

Second-Party Opinion

Aldar Properties PJSC

Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Aldar Properties PJSC Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Green Buildings, Energy Efficiency, Sustainable Water Management, Pollution Prevention and Control, and Renewable Energy – are aligned with those recognized by the Green Bond Principles 2021 and the Green Loan Principles 2023. Sustainalytics considers that investments in the eligible categories may contribute to a positive environmental impact and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9 and 12.



PROJECT EVALUATION AND SELECTION Aldar’s Sustainability Council will be responsible for governing, evaluating, selecting and implementing projects in line with the Framework’s eligibility criteria. Aldar uses an internal ESG risk register to assess ESG risks associated with eligible projects and assets. Aldar also conducts environmental impact assessments for eligible projects to manage and mitigate potential risks. Sustainalytics considers the project evaluation and selection process and risk management systems in place to be in line with market practice.



MANAGEMENT OF PROCEEDS Aldar’s Treasury Team will be responsible for the overall management of proceeds. Aldar will use a Green Finance Register to track the allocation of proceeds. Aldar intends to allocate net proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be temporarily invested in cash and cash equivalents according to Aldar’s standard liquidity policy. Sustainalytics considers this process to be in line with market practice.



REPORTING Aldar commits to report on the allocation of proceeds and corresponding impact on an annual basis until full allocation. The allocation and impact report will be published on Aldar’s website. Allocation reporting will include a list of eligible green projects, the amount of proceeds allocated per category, the balance of unallocated proceeds, the share of financing versus refinancing, examples of projects financed and, where possible, a description of eligible green projects financed. Sustainalytics views Aldar’s allocation and impact reporting as aligned with market practice.

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Introduction

Aldar Properties PJSC (“Aldar” or the “Company”) is a real estate development company operating primarily in the United Arab Emirates. The Company’s operating business segments include residential and commercial property development, sales, property management services, investment properties, hospitality, and education. Since the Company’s inception in 2004, Aldar has developed more than 32,000 residential units across the UAE and owned approximately 69 million square metres of land across Abu Dhabi as of 31 December 2022. The Company is headquartered in Abu Dhabi and had more than 10,200 employees across its core businesses and subsidiaries as of 31 December 2022.

Aldar has developed the Aldar Properties PJSC Green Finance Framework dated May 2023 (the “Framework”), under which the Company and its subsidiaries¹ intend to issue green bonds, loans and sukuk and use the proceeds to finance or refinance, in whole or in part, existing or future projects that are expected to create a positive environmental impact. The Framework defines eligibility criteria in five areas:

1. Green Buildings
2. Energy Efficiency
3. Sustainable Water Management
4. Pollution Prevention and Control
5. Renewable Energy

Aldar engaged Sustainalytics to review the Aldar Properties PJSC Green Finance Framework and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)² and Green Loan Principles 2023 (GLP).³ The Framework will be published in a separate document.⁴

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.13.3, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Aldar’s management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. Aldar representatives have confirmed that: (1) they understand it is the sole responsibility of Aldar to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information; and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

¹ For instruments issued by Aldar’s subsidiaries, the Company has communicated to Sustainalytics that it will be responsible for ensuring continual alignment of the issuances with the criteria defined in the Framework.

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

³ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

⁴ The Aldar Properties PJSC Green Finance Framework is available at: <https://www.aldar.com/en/sustainability/reporting>

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

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

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Aldar is encouraged to update the Framework after 24 (twenty-four) months from the evaluation date, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Aldar has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Aldar Properties PJSC Green Finance Framework

