

Second-Party Opinion

American Campus Communities Green Loan Framework

Evaluation Summary

Sustainalytics is of the opinion that the American Campus Communities Green Loan Framework is credible and impactful and aligns with the four core components of the Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds, Green Buildings, is aligned with those recognized by the Green Loan Principles. Sustainalytics considers that investments in the eligible category will lead to positive environmental impact and advance the UN Sustainable Development Goals, specifically SDG 11.



PROJECT EVALUATION AND SELECTION American Campus Communities has selected the eligible green project in accordance with the criteria outlined under the Green Loan Framework and has evaluated the characteristics of the project against benchmarks and industry practices applicable to the design, construction and completion of green buildings. American Campus Communities' subject matter experts have evaluated the environmental and social risks associated with the project and implemented related mitigating measures. Moreover, American Campus Communities will provide an Independent Engineer Report to the lenders prior to the loan closing date, which will identify the project's environmental and social risks in compliance with the Equator Principles. Sustainalytics considers this process to be in line with market practice.



MANAGEMENT OF PROCEEDS American Campus Communities will be responsible for tracking and managing the use of loan proceeds, which will be allocated exclusively to finance or refinance the eligible project with no flexibility for reallocation. American Campus Communities has communicated to Sustainalytics that it will allocate proceeds to the eligible project with each disbursement of the loan in accordance with the relevant credit agreement. As a result, there will be no balance of unallocated funds to be invested temporarily. Sustainalytics considers this to be in line with market practice.



REPORTING American Campus Communities commits to reporting on the allocation of loan proceeds and the corresponding environmental impact in quantitative and qualitative terms to its lenders on an annual basis during the term of the credit agreement. Sustainalytics views the allocation and impact reporting as aligned with market practice.



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Introduction

American Campus Communities (“ACC”, the “Company”, or the “Borrower”) is an equity real estate investment trust that is involved in the design, finance, development, construction and operational management of student housing communities in the United States. As of December 2021, the Company owned 166 student housing properties and had a portfolio of 203 owned and third-party managed properties in the country.¹

ACC has developed the American Campus Communities Green Loan Framework (the “Framework”) under which it intends to obtain green loans and use the proceeds to finance or refinance, in whole or in part, the costs associated with the development of a graduate student housing community, Albany Village, for the University of California, Berkeley (the “Eligible Project”). The Framework defines eligibility criteria in one area: Green Buildings.

ACC engaged Sustainalytics to review the Green Loan Framework, received in October 2022,² and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Loan Principles 2021 (GLP).³ The Framework will be a schedule to the relevant credit agreement and provided directly to lenders.

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ 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 Loan Principles 2021, 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 1.12, 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 ACC’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. ACC representatives have confirmed (1) they understand it is the sole responsibility of ACC to ensure that the information provided is complete, accurate or 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.

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

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 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. Upon twenty-four (24) months following the evaluation date set stated

¹ ACC, “American Campus Communities Named One of America’s Most Trusted Companies”, at:

<https://www.americancampus.com/about-us/media/american-campus-communities-named-one-of-america-s-most-trusted-companies-by-newsweek>

² The final version of the Framework will be dated on the closing date of the transaction.

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 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.

herein, ACC is encouraged to update the Framework, 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 realized allocation of the 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 ACC has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Green Loan Framework

