



Aldar Properties PJSC Green Finance Framework

May 2023



Sustainability Commitment

Aldar Properties PJSC (Aldar) is a leading UAE real estate developer, owner and manager predominantly focused on the Abu Dhabi market. Since 2021, the company expanded its footprint outside the UAE into the Egyptian market.

As a fast-growing and diversified property development and investment company, Aldar operates as a unified Group. Its Aldar Development segment comprises a homebuilding business responsible for developing a 69-million-square meter¹ land bank, a fee-based project management business, and an international expansion platform. Aldar Investment is its core asset management business, focused on maximizing the value of its diverse portfolio valued at over AED 32 billion¹, and it includes various business lines, such as Aldar Education, Aldar Estates, Provis, Khidmah, C2i, and Aldar Hospitality.

Aldar's sustainability purpose is to shape a better future and create long-term value for its stakeholders. The company aligns its business and sustainability strategies towards this objective. Sustainability is embedded across the group, from making it a core part of its master planning to supporting the use of low-carbon materials, reducing the carbon footprint of its construction activity, conducting sustainability assessments of new acquisitions, improving the energy efficiency of its assets, and enhancing communities' lifestyles.

Aldar's sustainability strategy is aligned with national and international agendas, and it aims to contribute to achieving all 17 United Nations Sustainable Development Goals (UN SDGs). This strategy is anchored by four fundamental pillars: Economy, Community, People, and Environment.

¹As of December 31st, 2022



Strategic aims

OUR VISION	OUR MISSION
Become a leading regional real estate developer and manager that creates memorable experiences and value for our customers and shareholders.	Place our customers first by embedding sustainability, quality, technology and innovation in everything we do.

Our Sustainability Purposes

SHAPING A BETTER FUTURE

We aim to create a business culture where sustainability is at the heart of everything we do, and where the concept of sustainability informs the way we operate, collaborate, innovate and grow.

Sustainability Pillars



ECONOMY



COMMUNITY



ENVIRONMENT



PEOPLE

Supported by

- Core Values
- Close Partnerships
- Strong Governance
- Stretching Targets

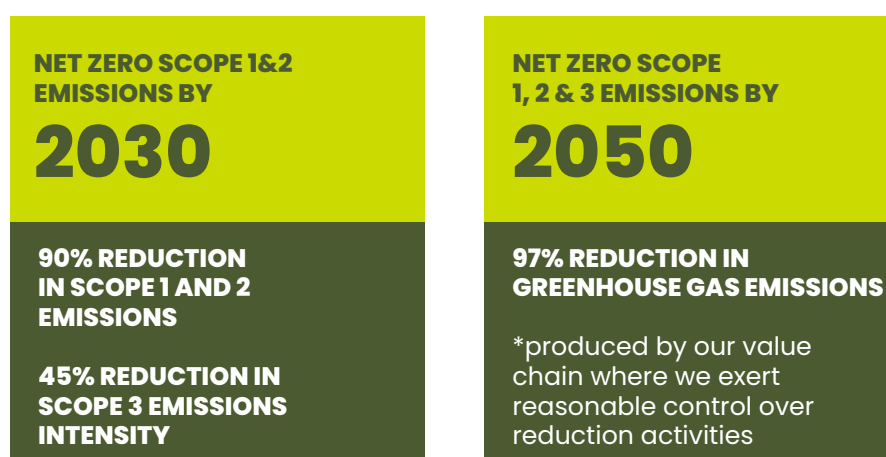


1.1 Net Zero Plan

In early 2023, Aldar launched its Net Zero Plan to become a net-zero carbon business across its Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions by 2050. This is in line with the goals of the Paris Agreement and the UAE Net Zero by 2050 Strategic Initiative.

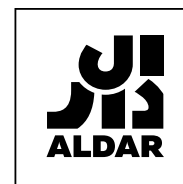
Aldar has also set science-aligned 2030 interim targets, which will see it achieve net zero in its Scope 1 and Scope 2 GHG emissions and deliver a 45% reduction in the intensity of its Scope 3 GHG emissions relative to the company's 2021 baseline. Aldar sits on the Science Based Target Initiative (SBTi) Expert Advisory Group and is working closely with its global peers to develop science-based target setting methodologies, tools and guidance for companies in the buildings sector².