Sustainalytics is of the opinion that the Aldar Properties PJSC Green Finance Framework is credible and impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Green Buildings, Energy Efficiency, Sustainable Water Management, Pollution Prevention and Control, and Renewable Energy – are aligned with those recognized by the GBP and GLP.
 - Sustainalytics notes that the projects financed or refinanced under the Framework will be located in the UAE.
 - The Framework has defined a look-back period of three years for refinancing of projects, which Sustainalytics considers to be aligned with market practice.
 - Under the Green Buildings category, Aldar may finance or refinance commercial or residential buildings that have achieved or are expected to achieve one of the following green building certifications: i) LEED Gold or above;⁶ or ii) Estidama Pearl Rating System 3 Pearl or above⁷ with at least a 20% improvement over the baseline.⁸ Aldar has communicated to Sustainalytics that investments under this category exclude buildings designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels. Sustainalytics considers the expenditures under this category to be in line with market practice.
 - Under the Energy Efficiency category, Aldar may finance or refinance: i) refurbishments of or upgrade to existing buildings that result in a minimum increase in energy efficiency of 30% compared to their baseline. These may include retrofitting cooling systems and energy optimization measures, such as automation of energy systems through Internet of Things, or artificial intelligence or building management systems; and ii) replacement of existing lighting equipment with LED lights.
 - Aldar has confirmed to Sustainalytics that expenditures under this category will exclude investment in equipment or technologies designed or intended for processes that are inherently carbon intensive, or primarily driven or powered by fossil fuels. Sustainalytics considers expenditure under this category to be in line with market practice.

⁶ LEED: <https://www.usgbc.org/leed>

⁷ Estidama Pearl Rating System: <https://pages.dmt.gov.ae/en/Urban-Planning/Pearl-Building-Rating-System>

⁸ Aldar considers ASHRAE 90.1 as the baseline. ASHRAE: <https://www.ashrae.org/technical-resources/bookstore/standard-90-1>

- Under the Sustainable Water Management category, Aldar may finance or refinance technologies, projects and infrastructure for the collection, distribution, treatment, recycling or reuse of water, rainwater and wastewater. Aldar has communicated to Sustainalytics that treatment of wastewater excludes wastewater from fossil fuel operations. Sustainalytics considers these expenditures to be aligned with market practice.
- Under the Pollution Prevention and Control category, Aldar may finance or refinance waste reduction, reuse or recycling projects.
 - Each of Aldar's development projects has its own construction waste management plan, which is assessed against a construction phase checklist to meet the Abu Dhabi Occupational Safety and Health System Framework (OSHAD-SF) standards⁹ and comply with the Abu Dhabi waste management law,¹⁰ the UAE federal law on protection and development of the environment¹¹ and the OSHAD-SF code of practice on waste management.¹²
 - Aldar has communicated to Sustainalytics that construction waste will be segregated and disposed of in line with Abu Dhabi Environment Agency¹³ and Abu Dhabi waste management law,¹⁴ and the Company would prioritize the reuse of construction materials rather than disposing of them.
 - Aldar has confirmed that the waste reuse projects will involve products being put back to their original use without any further or with very minimal pre-processing required. Sustainalytics considers expenditures under this category to be aligned with market practice.
- Under the Renewable Energy category, Aldar may finance or refinance generation or procurement of renewable energy from the following sources: i) solar photovoltaic; ii) concentrated solar heat and power generation where at least 85% of the electricity generated is sourced from solar energy; and iii) onshore and offshore wind power. Aldar has confirmed to Sustainalytics that in the case of procurement of renewable energy, the power purchase agreements will have a tenor of at least five years. Sustainalytics considers expenditures under this category to be in line with market practice.
- Project Evaluation and Selection:
 - Aldar's Sustainability Council will be responsible for governing, evaluating, selecting and implementing projects in line with the Framework's eligibility criteria. The Sustainability Council – which comprises Aldar's management team, including but not limited to representatives from the Group Treasury and Funding, Sustainability and Corporate Social Responsibility, Development, Engineering, Operating and Management, Legal, and Project Financing teams – will meet at least biannually to review and monitor eligible green projects, facilitate reporting and manage future updates to the Framework.
 - The Company uses an internal ESG risk register to assess ESG risks associated with eligible projects and assets. The Company also conducts environmental impact assessments for eligible projects to manage and mitigate potential negative impact. Aldar assesses integrated facilities management service providers and suppliers based on sustainability criteria. For additional details, refer to Section 2.
 - Based on the project evaluation and selection process and environmental and social risk management systems in place, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Aldar Group's Treasury Team will be responsible for the overall management of proceeds. Aldar will deposit net proceeds from green finance instruments issued or obtained under the

