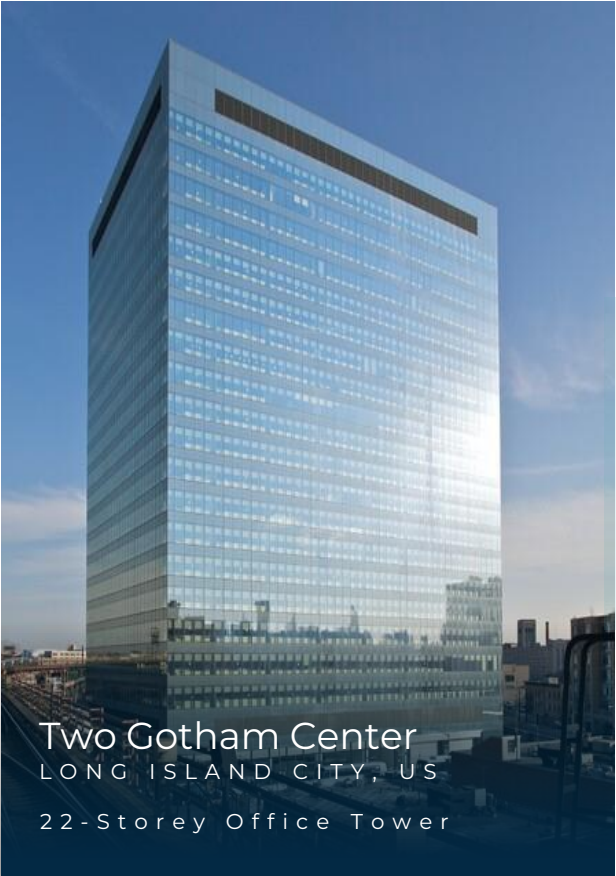
Accounting for 40%² of the global GHG emissions, the real estate sector has the opportunity to play a pivotal role in the transition to a low-carbon economy. Real estate players can create new sources of value while future-proofing their portfolios. Emissions reductions can already be implemented through the deployment of existing technologies while simultaneously monitoring new advancements such as low-carbon heating and cooling systems.

As one of Canada’s largest REITs, H&R recognizes the role it plays in the transition and is actively aligning its existing portfolio and future development plans with leading sustainability practices.

H&R has taken initial steps to integrate currently available decarbonization technologies into its portfolio. Effective technologies include smart metering for both energy and water use can save between 1% - 4%, lower electricity costs and reduce emissions. Additional innovations such as rainwater harvesting, efficient HVAC, automated day light savings systems, and destination dispatch elevators are also currently being deployed.

H&R pursues an integrated approach to its long-term strategy, complementing the importance of decarbonization with social prosperity. As an organization, it focuses on employee progression and engagement through initiatives such as professional development courses, flex hours and leave accommodation, and health and well-being seminars. Externally, it places emphasis on tenant well-being through the creation of high-quality indoor environments and extensive connectivity to public transportation. With the support of this Green Financing Framework, H&R will continue to seek out low-carbon, high-impact opportunities within its portfolio.

PROPERTY SPOTLIGHT

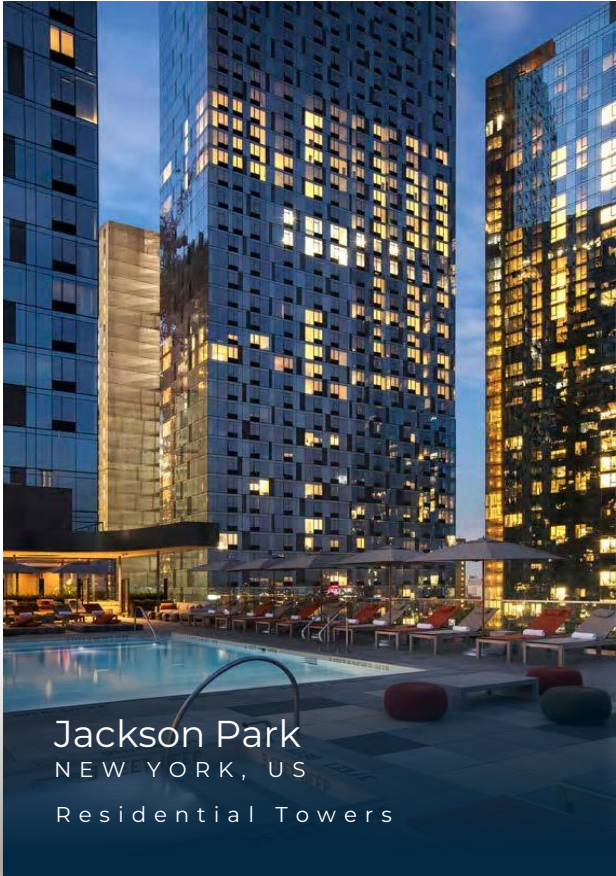


Two Gotham Center
LONG ISLAND CITY, US
22-Storey Office Tower

Located in Long Island City, New York, Two Gotham Center is a 22-storey Class A office tower, comprising 660,431 rentable sq. ft. of office space, fully leased to the City of New York. The property is renowned for its awe-inspiring views of the East River and the Midtown Manhattan Skyline.