The Net zero plan is Aldar's contribution towards the decarbonisation of the real estate sector and aims at creating new long-term opportunities for the business and its partners in both the public and private sectors. The targets are bold but achievable and will be supported by leading global practice. Aldar will also seek independent validation of those objectives once the SBTi publishes its guidance for the buildings sector.



²SBTi Buildings Sector: <https://sciencebasedtargets.org/sectors/buildings>

³Aldar Net Zero Plan: <https://www.aldar.com/netzero/plan.v1.pdf>



The Net Zero Plan³ explains how Aldar will achieve Net Zero in its direct emissions and the embodied carbon of all its developments and projects, as well as emissions associated with its supply chain and tenants. By launching this plan, Aldar is taking a leading position on the global transition to Net Zero and is underlining its commitment to helping control the effects of climate change. Part of this commitment includes a whole building approach, based on which Aldar identified eight decarbonisation focus areas that span the whole lifecycle of its assets: these include

- **Low Carbon Design:** implementing an Aldar Sustainable Design Standard to embed low carbon active and passive design options, maximising energy efficiency, building performance, and asset climate resilience.
- **Low Carbon Supply Chain:** incentivising the supply chain to innovate around low carbon products, materials, and manufacturing processes.
- **Green Construction:** taking a whole lifecycle approach to assets that prioritises low carbon site practices and construction material procurement.
- **Clean Energy:** prioritising use of clean energy through grid decarbonisation and procuring clean energy generated by government instruments.
- **Resource Efficiency and Management:** upgrading Aldar's current systems to reduce leakage and improve asset efficiency in use.
- **Tenant Initiatives:** developing a programme of tenant engagement across all leased and managed assets, offering guidance and incentives for more sustainable behaviours.
- **Circular Economy:** focusing on better waste management during design, build and use phases, prioritising diversion from landfill, increasing greywater recycling and supporting the local waste sector.
- **Sustainable Acquisitions:** ensuring that all new investments and acquisitions will be guided by criteria that formally integrate sustainability considerations into the end-to-end investment decision making process.

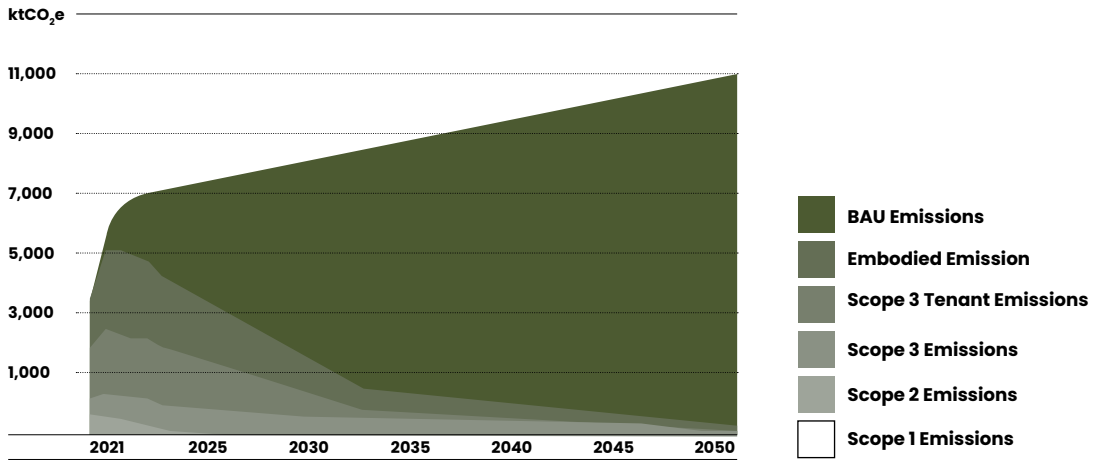


Figure: Aldar's Emissions Reduction Pathway





1.2 Sustainability Governance and Reporting

Within the Group, there are sustainability teams and champions who lead the effort to embed sustainability across the value chain, applying sector-specific knowledge and implementing plans. The Group Executive Management Committee (EMC) holds ultimate accountability for sustainability strategy and performance, with primary management decision making falling under the responsibility of the Chief Financial and Sustainability Officer (CFSO), who is a member of the Committee.