⁹ Abu Dhabi Occupational Safety and Health Center, "Abu Dhabi Occupational Safety and Health System Framework: Occupational Standards and Guideline Values", (2016), at: <https://www.adphc.gov.ae/-/media/Project/ADPHC/ADPHC/PDF/OSHAD-SF/Standards-Guideline-values/Occupational-Standards-Eng.pdf>

¹⁰ Government of Abu Dhabi, "Law No. (21) of 2005 for Waste Management in the Emirate of Abu Dhabi", (2005), at: <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/83638/92487/F1519557539/ARE83638.pdf>

¹¹ Government of the UAE, "Federal Law No. (24) of 1999 for the Protection and Development of the Environment", (1999), at: <https://faolex.fao.org/docs/pdf/uae67811E.pdf>

¹² Abu Dhabi Occupational Safety and Health Center, "Abu Dhabi Occupational Safety and Health System Framework: Code of Practice 54 – Waste Management", (2019), at: <https://www.adphc.gov.ae/-/media/Project/ADPHC/ADPHC/PDF/OSHAD-SF/Codes-of-Practise/54--Waste-Management-Eng.pdf>

¹³ Abu Dhabi Environment Agency, "About us", at: <https://www.ead.gov.ae/en/About-Us>

¹⁴ Government of Abu Dhabi, "Law No. (21) of 2005 for Waste Management in the Emirate of Abu Dhabi", (2005), at: <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/83638/92487/F1519557539/ARE83638.pdf>

- Framework in the Company's general funding accounts, where they will be earmarked for allocation using a Green Finance Register.
- Aldar intends to allocate net proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be temporarily invested in cash and cash equivalents according to the Company's standard liquidity policy.
 - Aldar has communicated to Sustainalytics that instruments issued under the Framework may include multi-tranche loan facilities. The Company intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework. This is aligned with market practice.
 - Based on the use of an internal tracking system, a commitment to allocate proceeds to eligible projects in a timely manner and the disclosure of the temporary allocation of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - Aldar commits to report on the allocation of proceeds and corresponding impact on an annual basis until full allocation. The allocation and impact report will be published as part of Aldar's Sustainability Report on the Company's website.
 - Allocation reporting will include a list of eligible green projects, the amount of proceeds allocated per category, the balance of unallocated proceeds, the share of financing versus refinancing, examples of projects financed and, where possible, a description of eligible green projects financed.
 - Subject to availability and confidentiality of data, impact reporting may include relevant impact indicators per eligible category, such as the level of certification by property, energy efficiency gains (measured in MWh or percentage), estimated avoided GHG emissions (measured in tCO₂e), annual energy savings (measured in MWh per annum), annual energy efficiency gain (measured in percentage) and amount of water recycled and reused (measured in litres). For a full list of impact indicators, please refer to Appendix 1.
 - Aldar has communicated to Sustainalytics that if the Company obtains revolving credit facilities under the Framework, it will report on the allocation until loan maturity.
 - Based on the commitments to allocation and reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics has determined that the Aldar Properties PJSC Green Finance Framework aligns with the four core components of the GBP and GLP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Aldar

Contribution to Aldar's sustainability strategy

Sustainalytics is of the opinion that Aldar demonstrates a commitment to sustainability with a focus on the following key sustainability areas: i) sustainable and healthy buildings; ii) energy management and emissions; iii) water conservation; and iv) waste management and recycling. Aldar conducted a materiality assessment in 2021 to identify ESG issues material to Aldar and its stakeholders, focusing on its four key sustainability areas.¹⁵