The building embeds multiple sustainability features, such as low-density lighting, daylight harvesting, low-flow plumbing fixtures, low chemical-emitting furniture, and construction measures to enhance air quality.

The property is located near a major urban transportation hub. Six separate subway lines are accessible within a two-minute walk of the property, providing rapid transit to Midtown Manhattan.



Jackson Park
NEW YORK, US
Residential Towers

Located in Long Island City, Jackson Park consists of three skyline defining glass towers totaling 1,871 residential units, a lush 1.6-acre private park and over 120,000 sq. ft. of indoor and outdoor amenity space.

Sustainability highlights include floor-to-ceiling windows to provide superior natural light and dramatic views, Whirlpool Energy Star Appliances and LED lighting.




Jackson Park is conveniently located within one of New York City's biggest transportation hubs, with eight subway lines as well as easy car access, buses, and the Long Island Rail Road.

MATERIALITY ASSESMENT

H&R's Green Financing Framework has been designed to support its sustainability strategy founded on a robust internal materiality assessment as it continues to expand its building portfolio in an environmentally and socially responsible way.

H&R is committed to disclosing the progress of its sustainability strategy in a comprehensive and transparent manner aligned with leading global standards and regulatory practices. For example, H&R has reported to the Carbon Disclosure Project since 2016, and in 2020, achieved the second highest score among its Canadian peers. In addition, H&R is reporting on select Global Reporting Initiative ("GRI") indicators and on select indicators from the Sustainability Accounting Standards Board ("SASB") Real Estate sub-sector. H&R's reporting will mirror ongoing developments of standards and guidelines.

H&R continues to evaluate and improve the environmental footprint of their assets. In 2021, emissions were broadly similar to 2020 levels with variations based on asset class and region, related to differing tenant types and public health interventions. Although it is difficult to accurately report the portion resulting from resource reduction initiatives versus those resulting from reduced number of occupants in office and retail properties during the pandemic in 2021, we are confident that as operations and occupancy stabilize the efficiency improvements made will be reflected in the energy and utility performance in future years³.

COMPANY PILLARS	
	GHG Emissions Reduction in market based GHG emissions of 17.8% in 2021 vs 2019
	Energy Use Reduction in electricity use of 16.9% in 2021 vs 2019
	Water Reduction in water use of 38% in 2021 vs 2019

³Utility consumption for 24 properties (the majority of which are office buildings) on H&R Utility Tracker, an Energy Management Information System (EMIS) managed by Brightly Software. Properties tracked on H&R Utility Tracker make up approximately 21% of H&R's portfolio by GLA, and approximately 45% of the total emissions reported by H&R in 2021. In 2021, H&R updated their reporting boundary to follow the 'Operational Control' approach, as defined by the GHG Protocol. Under the operational control approach, 100% of emissions are reported from operations in which it or one of its subsidiaries have operational control.

2.0 H&R REIT GREEN FINANCING FRAMEWORK


In support of H&R's strategy, H&R has established the following Green Financing Framework (the "Framework") which aligns with the Green Bond Principles (the "GBP") developed by the International Capital Markets Association as of June 2021 and the Green Loan Principles (the "GLP") developed by the Loan Market Association as of February 2021. This Framework is based on the four core components of the GBP and the GLP:

1. Use of Proceeds
2. Process for Progress Evaluation and Selection
3. Management of Proceeds
4. Allocation and Impact Reporting

H&R's Framework establishes the terms under which H&R may issue Green Financing Instruments specifically Green Bonds and Green Loans (the "Green Instruments").

2.1 USE OF PROCEEDS

Net proceeds raised under this framework will be used to finance and/or refinance, in part or in whole, new and/or existing eligible projects (the “Eligible Green Projects”) that meet the eligibility criteria defined below, taking reference from existing market standards and principles such as the Climate Bond Initiative (“CBI”) Taxonomy and Sector Criteria, and the European Union (“EU”) Sustainable Finance Taxonomy. Net proceeds may be allocated to Eligible Green Projects in the 36 months preceding the issuance of a Green Instrument.

