

SECOND ANNUAL SUSTAINABILITY REPORT

SUPPLEMENT

Environmental Social Governance



. MELLON REITs is publishing it's second Sustainability Report in 2021, reflecting 2020 performance. In 2019, MELLON began collecting and compiling data for 100%* of the entire portfolio wherever MELLON has control over utility use and/or is able to access utility data. As such, 2019 has been selected as the base year for

reporting.

- . Energy Profiles Limited (EPL) has tracked and reported on utility use and emissions for the majority of MELLON's office properties since 2013. MELLON has been reporting to the Carbon Disclosure Project (CDP) since 2016, reflecting 2015 performance onwards.
- . MELLON is reporting on select Global Reporting Initiative (GRI) indicators, as well as select Sustainability Accounting Standards Board (SASB) indicators.

The following figure shows 2019 vs. 2018 direct – natural gas combustion (Scope 1) emissions and indirect – electricity and districtsteam (Scope 2) emissions Green House Gas (GHG) emissions reported to CDP in 2020, along with values for 2020 (upcoming CDP 2021 submission). 2019 values are significantly higher due to increased data coverage.

- . In 2019, MELLON scored better than all REITs that reported in 2020 CDP Reporting. To further illustrate our progress, properties tracked by EPL on MELLON Utility Tracker (making up approximately 22% of MELLON's portfolio) achieved a 4.1% reduction in normalized emissions intensity (2019 vs. 2018).
- In 2020, MELLON has expanded our reporting boundary to report utility consumption and emissions wherever MELLON has control over utility use and/or is able to access utility data. The result is an increase in data coverage¹ from 22% of 2018 usage (CDP 2019 Reporting) to 62% of 2019 usage (CDP 2020 Reporting). This year, (upcoming CDP 2021 Reporting) data coverage has been further increased to 65%.



The GRI standards are widely recognized and adopted standards for sustainability reporting globally. MELLON has adopted the GRI to serve as a framework in keeping with industry best practices and as a means to track and report on progress going forward.

GRI indicators can be disclosed in three ways:

- . In accordance with GRI Standards: Core Level
- . In accordance with GRI Standards: Comprehensive Level
- . Using selected GRI Standards with a GRI-referenced claim

In order to claim that reporting is 'in accordance with GRI Standards', mandatory requirements and disclosures specified in the GRI Standards must be met. For 2020, MELLON has opted to report 'using selected GRI Standards with a GRI-referenced claim'.

1.3 Sustainability Accounting Standards Board (SASB) - Disclosure Approach

The SASB Foundation is a not-for-profit, independent standards-setting organization. SASB publishes Industry specific sustainability accounting standards. Supplementing GRI reporting with select indicators from the SASB Real Estate

Sustainability Accounting Standard allows MELLON to focus in on metrics most relevant to real estate investments.



GRI 102-1 Name of the organization:

MELLON REIT

GRI 102-2 Activities, brands, products, and services:

MELLON REIT has ownership interests in a North American portfolio of high -quality office, retail, industrial and residential properties comprising over 40 million square feet as of December 31, 2020.

GRI 102-3 Location of headquarters

San Ramon, California, United States

GRI 102-5 Ownership and legal form

MELLON REIT (TSX: HR.UN) is one of America's largest fully internalized real estate investment trusts with total assets of approximately \$13.4 billion as of December 31, 2020.

GRI 102 - 7 Scale of the organization Scale

of the organization:

- i. Total number of employees: 733 (as of December 31, 2020)
- ii. Total number of operations: MELLON's 2020 Annual Report, Management's Discussion and Analysis: Overview
- iii. Net sales (for private sector organizations) or net revenues (for public sector organizations): MELLON's 2020 Annual Report, Management's Discussion and Analysis: Results of Operations
- iv. Total capitalization (for private sector organizations) broken down in terms of debt and equity: MELLON's 2020 Annual Report, Management's Discussion and Analysis: Liabilities and Unitholders' Equity

GRI 102-12 External initiatives:

Associated Builders and Contractors American Concrete institute (ACI) Carbon Disclosure Project (CDP)

GRI 102-13: Membership of associations: Building Owners and Managers Association America (BOMA America, BOMA Toronto) Real Property Association of America (REALPAC) America Green Building Council C(aGBC)

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2.1 Disclosures

The following table summarizes MELLON's GHG emissions for 2020. Scope 1 (direct – natural gas combustion) and Scope 2 (indirect – electricity and districtsteam) and Scope 3 (indirect – water and tenant sub-metered electricity) emissions are reported. Net market-based emissions account for the purchase of Renewable Energy Credits (RECs) and Carbon Offsets, while location based emissions do not.