To promote the development of green infrastructure, Aldar has set standards that mandate all its infrastructure projects to be certified with a minimum level of 2 Pearl in the Estidama Pearl Rating System and further aims to apply for LEED certifications for such projects from 2023 onwards. In terms of emissions management, Aldar launched its Net Zero Plan in January 2023 in line with the UAE Net Zero by 2050 Strategic Initiative, under which it aims to achieve net zero emissions by 2050. The Net Zero Plan also outlines interim targets to achieve a 90% reduction in scope 1 and 2 emissions and a 45% reduction in scope 3 emissions intensity by 2030 compared to a 2021 baseline year. Aldar has communicated to Sustainalytics that the Company intends to seek validation from Science Based Targets initiative (SBTi) for the interim targets once SBTi publishes new methodology, tools and guidance for buildings sector in 2023¹⁶. Aldar also plans to use

¹⁵ Aldar Properties PJSC, "Sustainability Report 2022", at: <https://cdn.aldar.com/-/media/project/aldar-tenant/aldar2/sustainability-report/aldar-sustainability-report-2022-design.pdf?rev=4e20b10f6e2742fa962094bb6199a837>

¹⁶ Science Based Targets initiative (SBTi), "Sector Guidance - Buildings", at: <https://sciencebasedtargets.org/sectors/buildings>.

low-carbon raw materials in all its projects, procure key construction materials with environmental product declarations and establish low-carbon construction site practices.¹⁷

Aldar procured 95% of its electricity and chilled water from clean energy sources in 2022 through clean electricity certificates. As part of its Energy Retrofit plan, Aldar appointed four energy-saving companies and invested AED 25 million (USD 6.8 million) to implement retrofit measures across 67 assets, including residential and commercial properties in 2022.¹⁸

To reduce water usage, Aldar has adopted a comprehensive approach to water management across its operations and is committed to retrofitting properties and incorporating low-carbon alternatives into construction designs to conserve water.¹⁹ To enhance its waste management practices, Aldar plans to prioritize waste diversion from landfills, increase greywater recycling and treat organic waste through on-site composting.²⁰

Based on the above commitments, Sustainalytics is of the opinion that the Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving human and labour rights; emissions, effluents and waste generated in construction; occupational health and safety; community relations and stakeholder participation; and land use and biodiversity. Sustainalytics notes that the UAE has faced controversies over human and labour rights conditions in the past, especially with respect to working conditions of migrant workers, and health and safety concerns for contractual workers.^{21,22} Sustainalytics acknowledges the co-operation between the International Labour Organization (ILO) and the Government of UAE towards guaranteeing worker protection and strengthening labour governance.²³ Despite these reforms, human and labour rights issues remain prevalent in the country, and Sustainalytics considers these to be ongoing risks.²⁴ Sustainalytics notes that Aldar has developed policies and processes to address human rights, labour rights, and occupational health and safety risks associated with its operations.

Sustainalytics is of the opinion that Aldar is able to manage and mitigate potential environmental and social risks through the implementation of the following:

- Regarding human and labour rights, Aldar has developed a Human Rights Policy²⁵ in compliance with the applicable UAE federal laws and recognizes the UN Universal Declaration of Human Rights, the ILO Declaration of Fundamental Principles and Rights at Work, and the ILO Fundamental Conventions. The policy outlines the Company's commitment to prevent forced labour, child labour, discrimination and harassment, and ensure fair and equal treatment for all its employees. Aldar has also developed a Worker Welfare Policy,²⁶ which details similar requirements for its employees and contractual workers involved in the construction, operations and maintenance of Aldar's projects. The Company has developed an Anti-Discrimination and Harassment Policy²⁷ in alignment with the United Nations Guiding Principles on Business and Human Rights, the International Bill of Rights and the ILO Declaration on Fundamental Principles and Rights at Work. Aldar ensures adherence to the national laws of anti-discrimination as outlined in this policy, including UAE's Federal Decree Law No.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

²¹ Human Rights Watch, "World Report 2022: United Arab Emirates Events of 2021", at: <https://www.hrw.org/world-report/2022/country-chapters/unity-arab-emirates>