Sustainalytics is of the opinion that the American Campus Communities Green Loan Framework is credible and impactful and aligns with the four core components of the GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible category, namely Green Buildings, is aligned with those recognized by the GLP.
 - ACC intends to finance or refinance project costs related to the development of graduate student housing for the University of California, Berkeley. The Eligible Project will be LEED Gold⁵ certified. Sustainalytics has conducted an evaluation of this certification scheme and considers it to be robust and the selected level to be impactful.
- Project Evaluation and Selection:
 - ACC has selected and evaluated the characteristics of the Eligible Project against benchmarks and industry practices applicable to the design, construction and completion of green buildings.
 - Subject matter experts at the Company have evaluated the environmental and social risks associated with the project and have confirmed that related mitigating measures have been implemented.
 - Moreover, ACC has also committed to providing an Independent Engineer Report to lenders prior to the loan closing date, which identifies the project's environmental and social risks in compliance with the Equator Principles.⁶
 - Based on the risk management procedures as well as the exclusive use of proceeds to finance a single pre-identified project, Sustainalytics views this process to be in line with market practice.
- Management of Proceeds:
 - ACC will be responsible for tracking and managing the use of loan proceeds, which will be allocated exclusively to finance or refinance the Eligible Project with no flexibility for reallocation.
 - The Company has communicated to Sustainalytics that it will allocate proceeds to the Eligible Project after each disbursement of the loan in accordance with the relevant credit agreement. As a result, there will be no balance of unallocated funds to be invested temporarily.
 - Based on the commitment to allocate proceeds immediately after each disbursement, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - ACC has committed to reporting on the allocation of loan proceeds and the corresponding environmental impact in quantitative and qualitative terms to its lenders on an annual basis during the term of the credit agreement.
 - Based on these commitments to impact and allocation reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Loan Principles 2021

Sustainalytics has determined that the Framework aligns with the four core components of the GLP.

⁵ LEED: <https://www.usgbc.org/leed>

⁶ The Equator Principles, "Equator Principles", (2020), at: https://equator-principles.com/app/uploads/The-Equator-Principles_EP4_July2020.pdf

Section 2: Sustainability Strategy of ACC

Contribution to ACC's sustainability strategy

Sustainalytics is of the opinion that ACC demonstrates a commitment to sustainability through the implementation of its ESG strategy, which focuses on "making a positive, measurable impact". ACC's ESG Task Force oversees the Company's sustainability strategy, manages ESG initiatives and reports directly to the chief purpose and inclusion officer, executive team and board of directors. Furthermore, the Company has two key policies that support its strategy: i) an environmental policy; and ii) an energy procurement policy.⁷

ACC's Environmental Policy centres around resource management and energy conservation and aims to introduce actions to reduce the Company's GHG emissions.⁸ Under this policy, ACC has implemented an Environmental Management System,⁹ which incorporates sustainable building materials and the effective use of energy, heat and water in its portfolio of property investments and performs a climate risk analysis for its investments. The Company also employs a utility expense management (UEM) platform that helps capture and track energy and water consumption data and subsequently identifies opportunities to improve energy efficiency and reduce water usage across its properties. ACC will be able to report on its GHG emissions through UEM, and the Company will use the data to inform future targets.¹⁰

Under its Energy Procurement Policy, ACC focuses on identifying opportunities to scale up the use of renewable energy across its portfolio of properties. This focus has resulted in an increase in the Company's renewable energy consumption from 10.4 million kWh in 2021 to more than 14 million kWh in 2022. Other investments made under these policies that demonstrate ACC's commitment to sustainability include the installation of LED lighting across more than 95% of the Company-owned student housing properties, water-saving plumbing retrofits that have resulted in nearly 177 million gallons of annual water saving and the installation of thermostats in buildings to reduce more than 575,000 kWh of electricity in a year. ACC is also committed to integrating the LEED framework into its buildings portfolio and has achieved LEED certification across 39 projects, including 24 that are LEED Gold or Platinum certified.¹¹

Sustainalytics is of the opinion that the Framework is aligned with the Company's overall sustainability goals and initiatives and will further the Company's action on its key environmental priorities. Sustainalytics notes that ACC is in the process of establishing quantifiable, time-bound targets and encourages the Company to publicly disclose them when available and report on its progress towards meeting them.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards the Eligible Project, which is expected to have positive environmental impact. However, Sustainalytics is aware that such financing could also lead to negative environmental and social outcomes. Some key environmental and social risks commonly associated with the Eligible Project could include issues related to land use and biodiversity risks associated with large-scale infrastructure development; waste generated during construction; community relations; and occupational health and safety.