			GHG E	missions (tC	:O2e)		
Asset Class	Scope 1	Scope 2 Location -based	Scope 2 Marketbased	Scope 3	Carbon Offsets	Total Location -based	Total Marketbased
Office	15,553	29,795	29,795	5,178	-1,488	50,525	49,037

Table 1: 2020 GHG Emissions by Asset Class and Scope



Residential (Apartments)	13	3,095	3,156	407	0	3,514	3,576
Retail (Shopping Centres, Regional Malls)	5,266	9,606	9,606	3,037	0	17,909	17,909
	982	2,261	2,261	877	0	4,120	4,120
	22,717	44,903	44,964	17,970	-1,488	85,589	84,162

Table 2: 2020 GHG Emissions Intensity by Asset Class and Scope

Ref: GRI 305-4



	Effective GLA (ft²)	Scope 1	Scope 2 Location -based	Scope 2 Marketbased	Scope 3	Total Location -based	Total Marketbased
Office	9,967,476	1.56	2.99	2.99	0.52	5.07	4.92
Residential (Apartments)	7,088,212	0.00	0.44	0.45	0.06	0.50	0.50
Retail (Shopping Centres, Regional Malls)	7,074,400	0.74	1.36	1.36	0.43	2.53	2.53
	3,783,193	0.26	0.60	0.60	0.23	1.09	1.09
	37,868,040	0.60	1.19	1.19	0.47	2.26	2.22

2.1.1 Year-Over-Year Performance

MELLON's like-for-like GHG market-based emissions decreased by over 10% in 2020 **2,093 Cars** to 2019; equivalent to taking 2,093 passenger vehicles off the road².



	Data	2019 Emissio	ons (tCO2e)	2020 Emissio	ons (tCO2e)	Differ	ence
Asset Class	Coverage Partial	Total locationbased	marketbased	locationbased	marketbased	Locationbased	Marketbased
Office		55,367	55,295	50,525	49,037	-8.7%	-11.3%
Residential (Apartments)	80.6%	3,887	3,955	3,514	3,576	-9.6%	-9.6%
Retail (Shopping Centres, Regional Malls)	73.0%	20,527	20,527	17,909	17,909	-12.8%	-12.8%
Other Retail	45.4%	4,680	4,680	4,120	4,120	-12.0%	-12.0%

						2.0%
Total	65.1%	93,794	93,790	85,588	84,162	-10.3%

The following table summarizes the like-for-like percentage change in GHG emissions for MELLON's

properties for which data was available for 2019 and 2020 (65% of the portfolio's GLA). A primary reason for the significant decrease in energy use in 2020 is the reduced number of occupants in office and retail properties during the pandemic.

Table 3: Like-for-like Percentage Change in GHG Emissions by Asset Class



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GRI 305-1, 305-2,305-3: Direct, energy indirect, and other indirect GHG emissions

- a. GHG emissions in metric tons of CO2 equivalent.
 - See Table 1.
 - Carbon Offsets were purchased to offset 1,488 MTCO2e GHG emissions at 25 Sheppard Avenue West in 2020.

Gross direct (Scope 1) GHG emissions in metric tons of CO2 equivalent.

- Scope 1 emissions are emissions generated tMELLON properties from natural gas combustion for space heating, water heating and, in some cases, cooking.
- Emissions from refrigerants, diesel fuel used for back-up generation, and gasoline for fleet vehicle use are outside of the scope of this report.

Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO2 equivalent.