²² US Department of State, "2022 Country Reports on Human Rights Practices: United Arab Emirates", at: <https://www.state.gov/reports/2022-country-reports-on-human-rights-practices/unity-arab-emirates/>

²³ International Labour Organization, "United Arab Emirates", at: https://www.ilo.org/beirut/countries/unity-arab-emirates/WCMS_533531/lang-en/index.htm

²⁴ Human Rights Watch, "World Report 2022: United Arab Emirates Events of 2021", at: <https://www.hrw.org/world-report/2022/country-chapters/unity-arab-emirates>

²⁵ Aldar Properties PJSC, "Human Rights Policy", at: <https://cdn.aldar.com/-/media/project/aldar-tenant/aldar2/pdfs/sustainability-policies/en/3-human-rights-policy.pdf?rev=6c12e7d8133d4ea1bf41e86daeda973a>

²⁶ Aldar Properties PJSC, "Worker Welfare Policy", at: <https://cdn.aldar.com/-/media/project/aldar-tenant/aldar2/pdfs/sustainability-policies/en/aldar-workers-welfare-policy.pdf?rev=26a29680aa4a48e6aefc278af45ca154>

²⁷ Aldar Properties PJSC, "Anti-Discrimination and Harassment Policy", at: <https://cdn.aldar.com/-/media/project/aldar-tenant/aldar2/pdfs/sustainability-policies/en/6-anti-discrimination-and-harassment-policy.pdf?rev=2c377fac456e418cb6ac3e3c5a912eff>

2 of 2015 on Combating Discrimination and Hatred,²⁸ Article 32 of the UAE Labour Law 1980 on Gender Wage Equality,²⁹ Federal Law No. 29 of 2006 on the Rights of People with Special Needs³⁰ and the UAE's People of Determination Protection from Abuse Policy.³¹

- To manage environmental risks related to emissions, waste and effluents generated during its operations, the Company's Environmental Policy commits to reducing exposure to air pollution and improving ambient air quality.³² The policy also commits to Aldar ensuring appropriate measures to treat and dispose waste and wastewater in compliance with all applicable legal requirements and undertake appropriate risk assessments to identify hazards from waste generation, handling, segregation, storage, transportation and disposal, followed by implementing appropriate control measures.³³ To reduce the environmental impact across its supply chain, Aldar has a Sustainable Procurement Policy³⁴ in place that commits to sustainable procurement of goods and services by increasing the percentage of items procured with eco-labels and encouraging suppliers to adopt practices that minimize adverse environmental impact, among other measures.
- To ensure worker health and safety, Aldar has developed an Occupational Safety and Health (OSH) Policy,³⁵ which applies to the Company's permanent and contractual employees, and commits to establishing an OSH framework to prevent injuries and ensure safe working conditions. The Company is also committed to ensuring compliance with all relevant legislation, regulations and appropriate code of practices. Aldar supports its employees in reporting accidents, incidents and hazards that occur during operations, provides OSH training and promotes employees' awareness. The Company also conducts periodic audits and inspections at its construction sites as part of its OSH monitoring programme to reduce the frequency of incidents, manage hazards and ensure compliance with legal requirements.³⁶
- To ensure engagement with local communities and stakeholders for development projects, Aldar has a Stakeholder Engagement Policy³⁷ in place which commits to designing inclusive techniques to engage transparently with all stakeholders during different stages of its business operations and developing action plans to respond to stakeholder priorities in adherence to all applicable government guidelines and regulations.
- Regarding risks related to land use and biodiversity associated with large-scale infrastructure development, Aldar has in place an Environmental Policy which outlines its commitment to minimize the adverse impacts of its operations on biodiversity and ecosystems by undertaking improvements to natural habitats and managing marine and coastal environments.³⁸ Aldar adheres to Abu Dhabi Environment Agency's³⁹ requirements for all its development projects and conducts a periodic analysis to ensure that the Company does not operate in protected areas or endanger biodiversity. The Company has also partnered with the Abu Dhabi Environment Agency to support biodiversity monitoring and protection programmes in the UAE. Aldar conducts environment impact assessments for its projects, where relevant, to identify, manage and mitigate potential negative impacts on biodiversity. Aldar also undertakes an assessment based on the 'Estidama credit NS-3