The Sustainability Strategic Forum, chaired by the Group Sustainability & CSR Director, is responsible for ongoing operational oversight, strategy formulation, and recommendations for Board approval. As one of the four Strategic Management Forums within the operating model, it acts as a subcommittee for the EMC and includes EMC members and sustainability representatives from across the business. Decision-making for each segment is the responsibility of the Heads of Sustainability at Aldar Development and Aldar Investment, which are accountable for aligning with the strategic direction provided at the corporate level. The Executive Management Team has integrated ESG metrics into their performance evaluation systems, creating a stronger interdependence between sustainability and financial performance.

Aldar is dedicated to transparency and accountability regarding its progress and setbacks in sustainability. To achieve this, the company publishes an annual sustainability report⁴ that adheres to industry best practices. The previous two reports have followed the newly launched GRI⁵ (Global Reporting Initiative) Standards 2021. The aim of these reports is to share sustainability-related narratives and ESG data with all stakeholders in a manner that is easy to access and understand.

⁴ [Aldar Sustainability Report 2022: https://cdn.aldar.com/-/media/project/aldar-tenant/aldar2/sustainability-report/aldar-sustainability-report-2022-design.pdf?rev=4e20b10f6e2742fa962094bb6199a837](https://cdn.aldar.com/-/media/project/aldar-tenant/aldar2/sustainability-report/aldar-sustainability-report-2022-design.pdf?rev=4e20b10f6e2742fa962094bb6199a837)

⁵ [GRI - Standards \(globalreporting.org\)](https://www.globalreporting.org/)



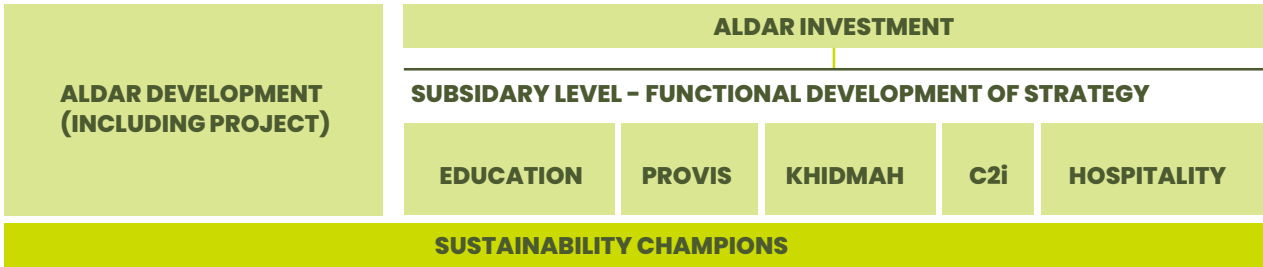
BOARD LEVEL – GOVERNANCE & OVERSIGHT

ALDAR BOARD OF DIRECTORS

MANAGEMENT LEVEL – STRATEGIC DIRECTION & MONITORING

MANAGEMENT COMMITTEE — **GROUP SUSTAINABILITY FORUM** — **SUSTAINABILITY & CSR DEPT.**

BUSINESS LEVEL – OPERATIONAL LEADERSHIP



Collaborate Report to





Green Finance Framework

Aldar Properties PJSC and its subsidiaries (jointly referred to as “Aldar”) intend to use this Framework as the basis to issue Green Bonds, Sukuk, and Loans (“Green Financing Instruments”). The Green Financing Instruments will fund Eligible Green Projects that conform to the green finance principles listed below:

- **The Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1) as published by the International Capital Market Association (“ICMA”)⁶; and/or**
- **Loan Market Association (“LMA”) Green Loan Principles (“GLP”) 2023⁷**

In aligning with the above principles and guidelines, the Company’s Green Finance Framework is presented through the GBP’s/GLP’s following four core components as well as its recommendation for external review:

- a. Use of Proceeds**
- b. Process for Project Evaluation and Selection**
- c. Management of Proceeds**
- d. Reporting**

Bond(s) or Sukuk issued under this Framework may take the form of public transactions or private placements, in bearer or registered format, and may take the form of senior unsecured or subordinated issuances. Such Sukuk, bonds and any loans entered into under this Framework will be standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the underlying allocated eligible asset exposures.