ELIGIBLE GREEN CATEGORIES	ELIGIBLE CRITERIA	UN SDGs ALIGNMENT
1. Green Buildings	<p>Investments related to the construction, development, acquisition, re-development, operations, and maintenance of properties that have received or are expected to receive at least one of the following green building certifications or regional equivalents:</p> <ul style="list-style-type: none">• Leadership in Energy and Environmental Design (LEED) Silver, Gold or Platinum or equivalent levels in other certification programs such as BOMA BEST (Silver, Gold or Platinum) ENERGY STAR (85 or above)• National Green Building Standard Certification (Silver and above exclusively for residential properties)• Zero Carbon Building Certification (Design and Performance)• Under CaGBC ZCB standard, the buildings may be certified in compliance with the Performance Standard, 20% energy efficiency improvement over NECB 2015• Toronto Green Standards (Tier 2 and above)• New or existing buildings belonging to top 15% low carbon buildings based on emission intensity in the region, as determined by a third-party assessment <p>Acquisition of non-green buildings with a plan to improve energy efficiency by 20%-30% and/or achieve one of the above certifications in the next 3 years.</p>	

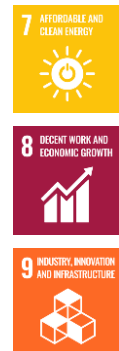
Note 1: Eligible Green Projects in categories 2 through 6 could be deployed on real estate properties that do not have an environmental certification or have one that is lower than the environmental certification specified under Category 1 ‘Green Buildings’.

2. Energy and
Resource
Efficiency

Investments or expenditures in systems or equipment that reduce energy and resource consumption and/or improve energy efficiency by at least 20% in properties, help calibrate the energy grid, or improve water efficiency:

- Energy efficient lighting (e.g. LED)
- Energy efficient roof improvements and sustainability-oriented construction materials (e.g. low U-value insulation products, high performance insulation); roof improvements may include, but are not limited to, cool roofs and green roofs for example
- Advanced Metering Infrastructure (AMI) or smart meters, load control systems, sensors or building information systems
- Energy efficiency heating, ventilation, air conditioning (HVAC), refrigeration, and electrical equipment and control software systems
- Energy storage systems
- Xeriscaping / drought-tolerant landscaping technologies and equipment which can include sustainable drainage systems
- Water infrastructure upgrades (including but not limited to smart metering, restrooms, and irrigation controls)
- Rainwater harvesting infrastructure
- Water and energy-saving technologies and materials including collection, treatment, recycling and reuse of water, rainwater, or wastewater and water metering/monitoring systems; and
- Other initiatives that allow for a greater than 15% water reduction outcomes














Note: Excludes any energy efficiency gains for fossil-fuel powered energy sources.



ELIGIBLE
GREEN
CATEGORIES

ELIGIBLE CRITERIA

UN SDGs
ALIGNMENT

<p>3. Renewable Energy</p>	<p>Investments in or expenditures on the acquisition, development, construction, and/or installation of renewable energy or infrastructure aimed at providing renewable energy to buildings or contributing to the energy grid under the condition of at least 90% renewable electricity.</p> <p>This may include, but is not limited to, solar, wind, and geothermal technologies. Geothermal projects are expected to result in direct emissions of <100 grams of CO₂ / kwh.</p>	     
<p>4. Clean Transportation</p>	<p>Operational and capital expenditures enhancing connectivity or facilitating multi-modal transportation (excluding fossil fuel transport) resulting in a reduction in greenhouse gas emissions, including:</p> <ul style="list-style-type: none"> • Infrastructure or charging stations to accommodate electric vehicles (including hybrid vehicles with tailpipe emissions below 50g of CO₂ per passenger km until 2025) or non-motorized transport (e.g., cycling and walking) • Infrastructure in, or improvements to, real estate properties dedicated to creating or improving connectivity to mass public transportation, including, but not limited to light rail, metro, bus (with direct emissions below 50g of CO₂ per passenger km until 2025) 	
<p>5. Climate Change Adaptation</p>	<p>Investments and/or expenditures that contribute to adaptability and resilience to climate change, such as those related to design, construction, maintenance, and upgrades of buildings / assets, including feasibility studies, for adapting to more frequent and extreme weather events. These can include projects to improve flood defense, storm water waste management, building structural resilience and energy storage.</p>	  
<p>6. Pollution Prevention and Control</p>	<p>Investments and/or expenditures in projects that would prevent and reduce waste and GHG pollution, including soil remediation, waste diversion, onsite composting and processes, and infrastructure facilitating recycling practices.</p>	  

2.2 PROCESS FOR PROJECT SELECTION AND EVALUATION

H&R has established a Green Financing Working Committee (“GFWC”) that will be responsible for:

- Review and approval of the Framework and any subsequent amendments
- Reviewing, selecting, approving, allocating, and monitoring of the pool of Eligible Green Projects in accordance with the evaluation criteria set out in this Framework
- Consideration of environmental and social risks associated with Eligible Green Projects
- Review and approval of the annual reporting required under this Framework
- Review of the post-issuance assurance report and resolution of any issues therein
- Monitoring ongoing Sustainable Finance market practices

The GFWC is chaired by the President and made up of senior members from departments such as: Finance, Sustainability, Operations, Development and Legal. For the avoidance of doubt, representatives of H&R REIT may be admitted as additional members of the GFWC or changed over time. The Committee will meet at least annually to review and approve Eligible Green Project’s and allocation of proceeds.