²⁸ Government of the UAE, "Anti-discrimination laws and policies", at: [https://u.ae/en/information-and-services/justice-safety-and-the-law/anti-discrimination-laws-and-policies#:~:text=2%20of%202015%20\(PDF%2C%20450,race%2C%20colour%20or%20ethnic%20origin](https://u.ae/en/information-and-services/justice-safety-and-the-law/anti-discrimination-laws-and-policies#:~:text=2%20of%202015%20(PDF%2C%20450,race%2C%20colour%20or%20ethnic%20origin).

²⁹ Government of the UAE, "Gender Equality in the Workplace", at: <https://u.ae/en/information-and-services/social-affairs/gender-equality/gender-equality-in-the-workplace>

³⁰ Government of the UAE, "Protecting the rights of people of determination (persons with disabilities)" at: <https://u.ae/en/about-the-uae/human-rights-in-the-uae/protecting-the-rights-of-people-of-determination>

³¹ Government of the UAE, "The Cabinet Approves a Policy to Protect People of Determination from Abuse", at: <https://uaecabinet.ae/en/details/news/the-cabinet-approves-a-policy-to-protect-people-of-determination-from-abuse>

³² Aldar Properties PJSC, "Environmental Policy", at: <https://cdn.aldar.com/-/media/project/aldar-tenant/aldar2/pdfs/sustainability-policies/en/8-environmental-policy.pdf?rev=3027feaf86ee48a1a75102f877be1cc2>

³³ Ibid.

³⁴ Aldar Properties PJSC, "Sustainable Procurement Policy", at: <https://cdn.aldar.com/-/media/project/aldar-tenant/aldar2/pdfs/sustainability-policies/en/procurement-policy.pdf?rev=1a13419e9f2e49aa8d5ce412581358e4>

³⁵ Aldar Properties PJSC, "Occupational Safety and Health", at: <https://cdn.aldar.com/-/media/project/aldar-tenant/aldar2/pdfs/sustainability-policies/en/health-and-safety-policy.pdf?rev=ad4d709e3b7d4090ac95467cfcb5685>

³⁶ Aldar Properties PJSC, "Sustainability Report 2022", at: <https://cdn.aldar.com/-/media/project/aldar-tenant/aldar2/sustainability-report/aldar-sustainability-report-2022-design.pdf?rev=4e20b10f6e2742fa962094bb6199a837>

³⁷ Aldar Properties PJSC, "Stakeholder Engagement Policy", at: <https://cdn.aldar.com/-/media/project/aldar-tenant/aldar2/pdfs/sustainability-policies/en/7-stakeholder-engagement-policy.pdf?rev=a92f2007fb8043d09c29c51a759d14f9>

³⁸ Aldar Properties PJSC, "Environmental Policy" at: <https://cdn.aldar.com/-/media/project/aldar-tenant/aldar2/pdfs/sustainability-policies/en/8-environmental-policy.pdf?rev=3027feaf86ee48a1a75102f877be1cc2>

³⁹ Abu Dhabi Environment Agency, "About us", at: <https://www.ead.gov.ae/en/About-Us>

Ecological enhancement⁴⁰ which provides credit points to the Company for using native and adaptive plant species in 50-70% of the planting schedule on its sites.⁴¹

Based on the above policies, standards and assessments, Sustainalytics is of the opinion that Aldar has 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 five use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused on one category below where the impact is specifically relevant in the local context.