⁶ In alignment with Green Bond Principles 2021 (with June 2022 Appendix 1), <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

⁷ In alignment with LMA Green Loan Principles, Feb 2023, https://www.lma.eu.com/application/files/4716/7715/0338/Green_Loan_Principles_23_February_2023.pdf



2.1 Use of Proceeds

Aldar will allocate an amount at least equivalent to the net proceeds of the Green Financing Instruments issued under this Framework to finance and/or re-finance, in whole or in part, green projects which meet the eligibility criteria of the following Eligible Green Project categories (“Eligible Green Projects”), as defined as below.

A maximum 3 year look-back period would apply for refinanced projects and Aldar expects each issuance under this framework to be fully allocated within 2 years from the date of issuance.

Project Category	Eligibility Criteria	Alignment with UN SDG Targets
Green Buildings	<ul style="list-style-type: none"> Investment in new or existing commercial or residential buildings that have received, or expect to receive based on its design, construction and operational plans, certification according to the following third-party verified green building standards: <ul style="list-style-type: none"> LEED (Gold and above) Estidama Pearl Building Rating System (3 Pearl with a minimum 20% improvement above ASHRAE 90.1 criteria) 	<p>SDG 7.3: By 2030, double the global rate of improvement in energy efficiency</p>
Energy Efficiency	<ul style="list-style-type: none"> Investment in refurbishments/ upgrade of buildings including energy-saving retrofit of cooling systems and/or energy optimisation measures including automation of energy systems through Internet of Things / Artificial Intelligence / Building Management Systems that result in a minimum of 30% energy savings compared to existing baseline and replacement of lighting equipment with LED 	<p>SDG 7.3: By 2030, double the global rate of improvement in energy efficiency</p>

⁸<https://www.dmt.gov.ae/en/Urban-Planning/Pearl-Building-Rating-System>

Project Category	Eligibility Criteria	Alignment with UN SDG Targets
Sustainable Water Management	<ul style="list-style-type: none"> Investment in technologies, projects and infrastructure for the collection, distribution, treatment, recycling or reuse of water, rainwater or waste water 	<p>SDG 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</p> <p>SDG 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</p>
Pollution Prevention and Control	<ul style="list-style-type: none"> Investment in waste reduction, reuse or recycling projects 	<p>SDG 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>
Renewable Energy	<ul style="list-style-type: none"> Generation or procurement of energy to power the company's operations from the following renewable sources: <ul style="list-style-type: none"> Solar PV Concentrated solar heat & power generation (CSP) plants where at least %85 of the electricity generated will be sourced from solar energy Onshore and offshore wind 	<p>SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix</p>



[Each development project has its own Waste Management Plan, assessed against a construction phase checklist to meet OSHAD-SF standards and in compliance with Abu Dhabi Law No.21, Federal Law No.24 and the Abu Dhabi OSHAD Code of Practice 54 on waste management](#)



2.2 Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that the proceeds of any Aldar Green Financing Instrument is allocated to finance or refinance Eligible Green Projects that meet the criteria and objectives set out above in section 2.1, Use of Proceeds.

Aldar's Sustainability Council (the "Council"), established in 2019, will be responsible for governing and implementing the initiatives set out in the Framework.

- **The Council is comprised of certain Company management personnel, including but not limited to representatives from the Group Treasury and Funding team, Sustainability and Corporate Social Responsibility (CSR) team, Development team, Engineering team, Operating & Management team, Legal team and Project Financing team for the selection and evaluation of the Eligible Green Projects**
- **The Council is chaired by the Group Director of Sustainability and CSR**

The Council will:

- **Meet at least two times each year, endeavoured to be distributed evenly throughout the year**
- **Ratify Eligible Green Projects, which are initially proposed by the constituent team members**
- **Undertake regular monitoring of the asset pool to ensure the eligibility of Green Projects with the criteria set out above in section 2.1, Use of Proceeds, whilst replacing any ineligible Green Projects with eligible new Green Projects**
- **Facilitate regular reporting on any Green issuance in alignment with our Reporting commitments**
- **Manage any future updates to this Framework and obtaining additional external verification as required**
- **Ensure that the approval of Eligible Green Projects will follow the Company's existing credit/loan/investment approval processes**

Aldar assesses ESG risks and opportunities as a core part of managing its business. To this end, Aldar has developed an ESG risk register that looks at aspects such as regulation, customers demand, physical and transition risks of climate change. The ESG risk register will be used to evaluate all new acquisitions on sustainability criteria. Aldar also assesses integrated facilities management (IFM) service providers and suppliers based on sustainability criteria.