In addition to meeting to review Eligible Green Projects for allocation purposes, the GFWC will also screen each Eligible Green Project for environmental and social risks. They will rely upon, and not limited to, project assessments and internal reviews to determine how best to address, manage and mitigate such risks.

The Committee which will meet annually, will include the assessment of environmental and social risks prior to the approval process for all Eligible Green Transactions.

2.3 MANAGEMENT OF PROCEEDS

The net proceeds from a Green Instrument will be deposited to H&R’s general account and will be earmarked for allocation to Eligible Green Projects in accordance with the Framework. H&R intends to allocate the proceeds of its Green Instruments within 36 months following issuance.

Pending full allocation, net proceeds from a Green Instrument may be utilized, in part or in full, for repayment of H&R’s debt or temporarily invested in accordance with H&R’s general liquidity management policy for a period of up to 36 months.

All relevant information regarding a Green Instrument and the Eligible Green Projects financed by such instrument will be kept in a Green Financing Project Register to be managed by H&R’s Finance department. The Register will include the project name and location, description of the use of proceeds, reference to the relevant eligibility criteria and amount allocated. In the event an Eligible Green Project is retired from the Register and the Green Instrument is still outstanding, a replacement Eligible Green Project will be added as soon as practicable.

The payment of principal and interest on the Green Instruments will be made from H&R’s general account and will not be linked to the performance of Eligible Green Projects.

The GFWC will be responsible for overseeing the management and allocation of proceeds. Review of the management and allocation of proceeds is part of the GFWC meetings which will take place at least annually.

2.4 ALLOCATION AND REPORTING

2.4.1 ALLOCATION REPORTING

H&R will publish an annual Green Instrument allocation and impact report on its website until full allocation of proceeds. In the case of any interim material changes, H&R will publish an updated report in a timely manner. H&R's Green Instrument allocation report will include the following information::

- Net proceeds raised from the Green Instrument
- Amount allocated, in aggregate and per Eligible Project Category
- Should the amount allocated exceed C\$100M for a given project, additional information pertaining to the funded Eligible Green Projects to be disclosed, including property address, city, gross leasing area, certification type, level and date and brief project description subject to H&R confidentiality obligations
- Balance of unallocated proceeds
- Amount used for financing vs. re-financing

2.4.2 IMPACT REPORTING

H&R REIT will report annually on relevant environmental impacts of financed and/or refinanced assets where feasible and will disclose measurement methodology for quantitative indicators.

Reporting may include for example, and is not limited to, the level of green building certifications achieved; as well as qualitative metrics related to the energy use reduced, avoided, or saved from Eligible Green Projects versus an appropriate baseline.

2.5 AMENDMENTS TO THIS FRAMEWORK

The Committee will review this Framework on a regular basis, including its alignment to updated versions of the GBP and GLP. It may also make reference to additions and/or amendments to the CBI Taxonomy and EU Sustainable Finance Taxonomy, as and when they are released. Such review may result in this Framework being updated and amended. Material updates will be subject to the prior approval of H&R and an external reviewer.

3.0 EXTERNAL REVIEW

3.1 SECOND PARTY OPINION

H&R has obtained a Second Party Opinion from Sustainalytics on the Framework which confirms alignment with the GBP and GLP. The Second Party Opinion is available on Sustainalytics' website⁴ and on H&R's website⁵.

3.2 POST-ISSUANCE EXTERNAL VERIFICATION

An external verification of the allocation of Green Instrument proceeds and the impact reporting related to the Green Instrument will be carried out by an external reviewer on an annual basis until allocation of proceeds. H&R will seek a limited assurance for the allocation of proceeds and the impact report.

4.0 DISCLAIMER

The information contained in this Framework is provided as at the date of this Framework is provided as at the date of this Framework and is subject to change without notice. H&R 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 information contained herein. No liability whatsoever is or will be accepted by H&R for any loss 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 H&R'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 H&R or any of its affiliates, or as an invitation, recommendation or inducement to enter into any investment any investment activity, and no part of this Framework shall form the basis 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 H&R 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. Except as required by law, H&R 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.



GROWING IN SUSTAINABILITY