Importance of financing green buildings in the UAE

The buildings and construction sector accounted for 34% of global energy demand and was responsible for 37% of global carbon emissions in 2021.⁴² According to the UN, direct and indirect CO₂ emissions from the buildings sector needs to decline by 50% and 60% respectively by 2030 to align with the Paris Agreement's 1.5°C scenario.⁴³ In this scenario, all new buildings and 20% of the world's existing building stock would need to be zero-carbon ready⁴⁴ by 2030, and the energy consumed by buildings per square metre would need to decline by 35% by 2030 from a 2021 baseline to reach net-zero emissions by 2050.^{45,46}

In the UAE, cement production is responsible for approximately 6-7% of the carbon inventory.⁴⁷ Under its Nationally Determined Contribution, the UAE has committed to reducing the country's GHG emissions by 31% compared to a 2016 baseline and achieving carbon neutrality by 2050.⁴⁸ To achieve its targets, the country developed the National Climate Change Plan of the United Arab Emirates 2017-2050. Key initiatives include: i) establishment of the Etihad Energy Service Company to develop energy-efficiency projects and building retrofits with a target of retrofitting 30,000 buildings by 2030; and ii) launching Estidama, a sustainability programme that focuses on improving the energy efficiency of new buildings in Abu Dhabi, promoting sustainability ratings for new urban developments in the design, planning and construction phases.⁴⁹

Based on the above, Sustainalytics is of the opinion that Aldar's investment in green buildings in the UAE is expected to contribute to decarbonizing the building stock in the country and contribute to its climate goals.

Contribution to SDGs

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

Use of Proceeds Category	SDG	SDG target(s)
Green Buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all

⁴⁰ Abu Dhabi Urban Planning Council, "The Pearl Rating System for Estidama – Community Rating System (Version 1.0)", at: <https://pages.dmt.gov.ae/-/media/DE1617B2A0634AC58B42DB511E18ECF4.ashx?newTab=1>

⁴¹ Aldar Properties PJSC, "Sustainability Report 2022", at: <https://cdn.aldar.com/-/media/project/aldar-tenant/aldar2/sustainability-report/aldar-sustainability-report-2022-design.pdf?rev=4e20b10f6e2742fa962094bb6199a837>

⁴² UN Environment Programme, "Global Status Report for Buildings and Construction", (2022), at: https://globalabc.org/sites/default/files/inline-files/2022%20Global%20Status%20Report%20for%20Buildings%20and%20Construction_0.pdf

⁴³ UN Environment Programme, "Building sector emissions hit record high, but low-carbon pandemic recovery can help transform sector – UN report", (2020), at: <https://www.unep.org/news-and-stories/press-release/building-sector-emissions-hit-record-high-low-carbon-pandemic>

⁴⁴ The IEA defines zero-carbon-ready buildings as highly energy-efficient and resilient buildings that either use renewable energy directly or rely on a source of energy supply that can be fully decarbonized, such as electricity or district energy. The zero-carbon-ready concept includes operational and embodied emissions. IEA, "Roadmap for Energy-Efficient Buildings and Construction in the Association of Southeast Asian Nations", at: <https://www.iea.org/reports/roadmap-for-energy-efficient-buildings-and-construction-in-the-association-of-southeast-asian-nations/executive-summary>

⁴⁵ IEA, "Renovation of near 20% of existing building stock to zero-carbon-ready by 2030 is ambitious but necessary", (2022), at: <https://www.iea.org/reports/renovation-of-near-20-of-existing-building-stock-to-zero-carbon-ready-by-2030-is-ambitious-but-necessary>

⁴⁶ IEA, "Buildings", (2022), at: <https://www.iea.org/reports/buildings>

⁴⁷ Masand, N. (2023), "UAE's existing buildings need a green retrofit – and that too on a tight budget", Gulfnews, at: <https://gulfnews.com/business/analysis/uaes-existing-buildings-need-a-green-retrofit-and-that-too-on-a-tight-budget-1.1675946045281>

⁴⁸ UNCCC, "Updated Second Nationally Determined Contribution of the United Arab Emirates", at: <https://unfccc.int/documents/613857>

⁴⁹ UAE Ministry of Climate Change, "National Climate Change Plan of the United Arab Emirates 2017-2050", at: <https://www.moccae.gov.ae/assets/30e58e2e/national-climate-change-plan-for-the-united-arab-emirates-2017-2050.aspx>

		countries taking action in accordance with their respective capabilities
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Sustainable Water Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Pollution Prevention and Control	12. Responsible consumption and production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

Conclusion

Aldar has developed the Aldar Properties PJSC Green Finance Framework, under which it may issue green bonds, loans or sukuks and use the proceeds to finance or refinance in whole or in part, existing or future projects under the Green Buildings, Energy Efficiency, Sustainable Water Management, Pollution Prevention and Control, and Renewable Energy categories. Sustainalytics considers that the projects funded by the green finance proceeds are expected to provide a positive environmental impact.