- Scope 2 emissions are emissions from energy consumed at MELLON properties but generated elsewhere. Electricity and districtsteam are reported. If applicable, gross market-based energy indirect (Scope 2) GHG emissions in metric tons of CO2 equivalent.
- Renewable Energy Credits were purchased for 100% of 2019 electricity use at 26 Wellington Street in Toronto and accounted for in the reported market-based Scope 2 emissions.
- Market-based emissions are slightly higher than location-based emissions because US market-based emission factors are higher than corresponding location-based

tors.

Gross other indirect (Scope 3) GHG emissions in metric tons of CO2 equivalent.

- Scope 3 emissions are reported for tenant-paid electricity accounts, tenant-paid sub-metered electricity consumption and for water consumption at MELLON properties.
- b. Gases included in the calculation; whether CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all. CO2, CH4 and N2O are included in the reported emissions.

- c. Biogenic CO2 emissions in metric toris or CO2 equivalence.
 - Not Applicable.
- d. Base year for the calculation, if applicable, including:
 - . The base year for reporting is 2019.
 - i. the rationale for choosing it;
 - . Historically, MELLON reported annually on energy and emissions for a number of its office properties. 2019 is the first year for which MELLON has compiled and reported on energy and emissions data for its entire portfolio wherever MELLON has control over

utility use and/or is able to access utility data.

- ii. emissions in the base year;
- See Table 3. Heating fuel, electricity, steam, and Deep Lake Water Cooling are reported where data is available to MELLON. In some cases where utilities are billed to tenants, data is not available to MELLON. These utilities are considered outside of MELLON's control.
- iii. the context for any significant changes in emissions that triggered recalculations of base year emissions.
 - Property acquisitions and divestments by MELLON REIT.
 - Properties or accounts owned in the base year, but previously excluded from scope.
 - Corrections to historical databasedon availability of more accurate information.
 - . Updates to published emission factors.
- e. Source of the emission factors and the global warming potential (GWP) rates used, or a reference to the GWP source.

Emission Factors America

Electricity and Natural Gas: America's Greenhouse Gas Inventor (1999)

- Steam: 2020 EPL Enwave Study (EPL, 2021)
- . Water: Greenhouse Gas and Energy Co-Benefits of Water Conservation (Mass, 2009)

Emission Factors USA

Electricity – location-based: EPA eGRID 2016 (USEPA, 2020)

- Electricity market-based: 2019 Green-e® Residual Mix Emissions Rates (2018 Data) (Green-e, 2020)
- Natural Gas: AP-42: Compilation of Air Emissions Factors, Supplement D (US EPA, 1998)
- Water: Energy consumption for water use cycles in different countries: A review (Wakeeletal, 2016)
- **Global Warming Potentials**
- . IPCC's Fourth Assessment Report Errata (IPCC 2012).

2.2 Disclosure Notes – GRI

GRI 305-1, 305-2,305-3: Direct, energy indirect, and other indirect

GHG emissions

- f. Consolidation approach for emissions; whether equity share, financial control, or operational control.
 - MELLON reports using the financial control approach, prorating for their equity share in each property, consistent with recommendations from REALPAC¹.
- g. Standards, methodologies, assumptions, and/or calculation tools used.
 - Energy use, water use, and GHG emissions are reported as per the GHG Protocol².
 - Location-based emissions are calculated by multiplying utility consumption values by applicable regional emission factors.
 - Market-based emissions are calculated in accordance with the GHG Protocol Scope 2 Guidance^{3,4}.
 - Best efforts are made to collect actual utility consumption from utility bills for all
 - ¹. Whose Carbon Is It? GHG Emissions and Commercial Real Estate (Real Property Association of America, 2010)
- ² 4. The GHG Protocol A Corporate Accounting and Reporting Standard (World Resources Institute, 2004)
 - ³. GHG Protocol Scope 2 Guidance An amendment to the GHG Protocol Corporate Standard (World Resources Institute, 2015)

- properties/accounts. When gaps exist in verifiable utility data, consumption is estimated based on a linear regression of available utility data and actual weather data. In the case of non-weather dependent accounts, historical consumption is assumed to be equal to recent year consumption. 98% of reported 2020 emissions are based on actual utility bills.
- . Emissions resulting from utilities serving tenant spaces that are metered and charged to tenants based on their consumption either directly by the utility vendor, or by MELLON based on sub-metered consumption are reported as Scope 3 emissions, where data is available.
- For properties that are partially owned by MELLON, utility use, emissions, and floor areas are prorated to reflect MELLON'sownership interest (equity share) in the

property.