Furthermore, Aldar conducts environmental impact assessments of developments and take a rigorous approach to managing and mitigating any potentially negative impacts. Aldar has implemented a proactive Occupational Health and Safety (OHS) monitoring programme for each project. The OHS monitoring programme aims to enable Aldar to reduce the number of incidents, comply with legal requirements, and efficiently manage the hazards and risks associated with construction sites.





2.3 Management of Proceeds

The proceeds of each of Aldar's Green Financing Instrument will be deposited in Aldar's general funding accounts and earmarked for allocation towards the Eligible Green Projects using the Green Finance Register.

The Green Finance Register will contain the following information:

- **I. Green Financing Instrument (Sukuk/Bond/Loan etc.) details: pricing date, maturity date, principal amount of proceeds, coupon, ISIN number, etc.**
- **II. Allocation of Proceeds:**
 - a. The Eligible Green Projects List, including for each Eligible Green Project, the Eligible Green Project category, project description, project location, Company's ownership percentage, total project cost, amount allocated, settled currency, etc.
 - b. Amount of unallocated Proceeds

Any proceeds temporarily unallocated will be invested according to the Company's standard liquidity policy. For the avoidance of doubt, unallocated funds will not be allocated towards fossil-fuel intensive activities.

2.4 Reporting

On an annual basis, Aldar will publish an allocation report and an impact report on its Eligible Green Projects, as detailed below. This reporting will be updated annually until full allocation of the net proceeds of any Green Financing Instrument issued, or until the Green Financing Instrument is no longer outstanding.



2.4.1 Allocation Reporting

- a. List of Eligible Green Projects
- b. The amount of Proceeds allocated to each Eligible Green Project category
- c. When possible, descriptions of the Eligible Green Projects financed, such as project locations, amount allocated, etc.
- d. Selected examples of projects financed
- e. Amount of unallocated Proceeds
- f. Share of financing vs. refinancing

2.4.2 Impact Reporting

The Company will provide reporting on the environmental benefits of the Eligible Green Projects. Subject to data availability and confidentiality, impact reporting may cover the following impact reporting metrics listed below, and where available, taking reference from the relevant indicators suggested in the ICMA Harmonized Framework for Impact Reporting⁸. In addition, calculation methodologies and key assumptions will be disclosed.

¹⁰https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Green-Bonds_June-2022-280622.pdf
https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds_June-2022-280622.pdf

Eligible Green Project Categories	Impact Reporting Metrics
Green Buildings	<ul style="list-style-type: none"> • Level of certification by property • Energy efficiency gains in MWh or % vs. baseline • Estimated avoided GHG emissions (tCO₂eq) • Annual energy savings (MWh pa)
Energy Efficiency	<ul style="list-style-type: none"> • Estimated avoided GHG emissions (tCO₂eq) • Expected energy saved (in MWh) • Percentage annual energy efficiency gain relative to an established baseline
Sustainable Water Management	<ul style="list-style-type: none"> • Amount of water recycled (litres) • Amount of water reused (litres) • Annual reduction in water consumption
Pollution Prevention and Control	<ul style="list-style-type: none"> • Waste prevented, minimised, reused or recycled (% or tonnes p.a.) • Estimated avoided GHG emissions from waste management (tCO₂eq) • Amount of waste separated and/or collected, and treated or disposed of (tonnes p.a. or % of total waste)
Renewable Energy	<ul style="list-style-type: none"> • Renewable energy purchased (MWh) • Renewable energy capacity added/rehabilitated (MWh pa) • Percentage of electricity consumption from renewable sources





External Review

3.1 Second Party Opinion

Aldar has appointed Sustainalytics to assess this Green Finance Framework and its alignment with the ICMA's Green Bonds Principles and LMA's Green Loan Principles and issue a Second Party Opinion accordingly. The Second Party Opinion will be made publicly available on the Company's official website.

3.2 Post issuance external verification

In order to provide timely and transparent information about the reporting of the funds from Green Financing Instruments issued under this Framework, the Company intends to engage a third party reviewer to provide an annual independent assessment on the alignment of the allocation and impact of funds with the Framework's criteria.



Amendments to this Framework

The Council will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market. 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 the Company and Sustainalytics. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on our website¹¹ and will replace this Framework.

¹¹<https://www.aldar.com/en/Investor-Relations>



**Thank
You**