The 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 Framework is aligned with the overall sustainability strategy of the Company and that the green use of proceeds categories will contribute to the advancement of UN Sustainable Development Goals 6, 7, 9 and 12. Additionally, Sustainalytics is of the opinion that Aldar has measures in place to identify, manage and mitigate potential environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Aldar Properties PJSC is well positioned to issue green bonds, loans or sukuks and that the Aldar Properties PJSC Green Finance Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Aldar Properties PJSC
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Aldar Properties PJSC Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	May 05, 2023
Publication date of review publication: Original publication date [please fill this out for updates]:	Update to Aldar Properties PJSC Green Finance Framework Sustainalytics SPO, published on January 07, 2021

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 GBP:

- | | |
|--|--|
| <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 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

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, Energy Efficiency, Sustainable Water Management, Pollution Prevention and Control, and Renewable Energy – are aligned with those recognized by the Green Bond Principles 2021 and the Green Loan Principles 2023. Sustainalytics considers that investments in the eligible categories may contribute to a positive environmental impact and advance the UN Sustainable Development Goals, specifically SDGs 6, 7, 9 and 12.

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 type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input 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 GBP | <input type="checkbox"/> Other (<i>please specify</i>): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

Aldar's Sustainability Council will be responsible for governing, evaluating and selecting and implementing projects in line with the Framework's eligibility criteria. Aldar uses an internal ESG risk register to assess ESG risks associated with eligible projects and assets. Aldar also conducts environmental impact assessments for eligible projects to manage and mitigate potential risks. Sustainalytics considers the project evaluation and selection process and risk management systems in place 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 |

- Summary criteria for project evaluation and selection publicly available Other (*please specify*):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment

- Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Aldar Group's Treasury team will be responsible for the overall management of proceeds. Aldar will use a Green Finance Register to track the allocation of proceeds. Aldar intends to allocate net proceeds within 24 months of issuance. Pending full allocation, unallocated proceeds will be temporarily invested in cash and cash equivalents according to the Company's standard liquidity policy. Sustainalytics considers this process to be in line with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (*please specify*):

4. REPORTING

Overall comment on section (*if applicable*):

Aldar commits to report on the allocation of proceeds and corresponding impact annually, until full allocation. The allocation and impact report will be published on Aldar's website. Allocation reporting will include a list of eligible green projects, the amount of proceeds allocated per category, the balance of unallocated proceeds, share of financing against refinancing, examples of projects financed and, where possible, a description of eligible green projects financed. Sustainalytics views Aldar's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported:

- Allocated amounts Green Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project On a project portfolio basis
- Linkage to individual bond(s) Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings Energy Savings
- Decrease in water use Other ESG indicators (please specify):
Level of certification by property; Energy efficiency gains in MWh or % vs. baseline; Amount of water recycled (litres); Amount of water reused (litres) Waste prevented, minimised, reused or recycled (% or tonnes p.a.); Amount of waste separated and/or collected, and treated or disposed of (tonnes p.a. or % of total waste); Renewable energy purchased (MWh); Renewable energy capacity added/rehabilitated (MWh pa); Percentage of electricity consumption from renewable sources

Frequency

- Annual Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report Information published in sustainability report
- Information published in ad hoc documents Other (please specify): Aldar's Website

- 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:

- Consultancy (incl. 2nd opinion) Certification
 Verification / Audit Rating
 Other (*please specify*):

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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For more information, visit www.sustainalytics.com

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