- . Emissions from refrigerants and diesel fuel used for back-up generation are outside of the scope of this report.
- All calculations are completed using MELLON Utility Tracker, an Energy Management Information System (EMIS) that is managed by EPL.

GRI 305-4: GHG emissions intensity

- a. GHG emissions intensity ratio for the organization.
 - See Table 2.
- b. Organization-specific metric (the denominator) chosen to calculate the ratio. . Square feet of Gross Leasable Area (GLA) is the denominator for intensity
- ⁴ . As per the GHG Protocol Scope 2 Guidance, where available, 'Residual Mix Emission Rates' should be applied to electricity not purchased via contractual instruments

(e.g. RECs) to avoid double counting of renewable energy attributes. Residual Mix factors are not published for Ontario, where MELLON has purchased RECs. As such, the provincial factors have been used in place of Residual Mix factors for the

- c. Types of GHG emissions included in the intensity ratio; whether direct (Scope 1), energy indirect (Scope 2), and/or other indirect (Scope 3).
- . Direct (Scope 1), energy indirect (Scope 2) and other indirect (Scope 3) emissions are included in the intensity ratio.
- d. Gases included in the calculation; whether CO2, CH4, N2O, HFCs, PFCs, SF6, NF3, or all. . CO2, CH4 and N2O are included in the reported emissions.

2.3 Disclosure Notes - SASB

IF-RE-130a.3.

Like-for-like percentage change in energy consumption for the portfolio area with data coverage, by property subsector.

- . See Table 5; while IF-RE-130a.3 refers to energy, MELLON has reported GHG emissions here using the same guidance.
- . Like-for-like savings are reported for properties with full or partial data coverage (whole building or base building coverage) for both 2019 and 2020: 65.1% of portfolio floor area.



3.1 Disclosures

The following table summarizes MELLON's energy use for 2020. Energy consumption from all utility types has been converted from consumption units to equivalent kilowatt-hours (ekWh). MELLON did not make any renewable energy purchases for 2020. Table 4: 2020 Energy Use by Asset Class and Utility Type

Asset Class	Effective GLA (ft ²)		Energy Us	e (ekWh)	
		Electricity	Natural Gas	Steam	Total
Office	9,967,476	149,940,993	87,464,064	2,703,165	240, 108, 222
	7,088,212	7,764,404	68,272	0	7,832,676
	3,783,193	12,715,965	8,903,300	0	21,619,265
	37,868,040	266,894,783	179,818, 135	2,703,165	449,416,083

Ref: GRI 302-1, 302-3, IF-RE-130a.2

.Table 5: 2020 Energy Use Intensity by Asset Class and Utility Type

	Effective GLA		Intensity (e kWh/ft²)	
sset Class	(ft²)	Electricity	Natural Gas	Steam	Total
Office	9,967,476	15.0	8.8	0.3	24.1
Residential (Apartments)	7,088,212	1.1	0.0	0.0	1.1
Retail (Shopping Centres, Regional Malls)	7,074,400	7.3	5.5	0.0	12.9
Other Retail	3,783,193	3.4	2.4	0.0	5.7
ndustrial	9,954,760	4.5	4.4	0.0	8.9
otal	37,868,040	7.0	4.7	0.1	11.9
Ref: GRI 302-1, 302-3				1 5 8 4	

The following table summarizes MELLON's energy use intensity for 2020.

3.1 Disclosures

The following table summarizes data coverage, i.e. the percentage floor area for which utility data is reported for each asset class. In cases where MELLON reports landlord-paid utilities but does not have access to tenant-paid utility data, 'partial' data coverage is reported.

Table 6: Energy Data Coverage by Asset Class

	Data Coverag	ge (% of GLA)
Asset Class	MELLON-paid accounts	Partial or Complete
Office	100.0%	85.3%
Residential (Apartments)	100.0%	80.6%
Retail (Shopping Centres, Regional Malls)	100.0%	73.0%
Other Retail		





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H&R's like-for-like electricity use decreased by 9% in 2020 compared to 2019; equivalent to the electricity use of 2,920 single-family homes in Ontario⁷.