Sustainalytics is of the opinion that ACC is able to manage or mitigate potential risks through the implementation of the following:

- To address land use and biodiversity issues, ACC employs an environmental due diligence process which includes engaging external consultants to verify compliance of acquired properties with environmental regulations and identify climate improvements, including opportunities for reducing the carbon footprint of the properties.¹²
- Regarding waste generated during construction, Sustainalytics notes that the Eligible Project to be financed under the Framework is based in the US, where federal regulations under the Resource Conservation and Recovery Act guide the management of hazardous and non-hazardous waste.¹³ The Eligible Project is also subject to applicable regulations related to waste management under the State of California. Additionally, Sustainalytics notes that the project will be built as per LEED Gold standards, which ensure the implementation of processes that reduce waste generated during construction activities.

⁷ ACC, "ACC Environmental, Social & Governance Update 2021", at: https://esg.americancampus.com/pdfs/acc_esg_2021_full.pdf

⁸ Ibid

⁹ ACC, "Environmental Management System", at: <https://www.americancampus.com/getmedia/0fc369c0-c19b-4fa7-91ff-1e2f69db0198/ACC-EMS.pdf>

¹⁰ ACC, "ACC Environmental, Social & Governance Update 2021", at: https://esg.americancampus.com/pdfs/acc_esg_2021_full.pdf

¹¹ Ibid.

¹² ACC, "ACC Environmental, Social & Governance Update 2021", at: https://esg.americancampus.com/pdfs/American_Campus_Communities_esg_2021_full.pdf

¹³ US Environmental Protection Agency, "Regulatory Information by Topic: Waste", at: <https://www.epa.gov/regulatory-information-topic/regulatory-and-guidance-information-topic-waste>

- Regarding occupational health and safety, ACC has a Health and Safety Plan that lays out the safety-related work practices for its team members, contractors and subcontractors.¹⁴ This plan also includes safety training for stakeholders and requires them to report hazards and unsafe work conditions. Additionally, ACC also requires contractors and subcontractors to comply with safety rules and procedures under its service contract agreements.¹⁵ ACC operates in the US, where the Occupational Safety and Health Act of 1970 requires employers to provide employees with safe and healthy working environments.¹⁶
- ACC has adopted as Code of Business Conduct and Ethics,¹⁷ which mandates ethical behaviour among its employees regarding conflicts of interest, fraud or theft, fair dealing, confidentiality of the information and anti-competitive practices.
- Sustainalytics also notes that the activity financed under the Framework is based in the US, which is recognized under the Equator Principles as a Designated Country, indicating the presence of robust environmental and social governance legislation systems and institutional capacity to ensure mitigation of common environmental and social risks.¹⁸

Based on these policies, standards and assessments, Sustainalytics is of the opinion that ACC has implemented adequate measures and is well-positioned to manage or mitigate environmental and social risks commonly associated with the eligible category.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized by the GLP. Sustainalytics defines below how this category could generate positive environmental impact and is relevant in the local context.

Importance of green buildings in the US

According to the Global Alliance for Buildings and Construction, the global building sector's energy consumption significantly contributes to total GHG emissions, accounting for 37% of total energy-related CO₂ emissions.¹⁹ In the US, buildings were responsible for 39% of the country's primary energy consumption, with the residential and commercial building sectors representing 18% and 21% of energy consumption, respectively, in 2021.²⁰ In order to achieve energy innovation in the building sector, the US Department of Energy (DOE) has designed the Better Buildings Initiative to encourage public and private organizations to improve the energy efficiency of their portfolios through a series of programmes and partnerships.^{21,22}

Under its Nationally Determined Contribution to the UN Framework Convention on Climate Change, the US has committed to reducing the country's GHG emissions by 50-52% by 2030 versus a 2005 baseline and achieving carbon neutrality by 2050.²³ As part of this commitment to reduce GHG emissions, the US federal government announced the Climate Smart Buildings Initiative in August 2021, which aims to bring in more than USD 8 billion of private sector investments in energy efficiency projects and achieve up to 2.8 million tonnes of GHG emission reductions annually by 2030.²⁴ Under this initiative, the DOE will also award up to USD 250 million in funding to accelerate building upgrades,²⁵ with USD 82.6 million awarded for energy improvement retrofits in buildings in August 2021 and USD 32 million in March 2022.^{26,27} Furthermore, the White House

¹⁴ ACC, "ACC Environmental, Social & Governance Update 2021", at: https://esg.americancampus.com/pdfs/American_Campus_Communities_esg_2021_full.pdf

¹⁵ Ibid.