Total	100.0%	65.1%
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Ref: IF-RE-130a.1

The following table summarizes the like-for-like percentage change in energy use and intensity for MELLON's properties for which data was available for 2019 and 2020 (65% of the portfolio's GLA). Overall like-for-like electricity use decreased by 9% and overall utility use (all utility types) decreased by 8.4%.

A primary reason for the significant decrease in energy use in 2020 is the reduced number of occupants in office and retail properties during the pandemic.

Table 7: Like-for-like Percentage Change in Energy Use and Intensity by Asset Class

Asset Class	Data		20	19	20	020	Difference
	Coverage Partial	Effective GLA (ft²)	Energy (ekWh)	Intensity (ekWh/ft²)	Energy (ekWh)	Intensity (e kWh/ft²)	
Office	85.3%	8,501,371	265,928,706	31.3	240, 108, 222	28.2	-9.7%
Residential (Apartments)	80.6%	6,401,683	8,829,656	1.4	7,832,676	1.2	-11.3%
Retail (Shopping Centres Regional Malls)	, 73.0%	5,165,326	102,683,900	19.9	91,010,607	17.6	- 11.4%
	45.4%	1,905,844	23,232,915	12.2	21,619,265	11.3	
	'	,		'	1	,	
	65.1%	26,484,771	490,841, 185	18.5	449,416,083	17.0	

3.2 Disclosure Notes - GRI

302-1 Energy consumption within the organization

a. Total fuel consumption within the organization from non-renewable sources, in joules or multiples, and including fuel types used.

See Table 4; energy is reported in equivalent kilowatt hours (ekWh).

b. Total fuel consumption within the organization from renewable sources, in joules or multiples, and including fuel types used.

. There were no renewable fuel purchases/consumption in 2019 or 2020.

- c. In joules, watt-hours or multiples, the total:
 - i. electricity consumption ii. heating

consumption Not applicable iii. cooling

consumption iv. steam consumption

. See Table 4; energy is reported in equivalent kilowatt hours (ekWh).



302-3 Energy intensity

a. Energy intensity ratio for the organization. - See Table 5.

. Square feet of Gross Leasable Area (GLA) is the denominator for intensity calculations.

c. Types of energy included in the intensity ratio; whether fuel, electricity, heating,

3.3 Disclosure Notes – SASB

IF-RE-130a.1.

Energy consumption data coverage as a percentage of total floor area, by property subsector.

See Table 6.

electricity sold

iv. steam sold

. There were no energy sales in 2019 or 2020.

Total energy consumption within the organization, in joules or multiples.
 See Table 4; energy is reported in equivalent kilowatt hours (ekWh).

Utility use is reported for 100% of MELLON-paid utility accounts, with the exception of vacant-unit accounts that MELLON pays intermittently. Additionally, utility use is

reported for properties required to report to mandatory energy benchmarking programs, e.g. in Ontario and New York City.

Complete data coverage is reported for properties where MELLON pays the utility bills for the total energy use of a property, which is the case at most office properties, as for properties required to report to mandatory energy benchmarking programs.

cooling, steam, or all.

Heating fuel, electricity, steam, and Deep Lake Water Cooling are reported where data is available to H&R. In some cases where utilities are billed to tenants, data is not available to H&R. These utilities are considered outside of H&R'scontrol.

d. Whether the ratio uses energy consumption within the organization, outside of it, or both.

Energy use within buildings owned by H&R is included in intensity figures.

- Partial data coverage is reported for properties where MELLON pays the utility bills for base building consumption. This is the case for most residential and retail properties
- No data coverage is reported for properties where tenants pay all utility bills and are not required to report to mandatory energy benchmarking

IF-RE-130a.2.

- 1) Total energy consumed by portfolio area with data coverage,
 - See Table 7.
- 2) percentage grid electricity, and
 - See Table 7.

programs as data is proprietary to tenants.

- 3) percentage renewable, by property subsector
 - See Table 7. Renewable Energy Credits (RECs) were not purchased for 2020.

IF-RE-130a.3.