¹⁶ US Department of Labor, "Occupational Safety and Health Act of 1970", at: <https://www.osha.gov/laws-regs/oshact/toc>

¹⁷ ACC, "Code of Conduct", (2019) at: https://s21.q4cdn.com/407815868/files/doc_downloads/governance/Code-of-Business-Conduct-and-Ethics.pdf

¹⁸ Equator Principles, "Designated & Non-Designated Countries", (2022) at: <https://equator-principles.com/about-the-equator-principles/designated-countries/>

¹⁹ Global Alliance for Buildings and Construction, "2021 Global Status Report for Buildings and Construction", (2021), at: https://globalabc.org/sites/default/files/2021-10/GABC_Buildings-GSR-2021_BOOK.pdf

²⁰ U.S. Energy Information Administration, "How much energy is consumed in U.S. building?", (2022), at:

<https://www.eia.gov/tools/faqs/faq.php?id=86&t=1>

²¹ US Department of Energy, "Better Buildings Initiative", at: <https://betterbuildingssolutioncenter.energy.gov/>

²² US Department of Energy, "Better Buildings Programs & Partners", at: <https://betterbuildingssolutioncenter.energy.gov/partnerships>

²³ US Department of Energy, "U.S. Nationally Determined Contribution", (2021), at: <https://www.energy.gov/policy/articles/us-nationally-determined-contribution>

²⁴ The White House, "FACT SHEET: White House Takes Action on Climate by Accelerating Energy Efficiency Projects Across Federal Government", (2022), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/03/fact-sheet-white-house-takes-action-on-climate-by-accelerating-energy-efficiency-projects-across-federal-government/>

²⁵ Ibid.

²⁶ US Department of Energy, at: "DOE Announces Nearly \$83 Million to Increase Building Energy Efficiency and Cut Consumers' Energy Bills", (2021), at: <https://www.energy.gov/articles/doe-announces-nearly-83-million-increase-building-energy-efficiency-and-cut-consumers>

²⁷ US Department of Energy, "DOE Awards \$32 Million to Accelerate Next-Generation Building Upgrades", (2022), at: <https://www.energy.gov/articles/doe-awards-32-million-accelerate-next-generation-building-upgrades>

announced in 2021 the launch of the Building Performance Standards Coalition in part to support energy efficient buildings.²⁸

Based on the above, Sustainalytics is of the opinion that the Eligible Project financed under the Framework has the potential to contribute to reducing emissions from the built environment and to the country's national GHG emission reduction targets.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the UN General Assembly and form part of an agenda for achieving sustainable development by 2030. The financing instruments issued under the American Campus Communities' Green Loan Framework are expected to help advance the following SDG and target:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated, and sustainable human settlement planning and management in all countries

Conclusion

American Campus Communities has developed the American Campus Communities Green Loan Framework, under which it intends to obtain green loans and use the proceeds to finance or refinance, in whole or in part, the costs associated with the development of a graduate student housing community, Albany Village, for the University of California, Berkeley. Sustainalytics considers that the project funded by the loan proceeds is expected to create 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 proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Company, and the green use of proceeds category will contribute to the advancement of the UN Sustainable Development Goal 11. Additionally, Sustainalytics is of the opinion that ACC has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible project funded by the proceeds.

Based on the above, Sustainalytics is confident that ACC is well positioned to obtain green loans, and that the Framework is robust, transparent and in alignment with the four core components of the Green Loan Principles 2021.

²⁸ The White House, "FACT SHEET: Biden-Harris Administration Launches Coalition of States and Local Governments to Strengthen Building Performance Standards", (2022) at: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/01/21/fact-sheet-biden-harris-administration-launches-coalition-of-states-and-local-governments-to-strengthen-building-performance-standards/>

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