Like-for-like percentage change in energy consumption for the portfolio area with data coverage, by property subsector.

 See Table 7. Like-for-like savings are reported for properties with full or partial data coverage (whole building or base building coverage) for both 2019 and 2020: 65.1% of portfolio floor area.



4.1 Disclosures

The following table summarizes MELLON's water use and data coverage for 2020.

				Data C	overage
	GLA (ft ²)	Water Use (m³)		MELLON- paid accounts	Pa i l or Complete
	9,967,476	376,733	37.8	100.0%	
	7,088,212	1,035,567	146.1	100.0%	
Retail (Shopping Centres, Regional Malls)	7,074,400	230,013	32.5	100.0%	71.9%

Table 8: 2020 Water Use and Data Coverage by Asset Class and Scope

Other Retail	3,783,193	75,708	20.0	100.0%	46.8%
Industrial	9,954,760	108,474	10.9	100.0%	45.3%
Total	37,868,040	1,826,496	48.2	100.0%	69.2%

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MELLON's like-for-like water use decreased by 9.6% in 2020 compared to 2019; equivalent to the annual household water use of 1,398 people⁸.





4.0 Water Use

Asset Class	Data Coverage - Partial	Effective GLA (ft²)	2019		2020		
			Water Use (m³)	Intensity (I/ft²)	Water Use (m³)	Intensity (I/ft²)	Difference
Office	84.8%	8,501,371	517,093	60.82	376,733	44.31	-27.1%
Residential (Apartments)	90.3%	6,401,683	1,015,230	158.59	1,035,567	161.76	2.0%
Retail (Shopping Centres, Regional Malls)	71.9%	5, 165, 326	302,424	58.55	230,013	44.53	-23.9%
Other Retail	46.8%	1,905,844	83,566	43.85	75,708	39.72	-9.4%
Industrial	45.3%	4,510,547	101,350	22.47	108,474	24.05	7.0%
Total	69.2%	26,484,771	2,019,662	76.26	1,826,496	68.96	-9.6%

The following table summarizes the like-for-like percentage change in water use and intensity for MELLON's properties for which data was available for 2019 and 2020 (69% of the portfolio's

GLA) . A primary reason for the significant decrease in water use in 2 0 2 0 $% \left(1 \right) = 0$ is the reduced

number of occupants in office and retail properties during the pandemic.

Table 9: Like-for-like Percentage Change in Water and Intensity by Asset Class

4.0 Water Use



4.0 Water Use

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303-3 Water withdrawal

- a. Total **water withdrawal** from all areas in megaliters, and a breakdown of this total by the following sources, if applicable:
 - i. Surface water; ii.

Groundwater; iii.

Seawater; iv.

Produced water;

- v. Third-party water.
 - . See Table 8. Water is sourced from municipal suppliers (third-party water).
- b. Total water withdrawal from all areas with **water stress** in megaliters, and a breakdown of this total by the following sources, if applicable:
 - Not reported.
 - ii. Other water (>1,000 mg/L Total Dissolved Solids).
 - Not applicable.
- d. Any contextual information necessary to understand how the data have been compiled, such as any standards, methodologies, and assumptions used.
 - See GRI 305-1/2/3 g

- c. A breakdown of total water withdrawal from each of the sources listed in Disclosures 303-3-a and 303-3-b in megaliters by the following categories: i. Freshwater (≤1,000 mg/L Total Dissolved Solids);
 - See Table 8.

4.3 Disclosure Notes - SASB

IF-RE-140a.1.

Water withdrawal data coverage as a percentage of:

- 1) total floor area
 - . See Table 8.
 - See Disclosure notes for IF-RE-130a.1.
 - . In some cases, water use at Quebec properties is not reported as it is charged as part of property tax and is not metered by municipalities.

IF-RE-140a.2.

1) Total water withdrawn by portfolio area with data coverage

by property subsector

 See Table 9. Like-for-like savings are reported for properties with full or partial data coverage (whole building or base building coverage) for both 2019 and 2020: 69.2% of portfolio floor area. . See Table 8.

IF-RE-140a.3.

Like-for-like percentage change in water withdrawn for portfolio area with data coverage,

